

## MEMORANDUM

**To:** Lina Velasco, Community Development Director  
City of Richmond

**From:** David Shiver, Principal  
Kathleen Diohep, Vice President

**Date:** June 29, 2020

**Re:** Peer Review of Winehaven Prepared Fiscal Impact Analysis for  
Proposed Point Molate Mixed-Use Development Project

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As part of the project review package for their proposed reuse and redevelopment of Point Molate (the “Project”), Winehaven Legacy LLC (“Winehaven”) submitted a projection of how the Project’s development will impact the City of Richmond (“City”) General Fund costs and revenues. To support the City’s decision-making, Analytical Environmental Services, Inc., on behalf of the City, engaged BAE Urban Economics, Inc. (“BAE”) to undertake the following tasks regarding the fiscal impacts of the Project:

- Peer review of the *Richmond Point Molate Fiscal and Economic Impact Analysis*, prepared for Winehaven by Economic Planning Systems, Inc. (“EPS”) submitted on June 17, 2020 (the “Winehaven FIA”). Key tables from the Winehaven FIA are included in Appendix A.
- Preparation of a Memorandum Re: Police and Fire Costs for Point Molate, dated June 15, 2020, including an estimate of the annual staffing and equipment costs for police and fire services at Point Molate. BAE collaborated with City staff to formulate these costs and provided these assumptions to EPS for their analysis and incorporation into their FIA. This memorandum is provided in Appendix B.
- Presentation of the FIA findings to inform the City’s decision-making on the Project and to recommend transaction terms for the proposed disposition and development agreement with Winehaven to ensure that the Project at a minimum is fiscally neutral to the City.
- Peer review of the *Point Molate Fiscal Analysis*, prepared in 2018 by Hatch Ltd. for the Sierra Club (“Hatch FIA”).

## Executive Summary

### *Point Molate Project*

Winehaven’s proposed Project is a mixed-use development with 1,452 housing units and approximately 450,000 square feet of nonresidential uses. The developer has indicated that the Project will be completed in phases, with the first phase comprised of 920 residential units (“Phase 1”). The DSEIR and the Winehaven FIA also analyze two additional scenarios, “Residential Heavy” with 2,040 units and “Commercial Heavy” with 1,260 units. Table 1 summarizes the General Fund fiscal impact for these three scenarios. This memo focuses on the fiscal impacts of the proposed Project.

**Table 1 Winehaven Fiscal Impact Analysis, (2019 dollars)**

	<u>Proposed Project</u>	<u>Residential Heavy</u>	<u>Commercial Heavy</u>
<b>Development Program</b>			
Housing Units	1,452	2,040	1,260
Historic Rehabilitation Non Residential Sq.Ft.	372,580	20,000	374,572
New Construction Non Residential Sq.Ft.	81,194	35,000	265,000
<b>Phase 1 – 920 Units All Scenarios</b>			
General Fund Revenues	\$7,121,600	\$6,962,600	\$6,962,600
General Fund Expenditures	\$5,672,000	\$5,672,000	\$5,672,000
<b>Net Fiscal Benefit</b>	<b>\$1,449,600</b>	<b>\$1,290,600</b>	<b>\$1,290,600</b>
<b>Build-Out</b>			
General Fund Revenues	\$12,783,900	\$15,258,100	\$10,893,900
General Fund Expenditures	\$6,018,200	\$6,224,300	\$5,938,500
<b>Net Fiscal Benefit</b>	<b>\$6,765,700</b>	<b>\$9,033,800</b>	<b>\$4,955,400</b>

Source: Tables 1A, 1B, 1C, All Attachments, Table A-2, EPS, 2020; BAE, 2020.

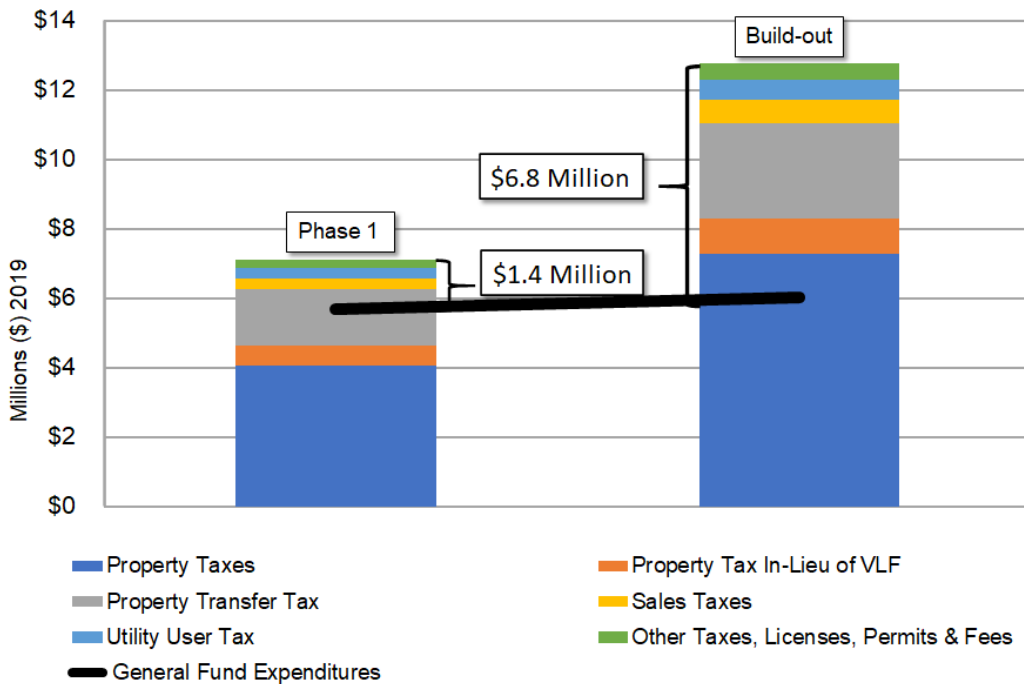
### *FIA Methodology and Approach*

The FIA uses projected real estate values, estimated new sales taxes from new residents and the commercial development, the City of Richmond’s tax rate structure and its fiscal year 2019/20 budget, and as well as input from the City’s Police and Fire chiefs to estimate impact of the Project on the City’s General Fund. The Winehaven FIA presents fiscal impact at two development milestones: Phase 1 and full buildout. All values are expressed in 2019 dollars.

### *Key FIA Findings – Ongoing General Fund Revenues and Expenses*

After a careful review of the Winehaven FIA, BAE concurs with its finding that the Project will be fiscally positive to the City of Richmond. Upon completion of Phase 1 on an annual basis net, the Project is estimated to generate tax revenues after municipal expenses of approximately \$1.4 million. At buildout of the Project, the benefit increases to \$6.8 million a year, as shown in Table 1 and Figure 1. For context, \$6.8 million is four percent of the City’s fiscal year 2019/20 General Fund total budget of \$176 million.

**Figure 1: Summary of Annual Fiscal Impacts (2019 dollars)**



Sources: Table 2C. EPS 2020: BAE 2020

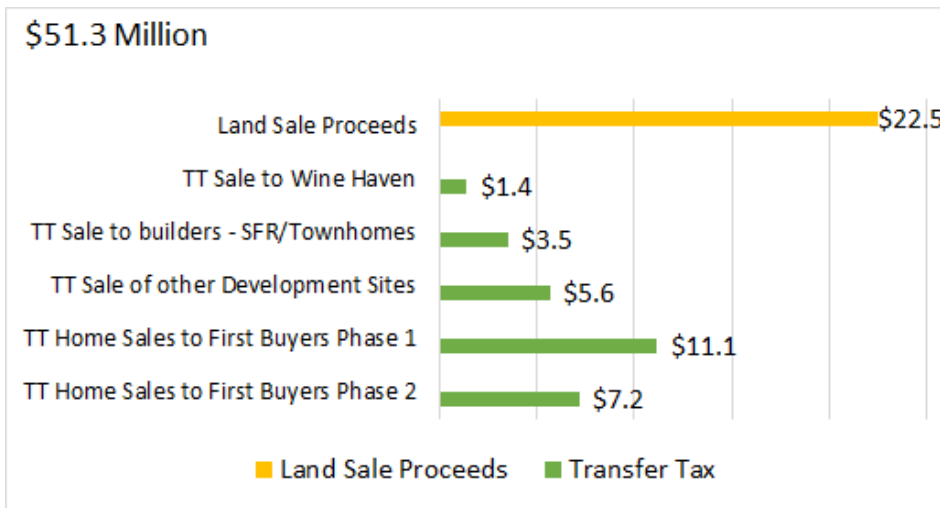
**Key FIA Findings – One-time General Fund Revenues**

In addition to on-going tax revenues, the development of Point Molate would provide one-time revenues to the City from the land sale proceeds, \$22.5 million (half of the \$45 million sales price) and the real estate transfer taxes as the Project is built out over the next seven to nine years, as shown in Figure 2. The property transfer taxes are estimated to total \$29 million over the development and initial sale period<sup>1</sup> which will take at a minimum seven years and could be longer if the project takes multiple real estate cycles to develop.

The land sale and transfer tax revenues are unrestricted General Fund revenues that can be used as determined by policy makers. Totalling \$51 million, these one-time revenues would be as significant to the City as the on-going additional tax revenues. As the timing of the transfer taxes on new home sales is irregular and will end when the Project is sold out (other than with respect to re-sales of existing homes and commercial units), the City should take care to not depend on these revenue streams for long-term, ongoing budget requirements

<sup>1</sup> Property transfer tax revenue is counted as 'one-time' revenue upon (i) the initial sale of the property to Winehaven; (ii) Winehaven's subsequent sale of parcels to third party developers; (iii) and a unit's initial sale by the developer to buyer, and as 'ongoing revenue' upon subsequent resales.

**Figure 2 One-Time General Fund Revenues, (2019 dollars)**



Source: Table 6C and Attachment 3, Table D-2 EPS 2020; BAE, 2020.

***BAE FIA Peer Review Findings***

BAE reviewed the Winehaven FIA and found that it properly applied industry standard methodologies and, overall, represents a reasonable projection of the fiscal impacts of the Project. The most significant new ongoing service costs are public safety costs. BAE conferred with the Police and Fire chiefs and identified the staffing needed for new station and police beat at Point Molate that at full staffing would cost approximately \$5.2 million once the new substation is built and occupied.

This cost, which represents over 90 percent of the incremental General Fund expenses associated with the Project, was incorporated into the Winehaven FIA assumptions regarding ongoing City expenses. Note that the City currently provides public safety services for this area, but as development proceeds, response times dictate that the Project include on-site police and fire services to serve new workers, residents, and visitors at the site. The Winehaven FIA assumes only incremental changes in the General Fund costs of non-public safety functions with the Point Molate build-out which is a standard approach utilized in fiscal impact studies.

***FIA Peer Review Limiting Conditions***

BAE's concurrence with the Winehaven FIA's finding that the Project will have a net positive impact on the General Fund is based upon assumptions about the terms and conditions of: (i) the disposition and development agreement between the City and Winehaven (the "DDA"), and (ii) the statutory development agreement between the City and Winehaven, as follows:

- Following the land sale, all ongoing caretaker and maintenance costs associated with Point Molate will be the developer's responsibility.

- All capital costs of the Project, including parks and open space, backbone and in-tract infrastructure, and construction, equipping, and furnishing of the public safety building will be paid for by the developer or subsequent home builders, multifamily and/or commercial developers.
- On-going maintenance of the open space and parks areas and of on-site infrastructure will be paid for by assessments on the Project development, excepting that no such assessment will be through a Lighting and Landscaping Maintenance District mechanism. The only additional infrastructure costs to be paid for by the General Fund are the maintenance of the rebuilt Stenmark Drive and the maintenance of the new public safety building.
- Any assessment districts to recover capital or on-going costs will not require contributions from the General Fund for administration costs or assessed on City-owned facilities or park lands.
- City permitting fees, building permit fees, and impact fees will cover all relevant Project related costs so that the General Fund is not impacted.

***Key FIA Assumptions***

The driving economic assumption for the analysis is the value of the for-sale homes. Of the 1,452 units, 1,160 units, 80 percent of the total, are assumed to be for-sale single family homes, townhomes or condos with an average sales price of \$1,263,000. Taxes based on the residential sales value account for 88 percent of tax revenue at the completion of 920 homes and 80 percent of the tax revenue at buildout. As such, the assumption about the home price is the critical assumption in the Winehaven FIA.

While Winehaven has not provided a market study to substantiate these values, BAE notes that Point Molate has an extraordinary setting and is of the opinion that Winehaven’s plan can achieve a strong market value once a sufficient scale of development occurs. Although BAE was not scoped to undertake market research as part of this peer review, BAE independently identified a comparable residential, currently for-sale project in nearby Point Richmond, Waterline Place by Shea Homes, where home prices range between approximately \$900,000 and \$1.6 million. The Point Molate location is superior to Waterline Place which is adjacent to a large field of uncovered automobile storage parking associated with the Port of Richmond. BAE also reviewed recent sales of existing homes at Point Richmond and the average price for homes over 1,200 square feet sold between June 2018 and May 2020 was \$1.1 million. Notwithstanding the foregoing, if the special assessment burden for Point Molate homes is above what homebuyers typically pay, it could reduce the home value realized. In recognition of this dynamic, the Winehaven FIA included an analysis of the impact of lower home values.

### ***FIA Stress Test***

As part of its peer review, BAE tested reducing home prices by ten percent and removing tax revenues from the commercial development, using the information provided in the Winehaven FIA. The Point Molate location is a challenging location for commercial uses, making the market demand for non-residential uses less evident than for residential. Table 2 below combines the impact of 10 percent lower for-sale home values and no tax revenue from commercial uses. This sensitivity analysis ‘stress tests’ the fundamental Winehaven FIA finding that the Project is beneficial to the General Fund with annual tax revenues exceeding the increases in costs to provide services to Point Molate. With these two changes, the Project net fiscal benefit is \$832,000 after 920 units and generates \$4.6 million a year with the build out of 1,452 units, as shown in Table 2.

**Table 2: Fiscal Impact Sensitivity Tests (2019 dollars)**

	<u>Phase 1</u>	<u>Build Out</u>
<b><u>Base Case Winehaven FIA Analysis</u></b>		
General Fund Revenues	\$7,121,600	\$12,783,900
General Fund Expenditures	<u>\$5,672,000</u>	<u>\$6,018,200</u>
<b>Net Fiscal Benefit</b>	<b>\$1,449,600</b>	<b>\$6,765,700</b>
Reduction 10% Lower Home Values (a)	(\$617,400)	(\$1,005,500)
Remove Non-Residential Tax Revenue (b)	<u>\$0</u>	<u>(\$1,141,000)</u>
<b>Net Fiscal Benefit</b>	<b>\$832,200</b>	<b>\$4,619,200</b>

Source: Table 5C EPS, 2020; BAE, 2020.

Notes:

(a) Sensitivity results included in the Winehaven FIA.

(b) All tax revenues associated with nonresidential uses are removed but the expenditures are not adjusted. Lower tax revenues could be due to non-profit use, conversion to parking uses, or vacancy that would still require City costs

### ***Peer Review of Hatch FIA***

The Hatch FIA found that a development of 1,200 homes and no commercial uses would not be fiscally positive (an annual \$2.4 million fiscal deficit assuming an average sales price of \$900,000). Hatch presents a ten-year analysis representing all units built and sold in the first year, which compares the first year, one-time transfer taxes from home sales to following years of General Fund deficits. Notably, it excludes land sale proceeds from the analysis.

BAE reviewed the Hatch FIA and has found that while the analysis provides a number of valid observations regarding the economic interplay between home prices and overall tax and HOA burdens as well as income required to purchase a residence at Point Molate, overall, the analysis is deficient and does not accurately estimate the fiscal impact of the Project. The following observations support this finding:

- The Hatch FIA does not include any backup documentation or detailed revenue and expense estimates with an explanatory narrative.
- As the value was not known at the time, Hatch does not evaluate the benefit to the City of the land sales proceeds and transfer taxes from land sales to Winehaven and subsequent developers.
- The assumed average home prices between \$600,000 and \$900,000 are likely significantly lower than the prices that will ultimately be realized by the Project.
- The analysis omits potential sales tax revenues and the Pension Override ad valorem property tax as General Fund revenues sources.
- The Hatch FIA uses a simple average cost approach to estimating General Fund expenditures which likely overstates costs for service categories that have a high proportion of fixed costs.

## **Project Description**

The FIA analyzes Winehaven's proposed Project as of May 2020 that is comprised of 1,452 residential units and over 450,000 square feet of non-residential uses predominately in existing historic buildings. To forecast tax revenue, the Winehaven FIA includes the mix of unit types, tenure, and property values as shown in Table 3.

Approximately 193 acres of the Point Molate Site would remain as open space recreational areas, parks, trails (including an approximately 1.5-mile portion of the San Francisco Bay Trail along the shoreline), vista overlooks, and other similar spaces that are open to the public. The Project also includes new roads to serve the development including widening Stenmark Drive from the site to I-580 Ramps, and construction of utility and infrastructure needed to support the proposed development. Winehaven would serve as the master developer undertaking the entitlement and design and then selling development-ready sites to the multi-family developers, homebuilders and commercial developers.

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**Table 3: Development Program**

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		<b>Assessed Value (AV)</b>	
	<b>Phase 1</b>	<b>Build Out</b>	<b>per DU or sq. ft (a)</b>
<b>Residential - For Sale Dwelling Units</b>			
Single Family Homes	185	185	\$1,400,000
Low-Rise Apartments and Townhomes	173	173	\$1,175,000
Mid-Rise Condominiums	343	802	\$1,250,000
<b>Subtotal / Average</b>	<b>701</b>	<b>1,160</b>	<b>\$1,262,737</b>
<b>Residential - For Rent Dwelling Units</b>			
Low-Rise Apartments and Townhomes	68	68	\$400,000
Mid-Rise Apartments	84	157	\$450,000
Affordable Housing (b)	67	67	\$0
<b>Subtotal / Average</b>	<b>219</b>	<b>292</b>	<b>\$434,889</b>
<b>Total Residential</b>	<b>920</b>	<b>1,452</b>	<b>\$1,128,249</b>
<b>Non-Residential Land Uses Building Square Feet</b>			
Restaurant/Retail Rehabilitation	0	20,000	\$300
Commercial Office/R&D Rehabilitation	0	352,580	\$350
Office New Construction	0	31,194	\$350
Restaurant/Retail New Construction	0	35,000	\$300
Public Use (c)	15,000	15,000	n/a
<b>Total Non-Residential</b>	<b>15,000</b>	<b>453,774</b>	<b>\$344</b>

Source: Attachment 3, Table A-3, EPS 2020; BAE, 2020.

Notes:

- a. Assessed values (AV) per unit or square foot are in 2019 dollars.
- b. Affordable housing is assumed to have no assessed value. Average AV excludes affordable units
- c. Public uses are excluded from average AV.

## Fiscal Impact Analysis

### Overview

New development brings increased demands on local government services and infrastructure, but also generates new revenues for local government through additional taxes and fees. A fiscal impact analysis describes a systematic approach to analysis of these increased expenditures and revenues in order to evaluate whether proposed new development would generate sufficient new fiscal revenues sufficient to cover new fiscal costs associated with provision of public services. The Winehaven FIA asks the question:

*Will the General Fund tax revenues generated by the Project be sufficient to cover the additional General Fund expenditures required to serve the new homes, commercial buildings and the residents and workers that occupy them?*

The Winehaven FIA does not address the question: “*Is the Project financially feasible for the real estate developer?*” Winehaven has undertaken its analysis of the site value and is



negotiating the purchase agreement for the site. Prior to the completion of the sale, the City will require demonstration that Winehaven has the capital to move forward with the Project. Each of the homebuilders and commercial developers that acquire development sites from Winehaven will undertake their own feasibility assessment. Fiscal impact studies do not typically address project financial feasibility.

### ***Approach and Methodology***

The Winehaven FIA is undertaken using current year cost and revenue estimates applied at two future points in time, once 920 units are developed (“Phase 1”) and at the buildout of the Project. No specific timeframe is assigned to those points in time. The underlying assumption is that the development will proceed when the Project is financially feasible – that is, anticipated revenues exceed the costs to develop, to the point where a market rate of return can be achieved by investors– and the developers are able to secure the needed capital to undertake the infrastructure investment. BAE anticipates that the development of the site could take at a minimum seven years<sup>2</sup> and potentially longer as large developments can require multiple business cycles to complete. As such, the Winehaven FIA’s approach to estimate the net fiscal impacts after the completion of Phase 1 as well as at the total Project completion is appropriate.

Accepted practice in fiscal impact analysis is to define a project’s service population as one hundred percent of incremental residents residing within the jurisdiction plus one half of the incremental employees who work within the jurisdiction. Calculating service population in this manner is intended to reflect that while local employment contributes to a jurisdiction’s daytime population, thereby increasing demands for governmental services, the residential population typically generates a larger share of demand for services and is located within the jurisdiction for a longer portion of each day. Some municipal revenues, such as utility user taxes, franchise fees, fines, and forfeitures, also generally increase as the service population increases. Where appropriate, the Project-specific real estate values and anticipated retail sales are used.

The Winehaven FIA uses standard fiscal analysis methodologies. For certain revenues or expenditures, the estimates are developed as case studies looking at the specifics of this Project. For other measures, the estimates are based on the projected demographics of the Project, with an anticipated new population of 3,878 people and 1,537 new jobs which represent 3.5 percent and 4.4 percent growth from the current city population and job numbers (Attachment 3, Table A2).

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<sup>2</sup> The Winehaven FIA, page 3, identifies a seven- to nine-year development period with Phase1 completed in the first four years.

### ***General Fund Revenues Formulas and Assumptions***

The Winehaven FIA utilizes the City's current tax rates to estimate revenues and makes assumptions regarding turnover rates of residential and commercial properties as well as regarding new household retail spending. The following is a summary of key revenue assumptions in the Winehaven FIA including citations to that document:

- Property taxes including the City's 28.5 percent share of the one percent property tax on assessed value (Attachment 3, Table B-3).
- Pension Tax Override tax of 0.14 percent of assessed value (Attachment 3, Table B-6).
- Property Tax in lieu of Vehicle License Fee is allocated to City based on assessed value (Attachment 3, Table B-3).
- Property Transfer Tax on property resales is estimated assuming that homes sell every seven years on average and nonresidential every fifteen years. Estimated using the City's tiered transfer tax structure:
  - Tax rate on sales price below \$1 million is 0.7 percent;
  - Tax rate for properties between \$1 million to \$3 million is 1.25 percent that is applied to the sales of the new homes;
  - Tax rate for properties between \$3 million to \$10 million is 2.5 percent that is applied to the sales from Winehaven to the merchant homebuilders;
  - Tax Rate for properties over \$10 million is 3.0 percent that is applied to the sale from the City to Winehaven of the site.
- Sales taxes from both the spending of new residents, workers and generated by the new commercial uses. City sales tax rate is 2.073 percent of taxable retail sales, reflecting the one percent Bradley-Burns rate, 0.5 percent for Measure Q, 0.5 percent for Measure U, and 0.0729 percent for the Proposition 172 Public Safety tax (Attachment 3, Table B-5).
- Utility User Tax estimated using City of Richmond averages (excluding taxes from Chevron) per service population (Attachment 3, Table B-1).
- Other Taxes, Licenses, Permits, and Fees estimated using City of Richmond averages per service population (Attachment 3, Table B-1).

### ***General Fund Expenditure Assumptions***

The Winehaven FIA generally draws upon information in the City's FY 2019/20 General Fund Budget, budget documents to estimate General Fund expenses and utilizes BAE's estimate,

formulated with City input and concurrence, of public safety costs.<sup>3</sup> The following is a summary of key expenditures assumptions in the Winehaven FIA:

- Fire Staffing costs for Point Molate Station based on BAE-provided Fire Department staffing, annual equipment costs, and incremental growth in overhead.
- Police costs based on the BAE-provided Police Chief projections of staffing, annual equipment costs, and incremental growth in overhead.
- Library, Cultural Services, and Community services costs are estimated to grow proportionate to increase residents with an assumption that ten percent of these of costs are fixed and do not vary with population growth (Attachment 3, Table C-1).
- Office of Neighborhood Safety and Infrastructure and Maintenance operations Departments were assumed have 60 percent of costs variable with the expanded service population (Attachment 3, Table C-1).
- General Government Departments (Office of the Mayor, City Council, Commissions, City Manager, City Clerk, City Attorney, Finance, Human Resources and Information Technology) are assumed to be largely fixed costs with only 10 percent of the budget assumed to grow with service population (Attachment 3, Table C-1).
- Citywide Capital Improvement and Non-Departmental costs are assumed to be unchanged with the development at Point Molate (Attachment 3, Table C-1).

#### ***Exclusions in Winehaven FIA Analysis***

To determine the overall reasonableness of the Winehaven FIA findings, it is important to clearly state what revenue and cost streams impact the General Fund and what cost items will be paid for separately by Winehaven, third-party developers, and/or subsequent property owners through assessments and/or HOA charges. A key condition of the sale of Point Molate is that the developer will build the Project infrastructure, open space and parks and establish mechanisms to fund maintenance through special assessments on the future development.

It should be noted that the following are not included in the Winehaven FIA:

- Permit fees that are specific to Project and recover costs of the City reviewing the Project and future infrastructure and building permit submittals.
- Impact fees that recover the cost associated with the impacts of the Project.

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<sup>3</sup> The Winehaven FIA utilized the FY19/20 budget adopted in June 2019. As such, it should be noted that it does not reflect the City's reorganization that occurred in the current fiscal year which changed certain department names.

- All Project development and infrastructure costs including sewer and water, new roadways, parks, open space, new fire/police station and other required investment in Point Molate. The Winehaven FIA states on page 29: “These capital investments will be funded through developer contributions, payment of development impact fees by the Project’s developers, as well as other non-City sources such as grants and potential state or federal funding (i.e., federal funding for transportation infrastructure). The developer also plans on using land-secured financing to fund a portion of the Project’s backbone infrastructure and public facility costs. The details of such land-secured financing plan will be identified when the infrastructure financing mechanism is established, but such financing mechanism will not have an impact on the fiscal impact analysis results identified in this report.”
- Maintenance of all infrastructure, parks and public amenities except Stenmark Drive. The Winehaven FIA states on page 30: “Annual park, parkway, median, shoreline, and open space maintenance is anticipated to be funded by two separate funding mechanisms—a new Homeowners’ Association and a new services Mello-Roos Community Facilities District (CFD) or Project Services CFD (Services CFD).”
- Costs related to sewer and water services are based on rates set to recover costs and to avoid impacts on other rate payers.

These exclusions in the Winehaven FIA are typical exclusions for a fiscal impact analysis.

## **Winehaven FIA Findings**

Table 4 presents the summary of the Winehaven FIA for the proposed Project. Overall, the Winehaven FIA finds that the Project will be fiscally positive. Upon completion of Phase 1, the Project would generate an annual basis net tax revenues after municipal expenses of approximately \$1.4 million and that at buildout of the Project, the benefit increases to approximately \$6.8 million a year. For context, \$6.8 million is four percent of the City’s fiscal year 2019/20 General Fund total budget of \$176.0 million.

Revenues are driven primarily by the City’s share of ad valorem property taxes that are estimated to total approximately \$4.1 million upon the completion of Phase 1 and approximately \$7.3 million annually upon build out. The second largest category of revenue is the annual property transfer tax revenue which is approximately \$1.6 million at the end of Phase 1 and \$2.7 million at build out. The remainder of tax revenue totals approximately \$1.4 million upon completion of Phase 1 and \$2.7 million upon build out.

Expenses are driven almost entirely by public safety costs with fire and police costs estimated at \$3.2 million and \$2.0 million annually, respectively. Public safety costs comprise 86 percent of General Fund expenses to support the Project.

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**Table 4 Annual General Fund Fiscal Impact (2019 dollars)**

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	<u>Phase 1</u>	<u>Build Out</u>
<b><u>Annual General Fund Revenues</u></b>		
Property Taxes (a)	\$4,064,100	\$7,283,900
Property Tax In-Lieu of VLF	\$567,900	\$1,017,900
Property Transfer Tax	\$1,623,200	\$2,734,900
Sales Taxes (b)	\$301,400	\$679,600
Utility User Tax	\$314,100	\$593,500
Other Taxes, Licenses, Permits & Fees	\$250,900	\$474,100
<b>General Fund Revenues</b>	<b>\$7,121,600</b>	<b>\$12,783,900</b>
<b><u>Annual General Fund Expenditures</u></b>		
Fire	\$3,200,000	\$3,200,000
Police	\$2,000,000	\$2,000,000
Infrastructure and Maintenance		
Operations	\$186,700	\$352,900
Community Services	\$121,600	\$191,800
Library and Cultural Services	\$115,400	\$182,100
Office of Neighborhood Safety	\$20,100	\$37,900
General Government Functions (c)	\$28,200	\$53,500
<b>General Fund Expenditures</b>	<b>\$5,672,000</b>	<b>\$6,018,200</b>
<b>Annual General Fund Surplus</b>	<b>\$1,449,600</b>	<b>\$6,765,700</b>

Source: Table 2C, EPS 2020; BAE, 2020.

Notes:

(a) Property taxes include both the City of Richmond share of the property tax as well as the Pension Override tax applied to assessed value.

(b) Sales taxes include the City's 1% sales tax, and sales taxes from Measures Q and U and Prop. 172 Public Safety.

(c) General Government Functions include: Office of the Mayor, City Council, Commissions, City Manager, City Clerk, City Attorney, Finance, Human Resources, and Information Technology.

## BAE Peer Review Approach

To undertake this assignment, BAE reviewed the DSEIR for the Project, the terms of the exclusive negotiating agreement, the March 24, 2020, *Draft Fiscal Impact Study* submitted by Winehaven, the Project proposal submitted in May 2020, a revised Winehaven FIA submitted on May 17, 2020, and final Winehaven FIA submitted on June 17, 2020. BAE's peer review is of the current proposed Project with 1,452 residential units and 450,000 square feet of non-residential space.

BAE also consulted with City of Richmond staff and reviewed City budget and financial reports, including the 2017 *North Richmond Annexation, Fiscal Impact Analysis* prepared by Willdan Financial Services for the City of Richmond. Although BAE has not reviewed the terms of the transaction between Winehaven and the City for the sale of the site, this analysis includes notes on key terms the City should pursue to ensure that the Point Molate Project has a neutral or beneficial impact on the City's General Fund.

As a firm with a 34-year track record in real estate and urban economics, BAE has completed over 350 fiscal impact studies and the firm understands California's state and local fiscal structure. It should be noted that BAE prepared a fiscal analysis of the alternatives under consideration for Point Molate in 2010. As this is both a land disposition and an entitlement for future development, the City has the ability to craft an agreement beneficial to the City's fiscal position base by requiring many costs to be borne by the developer and/or the subsequent property owners.

This memorandum summarizes the Winehaven FIA to allow for policy review and identifies important assumptions or risks. It is important to note that for this peer review, BAE was not engaged to redo the analysis to numerically estimate the effects of these changes. Where possible, the impact of changing key assumptions is calculated. BAE has not been engaged to review or develop a real estate pro-forma for the Project or a market feasibility analysis of the uses proposed. Where relevant, this memo identifies where market assumptions are critical to calculation of future City tax revenue. BAE did not peer review the economic benefit analysis included in the Winehaven FIA that provides an estimate of the economic impacts and job creation in Contra Costa County driven by the construction of the Project. Winehaven has only generally described its plans to use assessment districts for infrastructure capital and maintenance costs. BAE identifies how key assumptions regarding infrastructure relate to the conclusions of the Winehaven FIA.

## **Peer Review of Winehaven FIA**

BAE has reviewed the calculation of fiscal impacts, including discussions with EPS and the City team. Peer review findings identify important assumptions and risks for the City to consider as it evaluates the proposed Project.

### ***One Time Revenues are Significant***

Typically, a fiscal impact study focuses on the stabilized fiscal balance with the ongoing taxes and revenues generated from a new project. In the Point Molate case, the City's General Fund will benefit significantly from one-time revenues that happen as the Project is developed and sold, as shown in Table 5. The first of these is the City's \$22.5 million share of the \$45.0 million property sales value. The second is transfer taxes with each property sale.

The Winehaven FIA provides estimates of the transfer taxes for the sale from the City to Winehaven, sales of the finished lots from Winehaven to merchant buildings, sale of other development sites, and sales of the homes to the initial buyers. It is also likely that future developers of commercial or multi-family rental projects will sell their projects once leased and stabilized, which would be another source of transfer tax revenue.

**Table 5 Transfer Tax and Land Sale Proceeds to the City (2019 dollars)**

	<u>Sale Value</u>	<u>Tax Rate or City Share</u>	<u>Transfer Tax or Land Proceeds</u>
<b>City Transfer Taxes</b>			
Sale to Winehaven	\$45,000,000	3.0%	\$1,350,000
Sale of SFR/TH finished lots (a)	\$115,568,750	3.0%	\$3,467,063
Sale of other development sites (b)	\$187,675,635	3.0%	\$5,630,269
<b>Total Land Sales to Developers</b>	<b>\$303,244,385</b>		<b>\$9,097,332</b>
For Sale Homes - Phase 1	\$891,025,000	1.25%	\$11,137,813
For Sale Homes - Phase 2	\$573,750,000	1.25%	\$7,171,875
<b>Total Home Sales</b>	<b>\$1,464,775,000</b>		<b>\$18,309,688</b>
<b>Total Transfer Taxes</b>			<b>\$28,757,019</b>
<b>Land Sale Proceeds</b>	<b>\$45,000,000</b>	<b>50% (c)</b>	<b>\$22,500,000</b>
<b>Total One-time Revenues</b>			<b>\$51,257,019</b>

Source: Table 6C and Attachment 3 Table D-2 EPS 2020; BAE, 20200

Notes:

- (a) Finished lots land value is estimated at 25 percent of the home value
- (b) Land value for all other uses is estimated at 15 percent of finished value.

The Winehaven FIA assumes that the land value is 15 to 25 percent of the finished real estate value. Land sales prices to subsequent developers may well be impacted by the structure of the infrastructure financing program for the site. If impact fees or other infrastructure costs are above what a builder can support with home values, the land price would be adjusted.

*BAE notes that prudent use of the land sale proceeds and the transfer taxes offers the City a significant influx estimated at \$52 million to the General Fund in the buildout period. However, as these revenues are not continuing and would be highly contingent on the market acceptance of the site, the City should not rely on this revenue for ongoing budget requirements.*

**Residential Assessed Value**

City tax revenues from property taxes, property tax in-lieu fees, and property transfer taxes are based on the future assessed value and reflect 88 percent of the general fund revenues in the Winehaven FIA. Rental housing accounts for 6 percent of assessed value and commercial for 9 percent. Thus, the for-sale home price assumption drives the fiscal benefits. Table 6 presents the home values used in the Winehaven FIA. Of the 1,452 units, 1,160 are modeled as for sale units.

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**Table 6 For-Sale Housing Prices**

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	<u>Units</u>	<u>Price</u>	<u>Sq. Ft.</u>	<u>Price/Sq. Ft.</u>
<b>Phase 1</b>				
Single Family	185	\$1,400,000	3,500	\$400
Low-Rise Condos & Townhomes	173	\$1,175,000	1,800	\$653
Mid-Rise Condominiums	343	\$1,250,000	1,500	\$833
<b>Subtotal/Weighted Average</b>	<b>701</b>	<b>\$1,271,077</b>	<b>1,813</b>	<b>\$701</b>
<b>Phase 2</b>				
Mid-Rise Condominiums	459	\$1,250,000	1,500	\$833
<b>Total/ Weighted Average</b>	<b>1,160</b>	<b>\$1,262,737</b>	<b>1,689</b>	<b>\$747</b>

Sources: Attachment 3, Table A-3, EPS 2020; BAE, 2020.

The Winehaven FIA does not provide a market study that supports its assumptions regarding home prices. BAE notes that there are likely few market comparables for the Point Molate Site. With its unique waterfront setting and the ability to create a new community, Point Molate would likely command strong home values. Although BAE was not scoped to undertake market research as part of this peer review, BAE independently identified a comparable residential, currently for-sale project in nearby Point Richmond, Waterline Place by Shea Homes, where home prices for townhomes range between approximately \$900,000 and \$1.6 million. The Point Molate location is superior to Waterline Place which is adjacent to a large field of uncovered automobile storage parking associated with the Port of Richmond. BAE also reviewed recent sales of existing homes at Point Richmond and the average price for homes over 1,200 square feet sold between June 2018 and May 2020 was \$1.1 million with many homes selling at prices in excess of the \$1.4 million assumed for single-family detached homes in the Winehaven FIA.<sup>4</sup>

The Winehaven FIA assumes that Phase 1 home sales are comprised of the single family, the low-rise homes and some mid-rise homes. The mid-rise condominium product of seven to ten stories has typically been built in more urban settings than Point Molate, particularly supporting condo prices of \$800 per square foot. The proposed Project includes 959 mid-rise units and the Winehaven FIA assumes 802 are for-sale condos. If Point Molate condominiums cannot command the prices assumed, less tax revenues will be supported. Similarly, if a great portion of the mid-rise units are rental, it would mean a fairly significant reduction in tax revenues to the City as the assessed value for rental units is estimated at \$450,000 per unit. If 100 mid-rise units are developed as rental instead of condominium, BAE estimates, using information supplied in the Winehaven FIA, that such a change would reduce the assessed

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<sup>4</sup> BAE determined that the NOMA project near the Richmond Marina is not an appropriate comparable project. As Point Molate is a far superior location with open space, park setting, and views and can be expected to well exceed the prices at NOMA which is located adjacent to Interstate 580 and set back away from the Richmond Marina. NOMA's small lot single family homes and attached townhomes are priced in the \$600,000 to \$740,000 range.



value by approximately \$80 million and property tax revenues would drop by approximately \$478,000. City service costs do not change if more units are rental than for-sale.

*BAE notes that If the Project home values are less than anticipated or a greater portion of the Project is rental housing, than the fiscal benefit is reduced without a reduction in municipal costs. The Winehaven FIA includes a scenario where the for-sale home values are reduced by 10 percent and finds that the tax revenues would drop by \$617,000 in Phase 1 and \$1,005,000 at build out.*

### **Assessment and Taxation Burden**

As discussed above, the City has a transfer tax that is based on assessed value. Homes over \$1.0 million pay a transfer tax of 1.25 percent of value. Most other cities have a lower transfer tax rate, typically 0.7 percent of value. Homebuyers may take this increased tax into account with the result being a lower realized market value.

Point Molate has significant infrastructure costs and the developer has indicated the intent to use a community facilities district (“CFD”) under the Mello Roos law for a portion of the financing of the Project. The Winehaven FIA assumes that costs of maintaining the parks, open space, landscaping and on-site infrastructure will be funded by the Project over the long term. The Winehaven FIA included a preliminary estimate of \$1.0 million a year for of maintaining the parks and open space, and infrastructure and determines that it would require a contribution of \$518 per unit per year. Additionally, Table F-3 of the Winehaven FIA includes a capital CFD assessment of ranging from \$5,500 to \$6,500 per unit a year.<sup>5</sup>

The City, as well as future home buyers, will want to fully understand how the open space lands and other amenities are maintained over time and what the implications on the timing of development. For example, the maintenance assessment is calculated assuming 30 percent of the costs are borne by non-residential uses. If those are developed late in the Project or never, what will be the implication to the homebuyer? At this stage of the Project, Winehaven has not presented an infrastructure financing and maintenance plan or a plan for how the City-owned open space lands will be maintained. It will be very important that the transaction documents set standards for the level of maintenance of open space and infrastructure including provisions for capital reserves to protect the City in the long-run from costs associated with Point Molate.

Industry standards suggest that California buyers are willing to accept an effective tax rate up to 2 percent of the home value. If special taxes or fees are above that level, the home buyer

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<sup>5</sup> CFD assessment levels were presented in Table F-3 of the Attachments without any backup information such as the total infrastructure costs, portion to be funded by a CFD, debt costs or term of any bond. Note that this information would not typically be in an FIA.

would seek a price adjustment. Table 7 illustrates, that with the assumed home values and illustrative CFD and maintenance cost assessments that Project is just under this 2 percent threshold. If home values are lower or assessments higher, than the burden is greater and may impact home values.

*BAE notes that careful structuring of the transaction is needed to protect the City from costs of infrastructure or open spaces at Point Molate, likely through assessments on the property. However, Point Molate special assessments may be significant enough to lower the price buyers are willing to pay, which in turn lowers property taxes and transfer taxes, and if so the fiscal benefit of the Project may be less than forecasted.*

**Table 7 Assessment Burden Sensitivity Test**

	<u>Single Family</u>	<u>Low-Rise Apartments &amp; Townhomes</u>	<u>Mid-Rise Apartments &amp; Condos</u>
<b>Market Value</b>	<b>\$1,400,000</b>	<b>\$1,175,000</b>	<b>\$1,250,000</b>
Ad Valorem Taxes	19,853	16,663	17,726
Special Taxes and Assessments	413	291	269
<b>Point Molate Specific Assessments</b>			
Lighting and Landscaping District	518	518	518
Project Infrastructure Capital Costs	6,500	5,500	6,000
<b>Total Point Molate Specific Assessments</b>	<b>7,018</b>	<b>6,018</b>	<b>6,518</b>
<b>Total Annual Taxes and Assessments</b>	<b>27,284</b>	<b>22,972</b>	<b>24,513</b>
Taxes & Assessments as % of Sales Price	1.95%	1.96%	1.96%
<b>Home Values @ 10% Reduction</b>	<b>\$1,260,000</b>	<b>\$1,057,500</b>	<b>\$1,125,000</b>
Ad Valorem Taxes	19,853	16,663	17,726
Special Taxes and Assessments	413	291	269
Point Molate Specific Assessments	7,018	6,018	6,518
<b>Total Annual Taxes and Assessments</b>	<b>27,284</b>	<b>22,972</b>	<b>24,513</b>
<b>Taxes &amp; Assessments as % of Sales Price</b>	<b>2.17%</b>	<b>2.17%</b>	<b>2.18%</b>
<b>Impact of 10% Higher Assessments</b>			
Ad Valorem Taxes	19,853	16,663	17,726
Special Taxes and Assessments	413	291	269
Point Molate Specific Assessments	7,720	6,620	7,170
<b>Total Annual Taxes and Assessments</b>	<b>\$27,986</b>	<b>\$23,573</b>	<b>\$25,165</b>
<b>Taxes &amp; Assessments as % of Sales Price</b>	<b>2.00%</b>	<b>2.01%</b>	<b>2.01%</b>

Source: Attachment 3, Table F-3, EPS 2020; BAE, 2020.

### **Public Safety Costs**

The most significant costs of providing municipal services to the Project will be Police and Fire costs (over 90 percent of estimated General Fund expenditures). Point Molate will include a new public safety building which will be a fire station and police station. The developer will construct and fund the costs of building, furnishing and equipping this facility. Once completed,

the City's General Fund will pay for the costs of the police and fire staff and the on-going costs of maintaining and replacing equipment at the facility.

BAE provided the public safety cost estimates to EPS for inclusion in this study. Appendix B provides the background for the annual cost estimate of \$3.2 million for fire services and \$2.0 million for police services to address the development at Point Molate. The Fire and Police Chiefs identified the level of staffing needed: six additional police officers and nine additional firefighters. Compared to the number of sworn officers in the adopted 2019/20 budget, these new officers are a 3.4 percent increase for police and 10 percent increase for fire.

The City is currently responsible for public safety for this area, but the Winehaven FIA does not make any adjustment to deduct any Point Molate costs in the current city cost structure from the forecast of public safety costs, which is a conservative approach. The public safety building will be constructed with the first phase of the Project. The Winehaven FIA assumes that the full staffing is required at Phase 1, as such the public safety costs are the same at both stages of development, when expressed in 2019 dollars.

*BAE notes that, if calls for service at Point Molate do not warrant the public safety staffing as estimated by the City and reflected in the Winehaven FIA and the City elects to reduce its services based at the public safety building, it would improve the fiscal benefit of the Project.*

#### **Other City Expenditures**

As shown in Tables 3 and 4, the Winehaven FIA forecasts a modest increase in most other City Departments with the addition of this Project. Starting with the City's FY 2019/20 General Fund Budget, department costs were adjusted to reflect the portion of costs that would vary with new development as summarized discussed above. Many costs of the City government are largely fixed and will not vary significantly with the development of Point Molate, for example, the City Manager's office or Finance department. In addition, much of the infrastructure related on-going costs will be paid for by special assessments. As such, the Winehaven FIA estimates that additional General Fund expenditures will be \$818,000 at build-out for departments other than Police and Fire. To note, although the City currently incurs costs related to Point Molate, the analysis did not reflect any adjustment or reduction for the current costs. Additionally, the permit and impact fees for Project are assumed to include full cost recovery for the City of the costs of processing the Project and the impact on public facilities.

To test the sensitivity forecasts of future expenditures to the assumptions on what amount of costs vary with development BAE recalculated the future costs without the adjustments for fixed costs. Table 8 shows that, even if costs were to grow directly service population growth (an average cost approach), the projected revenues would exceed the increased City costs.

**Table 8 Fiscal Impact with Expenses on Average Cost Basis (2019 dollars)**

	<u>Phase 1</u>	<u>Build Out</u>
Annual General Fund Revenues	\$7,121,600	\$12,783,900
Annual General Fund Expenditures	\$5,672,000	\$6,018,200
Increase for Average Cost Forecast	\$418,000	\$783,578
<b>Adjusted General Fund Revenues</b>	<b>\$6,090,000</b>	<b>\$6,801,778</b>
<b>Adjusted Annual General Fund Surplus</b>	<b>\$1,031,600</b>	<b>\$5,982,122</b>

Source: Table 2C, Attachment 3, Table C-1; EPS 2020, BAE, 2020.

BAE notes that if the City incurs more costs than anticipated to serve Point Molate, it would reduce the fiscal benefit shown in the Winehaven FIA.

### **Commercial Development**

The Project includes a significant amount of commercial development, mostly as rehabilitated historic buildings. The Winehaven FIA does not include any commercial development in the initial 920-unit phase. It is not clear from the Winehaven FIA or the Project description what types of non-residential uses will occur. The Winehaven FIA is consistent with the DSEIR in assuming most of this space is office users, reflecting a future employment base of 1,537 jobs. Demand for commercial development at the site is more uncertain than for housing and is considered by BAE as a pioneering use since the Project location at Point Molate is not within an established office/R&D location. The nonresidential development accounts for \$1.1 million of the future tax revenue, as shown in Table 9. In particular, the nonresidential is almost 9 percent of the total assessed value at buildout.

**Table 9. Revenues from Non-Residential Development at Build-Out (2019 dollars)**

<u>Annual General Fund Revenues</u>	<u>Build Out</u>	<u>Adjustment</u>	<u>Non-Residential Component</u>
Property Taxes	\$7,283,900	8.8% (a)	\$641,000
Property Tax In-Lieu of VLF	\$1,017,900	8.8% (a)	\$90,000
Property Transfer Tax (b)	\$2,734,900		\$71,000
Sales Taxes (c)	\$679,600		\$163,000
Utility User Tax	\$593,500	17% (d)	\$98,000
Other Taxes, Licenses, Permits & Fees	\$474,100	17% (d)	\$78,000
<b>General Fund Revenues</b>	<b>\$12,783,900</b>		<b>\$1,141,000</b>

Source: EPS 2020, BAE 2020

Notes:

(a) Assessed Value is 8.8% commercial based on Attachment 3, Table D-2.

(b) Commercial property transfers estimated \$10.1M annually at 0.7% transfer rate, Attachment 3, Table B-4 ,

(c) Onsite Commercial Taxable Sales \$7.9 M @ 2.073% tax rate, Attachment 3, Table B-5

(d) Estimated based on service population at buildout, employees are 17% of service population at build-out.

Additionally, the proposed design guidelines indicate that historic Buildings 1 and 6 could be rehabilitated with new construction on top of the existing structures and that portions of the lower levels could serve as parking for the new construction, which would reduce the space available for non-residential use.

*BAE notes that to the extent that the non-residential development is delayed, reduced in scale, or is not as high of tax revenue generating as anticipated, the fiscal benefit to the City of the Project will be reduced*

## Peer Review of Hatch Analysis

The Sierra Club commissioned Hatch Ltd. to prepare a fiscal analysis of the 1,200 homes at Point Molate in 2019 (“Hatch FIA”). A nine-page graphic summary of the Hatch FIA was submitted to the City but without technical backup data or analysis. At the City’s request, BAE has reviewed the Hatch FIA summary document and assessed its findings in light of the Project’s current program and the Winehaven FIA.

### **Key Hatch FIA Findings:**

The Hatch FIA made the following findings:

- **Net Fiscal Deficit.** Estimated General Fund revenues are less than the estimated General Fund expenditures on an annual basis (-\$2.4 million, assuming an average residential sales price of \$900,000) with the exception of the first year when property transfer taxes are received. This is a fundamentally different finding than the Winehaven FIA finding of a net positive fiscal impact from the Project.
- **Residential Unit Prices are Key Assumption.** Tax revenues are significantly dependent on the set of assumed home values. The Hatch FIA looks at average home prices of \$600,000, \$700,000, and \$900,000. That finding of dependency is consistent with the Winehaven FIA and our review which find that the assumption on the average home price for-sale homes drives 80 percent of the tax revenues. Note the Winehaven FIA uses an average home value of \$1,263,000 and includes a sensitivity test with an lower average value of \$1,136,000.
- **Lower Home Values due to Mello Roos Financing.** The Hatch FIA indicates that the use of Mello Roos Funding with special assessments to pay for infrastructure may reduce the home prices that can be achieved. The Hatch FIA suggests annual special assessments could range from \$8,500 to \$14,200 per unit reflecting bond payment obligations paid for by homebuyers. As discussed above, the infrastructure burden may become an issue for the value realized on the homes. There is not sufficient information in either the Hatch FIA or the Winehaven FIA to assess the dollar level of future CFD assessments.

- **High Income Required to Purchase Homes.** The Hatch FIA notes that buyers of new homes at Point Molate need to have significantly higher than median area incomes to afford a purchase of a home at Point Molate.

***BAE Peer Review of Hatch FIA***

BAE reviewed the Hatch FIA and has found that while the analysis provides a number of valid observations, overall, the analysis is deficient and does not accurately estimate the likely fiscal impact of the Project.

**Project Description.** The Hatch FIA analyzed the fiscal impacts of a 1,200-home development program and the analysis does not reflect the current Project that has commercial uses (over 450,000 square feet)<sup>6</sup> and a maximum build-out potential of 1,452 housing units. Hence the scope of the Hatch FIA analysis no longer reflects the Project development program.

**Relationship Between Home Prices and Mello Roos Financing.** BAE concurs with the Hatch FIA observation that home prices can be impacted by the level of payment burden for Mello Roos-financing infrastructure. The Hatch FIA suggests that annual per unit assessments would be \$8,500, with a \$300 million infrastructure cost and \$14,200 with a \$500 million infrastructure cost. However no back up was provided for these estimates and they are significantly higher than what has been estimated for infrastructure costs in the Winehaven FIA<sup>7</sup>. Furthermore, the Hatch FIA assumes that one hundred percent of infrastructure costs would be funded by a Mello Roos bond program, but this may not be a realistic assumption as a developer would also use other funding sources.

**Calculation of General Fund Revenues.** As part of its peer review, BAE was able to ‘reverse engineer’ some of the tax revenue calculations to understand the estimates presented in the Hatch FIA. BAE has found that:

- Property taxes are calculated using the value per unit for 1,200 units at the 1.00 percent tax rate with the City receiving 28.5 percent of the property tax. This is an accurate calculation, given the residential value assumptions.
- Over time, property transfer taxes were calculated assuming 3.75 percent of the for-sale residential inventory is sold each year at the tax rate of 0.70 percent of value. This represents homes selling every 27 years which a much lower rate of turnover than

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<sup>6</sup> Note that the Hatch FIA also included an analysis of a “Community Plan” scenario; the BAE peer review is limited to the Hatch FIA’s analysis of the SunCal proposal only.

<sup>7</sup> The economic impact assessments in the Winehaven FIA includes \$171 million as the project infrastructure cost, but no detail is provided.

typically assumed in fiscal impact studies of this nature. In contrast, the Winehaven FIA applies an industry standard assumption that homes sell every seven years.

- The Hatch FIA does not make clear what taxes are assumed in its “Other Revenues” category. These are forecasted to grow proportionally with the increase in population. Some other tax revenues increase with assessed value or other measures and would likely be underestimated with this approach.

### ***Missing Revenues***

Several important tax revenue streams appear not to be included in the Hatch estimates, as follows:

- **Pension Override Ad Valorem Tax.** Pension Override tax is not included which brings to the General Fund an additional 0.14 percent of the assessed value of development.
- **Sales Tax.** No sales tax was included in the Hatch FIA General Fund revenue estimates, missing the tax generation potential of new discretionary spending associated with new households at the Project.
- **Commercial Ad Valorem and Other Revenues.** The Hatch FIA as noted above does not include General Fund revenues generated by the Project’s commercial uses.
- **Real Estate Transfer Tax from Land Sales and Non-Residential Property.** The Hatch FIA does not include one-time revenues from the sale of the property to Winehaven or from Winehaven to merchant developers. It also does not include ongoing revenues from the real estate transfer tax on non-residential properties.

### **Calculation of General Fund Expenses**

The Hatch FIA states that its estimates of General Fund expenditures were developed from the 2018/19 budget on an average cost methodology and adjusted by growth in the service population. This simple average cost method results in higher additional costs than the methods utilized in the Winehaven FIA, which are discussed above. Table 10 compares the Hatch FIA General Fund Expenditures forecast to that in the Winehaven FIA. The significant differences are in the Fire Department estimate and General Government functions. As discussed earlier, the Winehaven FIA includes the City’s projected costs for fire and police specific to Point Molate.

The typical industry standard for calculating changes in General Government is to make an assumption that only a portion of costs changes with the service population and the remainder of costs are fixed. The Winehaven FIA assumes that only ten percent of the costs of General

Government<sup>8</sup> functions will increase due to the development of Point Molate. The Hatch FIA appears to assume that these costs increase directly with new population.

**Table 10 General Fund Expenditures – Hatch FIA Compared to FIA**

	<u>Hatch FIA</u>	<u>Winehaven FIA</u>	
Units Assumed	1,200	920	1,452
Fire Department	\$3,653,340	\$3,200,000	\$3,200,000
Police Department	\$1,767,384	\$2,000,000	\$2,000,000
Infrastructure and Maintenance	\$436,075	\$186,700	\$352,900
Library & Cultural Services	\$151,545	\$121,600	\$191,800
Community Services	\$160,653	\$115,400	\$182,100
General Govt + Neighborhood Services	\$1,028,415	\$48,300	\$91,400
<b>Total General Fund Expenses</b>	<b>\$7,197,412</b>	<b>\$5,672,000</b>	<b>\$6,018,200</b>
<b>Per Unit</b>	<b>\$5,998</b>	<b>\$6,165</b>	<b>\$4,145</b>

Source: Hatch 2019; Table 2C, EPS 2020; BAE, 2020.

As discussed earlier, BAE tested using an average cost method for all departments other than Police and Fire. If one were to accept the average cost methodology, as used by Hatch the result still would be a positive net fiscal impact to the General Fund starting with Phase 1 and continuing thereafter.

***Net Fiscal Impact***

The Hatch FIA concludes that over time the Project will have a negative net present value to the City as General Fund expenses exceed General Fund revenues except in the first year when transfer taxes are received on the first sale of the homes. The most significant difference between the Hatch FIA and the Winehaven FIA is the assumed home values and the number of units. The Winehaven FIA presents value 40 percent higher than the \$900,000 per unit used by the Hatch FIA and includes 252 more units as well as non-residential uses. Only in the first year, did the Hatch FIA show a benefit to the City. The first-year revenues include transfer tax revenues on the home sales at 0.70 percent of home value. At the time Hatch did their analysis, the anticipated land sales proceeds to the City was not public information (\$22.5 million).

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<sup>8</sup> " General Government Functions include: Office of the Mayor, City Council, Commissions, City Manager, City Clerk, City Attorney, Finance, Human Resources, and Information Technology"



## Appendix A

### Key Tables from the Winehaven FIA

## **Appendix B**

### **Police and Fire Costs for Point Molate**

**Table 2C  
Richmond Point Molate  
Fiscal Impact Analysis  
Fiscal Impact Results (2019\$)**

<b>Proposed Project</b>
-------------------------

Item	Annual Fiscal Impacts [1]	
	Initial Development	Buildout
<b>Annual General Fund Revenues</b>		
Property Taxes	\$2,725,700	\$4,885,100
Pension Obligation Property Tax Revenues	\$1,338,400	\$2,398,800
Property Tax In-Lieu of VLF	\$567,900	\$1,017,900
Property Transfer Tax	\$1,623,200	\$2,734,900
Sales Taxes	\$145,400	\$327,900
Sales Tax - Measure Q	\$72,700	\$163,900
Sales Tax - Measure U	\$72,700	\$163,900
Sales Tax - Prop. 172 Public Safety	\$10,600	\$23,900
Utility User Tax (Excluding Chevron)	\$314,100	\$593,500
Other Taxes	\$123,600	\$233,500
Licenses, Permits and Fees	\$127,300	\$240,600
<b>Subtotal General Fund Revenues</b>	<b>\$7,121,600</b>	<b>\$12,783,900</b>
<b>Annual General Fund Expenditures</b>		
Office of the Mayor	\$700	\$1,400
City Council	\$700	\$1,400
Commissions	\$200	\$300
City Manager	\$4,700	\$8,900
City Clerk	\$1,300	\$2,400
City Attorney	\$3,000	\$5,700
Finance	\$8,700	\$16,500
Human Resources	\$3,700	\$7,000
Police	\$2,000,000	\$2,000,000
Fire	\$3,200,000	\$3,200,000
Office of Neighborhood Safety	\$20,100	\$37,900
Infrastructure and Maintenance Operations	\$186,700	\$352,900
Library and Cultural Services	\$115,400	\$182,100
Community Services	\$121,600	\$191,800
Information Technology	\$5,200	\$9,900
<b>Subtotal General Fund Expenditures</b>	<b>\$5,672,000</b>	<b>\$6,018,200</b>
<b>Annual General Fund Surplus/(Deficit)</b>	<b>\$1,449,600</b>	<b>\$6,765,700</b>

detsum

Source: EPS.

[1] Values rounded to the nearest \$100.

**Table 5C**  
**Richmond Point Molate**  
**Fiscal Impact Analysis**  
**Sensitivity Scenarios Analysis - Proposed Project**

<b>Proposed Project</b>
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Fiscal Impact Analysis Scenario	Item	Annual Fiscal Impacts	
		Initial Development	Buildout
<b>Base Development Program - Proposed Project</b>	Annual Revenues	\$7,121,600	\$12,783,900
	Annual Expenditures	\$5,672,000	\$6,018,200
	<b>General Fund Annual Surplus/(Deficit)</b>	<b>\$1,449,600</b>	<b>\$6,765,700</b>
<b>Scenario 1: Base Prices Plus Premiums and Options</b> <i>The base analysis excludes estimated lot premiums and home upgrade options. Those amounts are included in this model run.</i>	Annual Revenues	\$8,005,500	\$14,514,800
	Annual Expenditures	\$5,672,000	\$6,018,200
	<b>General Fund Annual Surplus/(Deficit)</b>	<b>\$2,333,500</b>	<b>\$8,496,600</b>
	<i>Difference from Base</i>	<i>\$883,900</i>	<i>\$1,730,900</i>
<b>Scenario 2: Reduced Base Prices</b> <i>Assumes achievable sales prices are 10 percent less than the Base Price assumptions</i>	Annual Revenues	\$6,504,200	\$11,778,400
	Annual Expenditures	\$5,672,000	\$6,018,200
	<b>General Fund Annual Surplus/(Deficit)</b>	<b>\$832,200</b>	<b>\$5,760,200</b>
	<i>Difference from Base</i>	<i>(\$617,400)</i>	<i>(\$1,005,500)</i>

**Table 6C**  
**Richmond Point Molate**  
**Fiscal Impact Analysis**  
**Estimated One-Time Property Transfer Tax Revenues from Project Land Sales**

**Proposed Project**

Item	Formula	Assumption / Source	Estimated Transfer Tax Revenues
<b>Initial Project Land Sale From City to Project Applicant</b>			
Total Land Sale Value	<i>a</i>	\$45,000,000	
Property Transfer Tax Rate of Sales Greater Than \$10 Mil (per \$1,000) [1]	<i>b</i>	\$30.00	
<b>Total Property Tax Revenue from Initial Project Sale</b>	<b><math>c = (a / 1,000) * b</math></b>		<b>\$1,350,000</b>
<b>Project Land Sale from Project Applicant to Merchant Builders [2]</b>			
<b>Total Project Assessed Value</b>			<u>Assessed Value</u>
Assessed Value of Single Family Detached Uses	<i>d</i>	Table D-2	\$462,275,000
Assessed Value of Other Project Uses	<i>e</i>	Table D-2	\$1,251,170,900
<b>Total Project Assessed Value</b>	<b><math>f = d + e</math></b>		<b>\$1,713,445,900</b>
<b>Project Land Value [3]</b>			<u>Land Value</u>
Land Value of Single Family Detached Uses	$g = d * 25.00\%$	25%	\$115,568,750
Land Value of Other Project Uses	$h = e * 15.00\%$	15%	\$187,675,635
<b>Total Project Land Value</b>	<b><math>i = g + h</math></b>		<b>\$303,244,385</b>
Property Transfer Tax Rate of Sales Greater Than \$10 Mil (per \$1,000) [1]	<i>j</i>	\$30.00	
<b>Estimated Property Transfer Tax Revenue</b>	<b><math>k = (i / 1,000) * j</math></b>		<b>\$9,097,332</b>
<b>Project Land Sale from Merchant Builders to Home Owners [4]</b>			
<b>Total Project Residential Assessed Value</b>			
Assessed Value of Units Valued Under \$999,999	<i>l</i>	Table D-2	\$0
Assessed Value of Units Valued between \$1M to \$2.99M	<i>m</i>	Table D-2	\$1,464,775,000
<b>Total Project Residential Assessed Value</b>	<b><math>n = l + m</math></b>		<b>\$1,464,775,000</b>
<b>Tax Rate per \$1,000 of Assessed Value</b>			
AV per Unit Under \$999,999	<i>o</i>	\$7.00	
AV per Unit of \$1M to \$2.99M	<i>p</i>	\$12.50	
<b>Estimated Property Transfer Tax Revenue</b>			
Transfer of Value Under \$999,999	$q = (l / 1,000) * o$		\$0
Transfer of Value Between \$1M to \$2.99M	$r = (m / 1,000) * p$		\$18,309,688
<b>Total Estimated Property Transfer Tax Revenue</b>	<b><math>s = q + r</math></b>		<b>\$18,309,688</b>
<b>Total One Time Property Transfer Tax Revenue from Land Sales</b>	<b><math>t = c + k + s</math></b>		<b>\$28,757,019</b>

*one time*

Source: City of Richmond; Project Applicant; EPS.

- [1] The City assesses documentary transfer tax on a sliding scale based on sale price, ranging from \$7.00 per \$1,000 of value to \$30.00 per \$1,000 of value based on the total value of the property sale.
- [2] Estimates the property transfer tax revenues resulting from the sale of the Project land prepared for development, including Project infrastructure needs.
- [3] Based on the estimate that 25 percent of total assessed value for single family detached residential uses and 15 percent of total assessed value for all other uses is the value of the land/lot improvements.
- [4] Estimates the property transfer tax revenues resulting from the sale of the Project's individual residential units from the merchant builder to individual homeowners. It is assumed that all residential units will be sold individually at their assumed sales price. These estimates do not include the portion of the Project assumed to be developed as for-rent residential or the Project nonresidential land uses.

Table A-3  
 Richmond Point Molate  
 Fiscal Impact Analysis  
 Analysis Assumptions (2019\$)

Proposed Project

Land Use	Est. Average Assessed Valuation	Annual Turnover Rate	Dwelling Units/ Bldg. Sq. Ft.		Resident/ Employee Densities	Vacancy [1]	Occupied Units/ Bldg. Sq. Ft.		Buildout Service Population [2]	
			Initial Development	Buildout			Initial Development	Buildout	Initial Development	Buildout
<b>Residential Land Uses</b>										
	<i>Per Unit [3]</i>		<i>Units</i>		<i>Persons/ HH</i>					
<b>Residential - For Sale</b>										
Low Density Residential (Ownership)	\$1,400,000	14.3%	185	185	[4]	5.0%	176	176	495	495
Low-Rise Apartments and Townhomes (Ownership)	\$1,175,000	14.3%	173	173	[4]	5.0%	164	164	461	461
Mid-Rise Apartments and Condominiums (Ownership)	\$1,250,000	14.3%	343	802	[4]	5.0%	326	762	916	2,141
<b>Subtotal Residential - Ownership</b>			<b>701</b>	<b>1,160</b>			<b>666</b>	<b>1,102</b>	<b>1,871</b>	<b>3,097</b>
<b>Residential - For Rent</b>										
Low-Rise Apartments and Townhomes (Rental)	\$400,000	6.7%	68	68	[4]	5.0%	65	65	183	183
Mid-Rise Apartments and Condominiums (Rental)	\$450,000	6.7%	84	157	[4]	5.0%	80	149	225	419
Affordable Housing	\$0	6.7%	67	67	[4]	5.0%	64	64	180	180
<b>Subtotal Residential - Rental</b>			<b>219</b>	<b>292</b>			<b>209</b>	<b>278</b>	<b>587</b>	<b>781</b>
<b>Total Residential Land Uses</b>			<b>920</b>	<b>1,452</b>			<b>875</b>	<b>1,380</b>	<b>2,459</b>	<b>3,878</b>
<b>Nonresidential Land Uses</b>										
<b>Historic Structure Rehabilitation</b>										
Restaurant/Retail	\$300	6.7%	0	<i>Bldg. Sq. Ft.</i> 20,000	<i>Sq. Ft. per Employee</i> 250	10.0%	0	18,000	0	72
Commercial Office/R&D	\$350	6.7%	0	352,580	250	10.0%	0	317,322	0	1,269
<b>Subtotal Historic Structure</b>			<b>0</b>	<b>372,580</b>			<b>0</b>	<b>335,322</b>	<b>0</b>	<b>1,341</b>
<b>New Nonresidential</b>										
Office	\$350	6.7%	0	31,194	400	10.0%	0	28,075	0	70
Restaurant/Retail	\$300	6.7%	0	35,000	250	10.0%	0	31,500	0	126
Public Use	n/a	n/a	15,000	15,000	n/a	0.0%	15,000	15,000	n/a	n/a
<b>Subtotal New Nonresidential</b>			<b>15,000</b>	<b>81,194</b>			<b>15,000</b>	<b>74,575</b>	<b>0</b>	<b>196</b>
<b>Total Nonresidential Land Uses</b>			<b>15,000</b>	<b>453,774</b>			<b>15,000</b>	<b>409,897</b>	<b>0</b>	<b>1,537</b>
<b>Total Persons Served</b>									<b>2,459</b>	<b>4,647</b>

Source: CA Dept. of Finance; ESRI; US Census Bureau; Winehaven LLC, Meyers Inc. and EPS.

proj\_assumps

[1] Proposed residential vacancy rate assumes a conservative vacancy rate. Overall vacancy for the City of Richmond is 8.6 percent based on information provided in the California Department of Finance Table 2: E-5 City/County Population and Housing Estimates, 1/1/2019 for City of Richmond. This analysis assumes new residential product would have a lower overall vacancy than existing product within the City.

[2] Based on occupied dwelling units.

[3] Estimated finished home values provided by Winehaven Legacy LLC.

[4] Resident estimates are based on resident estimates included in the Project SEIR.

**Table B-3  
Richmond Point Molate  
Fiscal Impact Analysis  
Estimated Annual Property Tax Revenues (2019\$)**

**Proposed Project**

Item	Assumptions	Formula	Estimated Annual Property Tax Revenues	
			Initial Development	Buildout
<b>Property Tax (General 1-Percent)</b>				
Buildout Assessed Value (2019\$) [1]		$a$	\$956,025,000	\$1,713,445,900
Total Property Tax Revenue	1.0%	$b = a * 1.00\%$	<b>\$9,560,250</b>	<b>\$17,134,459</b>
<b>Estimated Property Tax Allocation [2]</b>				
City of Richmond (Post-ERAF)	28.5%	$c = b * 28.5\%$	\$2,725,655	\$4,885,084
Contra Costa County (Post-ERAF)	12.2%	$d = b * 12.2\%$	\$1,162,252	\$2,083,058
Other Agencies/ERAF	59.3%	$e = b * 59.3\%$	\$5,672,343	\$10,166,317
<b>Property Tax In-Lieu of Vehicle License Fee (VLF)</b>				
Estimated Base Citywide Assessed Value [3]		$f$	\$15,784,048,556	\$15,784,048,556
Assessed Value of Project		$g = a$	\$956,025,000	\$1,713,445,900
<b>Total Assessed Value</b>		$h = f + g$	<b>\$16,740,073,556</b>	<b>\$17,497,494,456</b>
Percent Change in Assessed Value		$i = (k - f) / f$	6.1%	10.9%
<b>Property Tax In-Lieu of VLF</b>	<b>\$9,376,721</b>	$j = i * \$9,376,721$	<b>\$567,939</b>	<b>\$1,017,895</b>

*prop\_tax*

Source: City of Richmond FY 2019-20 Budget; Contra Cost County Auditor-Controller's Office and EPS.

[1] For assumptions and calculation of assessed value, see Table D-2 .

[2] For assumptions and calculation of the estimated property tax allocation, refer to Table D-1.

[3] Total FY 2019-20 secured and unsecured assessed value for the City of Richmond.

**Table B-4  
Richmond Point Molate  
Fiscal Impact Analysis  
Estimated Real Property Transfer Tax Revenues (2019\$)**

<b>Proposed Project</b>
-------------------------

Item	Assumption/ Reference	Formula	Estimated Annual Property Transfer Tax	
			Initial Development	Buildout
<b>Assumptions</b>				
Tax Rate per \$1,000 of Assessed Value [1]				
	AV per Unit Under \$999,999	\$7.00		
	AV per Unit of \$1M to \$2.99M	\$12.50		
<b>Annual Turnover Rates</b>				
	Residential (For Sale)	14.3%		
	Residential (For Rent)	6.7%		
	Nonresidential	6.7%		
<b>Estimate Property Transfer Tax</b>				
<b>Estimated Assessed Value</b>				
	<b>Residential (For Sale)</b>	<b>Table D-2</b>	<b><math>a = b + c</math></b>	
	AV per Unit Under \$999,999		<i>b</i>	\$891,025,000
	AV per Unit of \$1M to \$2.99M		<i>c</i>	\$0
	Residential (For Rent)		<i>d</i>	\$891,025,000
	Nonresidential		<i>e</i>	\$65,000,000
	<b>Total Estimated Assessed Value</b>		<i>f</i>	\$97,850,000
				\$150,820,900
				<b>\$956,025,000</b>
				<b>\$1,713,445,900</b>
<b>Estimated Property Turnover</b>				
	Residential (For Sale)			
	AV per Unit Under \$999,999		$g = b * 14.3\%$	\$0
	AV per Unit of \$1M to \$2.99M		$h = c * 14.3\%$	\$0
	Residential (For Rent)		$i = d * 6.7\%$	\$127,416,575
	Nonresidential		$j = e * 6.7\%$	\$4,355,000
	<b>Subtotal Estimated Property Turnover</b>		$k = g + h + i + j$	\$0
				\$10,105,000
				<b>\$131,771,575</b>
	<b>Estimated Annual Property Transfer Tax</b>		$l = h / 1,000 * \$12.50 + (g + i + j) / 1,000 * \$7.00$	<b>\$1,623,192</b>
				<b>\$2,734,912</b>

transfer\_tax

Source: City of Richmond; EPS.

[1] The City assesses documentary transfer tax on a sliding scale based on sale price, ranging from \$7.00 per \$1,000 of value to \$30.00 per \$1,000 of value.

3-B-4



**Table B-5  
Richmond Point Molate  
Fiscal Impact Analysis  
Estimated Annual Sales and Use Tax Revenues (2019\$)**

**Proposed Project**

Item	Source/ Assumption	Formula	Estimated Annual Sales and Use Tax Revenues	
			Initial Development	Buildout
<b>Estimated Annual Taxable Sales</b>				
Citywide Taxable Sales from New Market Support	<b>Table B-5A</b>		\$14,543,100	\$24,909,271
Net Taxable Sales from Onsite Commercial	<b>Table B-5B</b>		\$0	\$7,877,116
<b>Total Annual Taxable Sales</b>		<i>a</i>	<b>\$14,543,100</b>	<b>\$32,786,386</b>
<b>Annual Sales Tax Revenue</b>				
Bradley Burns (Local) Sales Tax Rate	1.0000%	<i>b</i>		
<b>Total Annual Local Sales Tax Revenue</b>	<b>1.0000%</b>	$d = 1.0000\% * a$	<b>\$145,431</b>	<b>\$327,864</b>
<b>Supplemental Annual Sales Tax Revenue</b>				
Measure Q	0.5000%		<b>\$72,716</b>	<b>\$163,932</b>
Measure U	0.5000%		<b>\$72,716</b>	<b>\$163,932</b>
Gross Prop. 172 Public Safety Sales Tax Revenue	<b>0.5000%</b>	$f = 0.5000\% * a$	\$72,716	\$163,932
<b>City of Richmond Allocation [1]</b>	<b>14.5739%</b>	$g = 14.5739\% * f$	<b>\$10,597</b>	<b>\$23,891</b>

*sales\_tax*

Source: California State Board of Equalization; City of Richmond Budget 2019-20; EPS.

[1] Based on estimated Citywide taxable sales, the City receives 14.5739% of Prop. 172 sales tax revenue.

3-B-5

**Table C-1  
Richmond Point Molate  
Fiscal Impact Analysis  
Expenditure-Estimating Procedures (2019\$)**

<b>Proposed Project</b>
-------------------------

Expenditure Item	Estimating Procedure	Annual Operating Expenditures	Service Population	Avg. Cost Per Service Population	Adjustment Factor [1]	Avg. Cost/ Expenditure Multiplier
<b>General Fund Expenditures</b>						
Office of the Mayor	Person served	\$381,491	127,886	\$2.98	10%	\$0.30
City Council	Person served	\$384,323	127,886	\$3.01	10%	\$0.30
Commissions	Person served	\$89,413	127,886	\$0.70	10%	\$0.07
City Manager	Person served	\$2,437,019	127,886	\$19.06	10%	\$1.91
City Clerk	Person served	\$650,563	127,886	\$5.09	10%	\$0.51
City Attorney	Person served	\$1,556,039	127,886	\$12.17	10%	\$1.22
Finance	Person served	\$4,539,083	127,886	\$35.49	10%	\$3.55
Human Resources	Person served	\$1,920,594	127,886	\$15.02	10%	\$1.50
Police	Case Study	\$71,811,039	N/A	N/A	N/A	N/A
Fire [2]	Case Study	\$30,882,706	N/A	N/A	N/A	N/A
Office of Neighborhood Safety	Person served	\$1,740,586	127,886	\$13.61	60%	\$8.17
Infrastructure and Maintenance Operations	Person served	\$16,186,664	127,886	\$126.57	60%	\$75.94
Library and Cultural Services	Per capita	\$5,761,361	110,436	\$52.17	90%	\$46.95
Community Services	Per capita	\$6,069,140	110,436	\$54.96	90%	\$49.46
Information Technology	Person served	\$2,717,213	127,886	\$21.25	10%	\$2.12
Capital Improvements	[3]	\$9,938,803	N/A	N/A	100%	N/A
Non-Departmental	[3]	\$19,142,928	N/A	N/A	100%	N/A
<b>Total GF Operating Expenditures</b>		<b>\$176,208,965</b>				

*exp\_methods*

Source: City of Richmond 2019-20 Operating Budget; EPS.

- [1] Adjustment factors reflect the portion of costs that are subject to increase based on new development in the City. Adjustment factors for the Police expenditure category account for fixed Police costs that are not anticipated to grow with Project development, including station overhead and salaries for certain positions, such as Chief of Police.
- [2] Estimated Fire expenditures related to the Project have been provided by the Fire Chief and include the annual costs to maintain and staff a new fire station.
- [3] Not expected to be affected by the Project and therefore no expenditure multipliers are estimated in this analysis.

**Table F-1  
 Richmond Point Molate  
 Fiscal Impact Analysis  
 Estimated Annual Landscape Maintenance Costs**

**Proposed Project**

Item	Low Price per Sq. Ft.	Area (Sq. Ft.)	Annual Cost	Responsible Party
<b>Landscape Maintenance Cost Item</b>				
Parkway/median landscape area	\$0.35	217,800	\$76,230	HOA
Open space non-irrigated landscape area	\$0.04	7,840,800	\$313,632	Services CFD
Slope/open space irrigated landscape area	\$0.18	261,360	\$47,045	HOA
Community/ neighborhood Park landscape area	\$0.45	302,640	\$136,188	HOA
Shoreline /park landscape area	\$0.45	958,320	\$431,244	Services CFD
Street and Pavement	see total		\$192,700	Services CFD
Sidewalk/Concrete	see total		\$13,500	Services CFD
Street lights	see total		\$27,500	Services CFD
City administration costs	see total		\$97,858	Services CFD
<b>Total</b>			<b>\$1,335,897</b>	
<b>Total Homeowner's Association Responsibility</b>			<b>\$259,463</b>	
<b>Total Project Service CFD Responsibility</b>			<b>\$1,076,434</b>	

*services*

Source: Winehaven LLC, Evergreen Landscape Solutions and EPS.

3-F-1

**Table F-3  
Richmond Point Molate  
Fiscal Impact Analysis  
Estimated Effective Tax Rate - 2% Test**

<b>Proposed Project</b>
-----------------------------

Item	Rate	Single Family Low Density Residential	Low-Rise Apartments / Condominium (Ownership)	Mid-Rise Apartments Townhomes / Condominiums (Ownership)
<b>Assumptions</b>				
Number of Units		185	173	802
Unit Square Feet		3,500	1,800	1,500
<b>Finished Unit Selling Price</b>				
		\$1,400,000	\$1,175,000	\$1,250,000
<b>Ad Valorem Taxes and Assessments</b>				
Countywide Tax	1.0000%	\$14,000	\$11,750	\$12,500
BART	0.0074%	\$104	\$87	\$93
BART Bond 2016	0.0046%	\$64	\$54	\$58
East Bay Reg Park Bond	0.0094%	\$132	\$110	\$118
City of Richmond Pension Obligation	0.1400%	\$1,960	\$1,645	\$1,750
West CC Unif Bond 98	0.0045%	\$63	\$53	\$56
WCC Unified Bond 2000	0.0174%	\$244	\$204	\$218
WCC USD 2002 Bond	0.0600%	\$840	\$705	\$750
WCC UNIF Bond 2005	0.0600%	\$840	\$705	\$750
WCC USD 2010 Bond	0.0480%	\$672	\$564	\$600
WCC USD 2012 Bond	0.0480%	\$672	\$564	\$600
Comm Coll 2002 Bond	0.0030%	\$42	\$35	\$38
Comm Coll 2006 Bond	0.0063%	\$88	\$74	\$79
Comm Coll 2014 Bond	0.0095%	\$133	\$112	\$119
<b>Total Ad Valorem Taxes and Assessments</b>	<b>1.4181%</b>	<b>\$19,853</b>	<b>\$16,663</b>	<b>\$17,726</b>
<b>Special Taxes and Assessments</b>				
East Bay Parks and Recreation District CFD No. A/C-3		\$12	\$12	\$12
Mosquito and Vector		\$3	\$3	\$3
WCCUSD Parcel Tax		\$252	\$130	\$108
WCCUSD Assessment		\$72	\$72	\$72
WCC Health - Parcel Tax		\$52	\$52	\$52
SFBRA Parcel Tax		\$12	\$12	\$12
Emergency Med B		\$10	\$10	\$10
Richmond L&L - Marina Bay [3]		\$0	\$0	\$0
<b>Total Special Taxes and Assessments</b>		<b>\$413</b>	<b>\$291</b>	<b>\$269</b>
<b>Additional Potential Special Taxes and Assessments</b>				
Project Services CFD [1]		\$518	\$518	\$518
Project Infrastructure CFD		\$6,500	\$5,500	\$6,000
<b>Total Potential Special Taxes and Assessments</b>		<b>\$7,018</b>	<b>\$6,018</b>	<b>\$6,518</b>
<b>Total Annual Taxes and Assessments</b>				
		<b>\$27,285</b>	<b>\$22,972</b>	<b>\$24,513</b>
<b>Taxes &amp; Assessments as % of Sales Price [2]</b>				
		<b>1.95%</b>	<b>1.96%</b>	<b>1.96%</b>

*two percent*

Source: EPS.

[1] Estimated by applying total Project Services CFD funding responsibility to all residential units. Refer to Table F-1 for total costs.

[2] Typical industry guidelines suggest this should not exceed 2 percent. Some jurisdictions enact policies that require an amount lower than 2 percent to allow for additional taxes and assessments as needed (e.g., future school district, G.O. bond, etc.)

[3] Not applicable given new, proposed Point Molate specific project maintenance funding district (CFD or A.D.)

## **Appendix B**

### **Police and Fire Costs for Point Molate**

## MEMORANDUM

**To:** Bibiana Alvarez, Project Manager  
Environmental Analyst, Analytical Environmental Services, Inc.

**From:** David Shiver, Principal  
Kathleen Diohep, Vice President

**Date:** April 14, 2020, revised June 15, 2020

**Re:** Police and Fire Costs for Point Molate

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BAE Urban Economics, Inc. (“BAE”) has reviewed the Economic Planning Systems, Inc. (“EPS”) March 24, 2020, Draft Richmond Point Molate, Fiscal Impact Analysis (“FIA”). The City of Richmond, California (“City”), has asked BAE to prepare a peer review memorandum for the final analysis. This memorandum provides our review of police and fire costs based on information provided by the City and compares it to the EPS assumptions.

This analysis focuses on the annual costs of providing police and fire services on an on-going basis after the buildout Point Molate development program. Costs are estimated in 2019 dollars and in the full FIA are compared to the General Fund revenues. The costs of building and equipping the new fire station are project costs are to be paid for by the developer, not the City. Depending on the terms of the agreement with the developer, the City may incur some one-time costs for furnishing the station that are not addressed in this analysis. The City’s impact fees may recover a portion of those costs.

### Fire Department Costs

The City provided EPS an assumption of Fire Department costs of \$3.7 million that was incorporated into EPS’ FIA draft. City Finance Division staff had developed this estimate using the City’s salary and benefit structure and the Fire Chief’s recommended staffing. The initial estimate included the full costs of a fire engine, SCBA equipment, and personal protection equipment as if it was acquired every year. To validate this assumption, BAE has spoken with the City staff and found that the cost estimate earlier provided to EPS required an adjustment for how periodic equipment acquisition costs are calculated as an annual expense.

#### San Francisco

2600 10<sup>th</sup> St., Suite 300  
Berkeley, CA 94710  
510.547.9380

#### Sacramento

803 2<sup>nd</sup> St., Suite A  
Davis, CA 95616  
530.750.2195

#### Los Angeles

448 South Hill St., Suite 701  
Los Angeles, CA 90013  
213.471.2666

#### Washington DC

1140 3<sup>rd</sup> St. NE, 2<sup>nd</sup> Floor  
Washington, DC 20002  
202.588.8945

#### New York City

234 5<sup>th</sup> Ave.  
New York, NY 10001  
212.683.4486

BAE's adjusted estimate of fire costs is shown in Table 1. BAE recommends use of this corrected estimate of \$3.2 million a year for the final EPS FIA. Note that these costs do not include emergency medical services which are funded through a separate property tax surcharge. Additionally, the costs of maintaining City buildings and for fuel for the public safety uses are part of the Infrastructure and Maintenance Operations Department's budget which is analyzed separately in the FIA.

**Table 1 Fire Department Costs – Point Molate (2019 dollars)**

	#	Cost	Total
<b>Personnel Costs</b>			
Captain	3	291,551	874,654
Engineer	3	253,637	760,912
Firefighter	3	238,286	714,857
Overtime			337,500
<b>Total</b>			<b>\$ 2,687,923</b>
<b>Equipment (annual costs)</b>			
PPE (per person)	9	10,000	90,000
SCBA equipment	1	4,000	4,000
Fire Engine	1	75,000	75,000
Outfit engine	1	10,000	10,000
<b>Total</b>			<b>179,000</b>
Annual Total			<b>\$ 2,866,923</b>
Incremental Overhead		10%	<b>\$286,692</b>
<b>Total Annual Police Costs</b>			<b>\$3,153,615</b>
		Round	<b>\$3,200,000</b>

Note: City of Richmond Fire Chief and Finance Department developed staffing plan and costs. Capital costs are the annual cost required over the life of the equipment.

Source: City of Richmond, BAE 2020.

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## Police Department Costs

### *EPS Assumptions<sup>1</sup>*

EPS's March Draft FIA projects that 60 percent of the City's Police Department costs vary with increases in population and jobs in Richmond as a way to estimate the increases in costs from new development. Employees are weighted as one-half a resident as they have a lower impact on the demand for public services than a resident. This weighting of employees is a standard industry practice for determining service population for fiscal analyses. To calculate the police related costs, EPS used the 2019/20 adopted Police Department budget of \$71.8 million and the current service population of 127,866 to arrive at a \$337 per person served cost.

As part of their FIA, EPS evaluated both a Residential Heavy Option and the Commercial Heavy option, which have differing service populations. EPS also provided a second scenario that was based on an assumption of 85 percent of Police Department costs varying with expanded service population. Table 2 presents the range of EPS estimates of Police Department costs that range from \$1.5 to \$1.9 million for the base case and \$2.1 to \$2.7 million for the higher police cost sensitivity. EPS used these two estimates to bracket the possible police costs.

### *Case Study Method*

BAE formulated a more project specific estimate of police costs by asking the Police Chief to consider the proposed project. City staff discussed the project with the Police Chief and she determined that Point Molate would be a new beat with one sergeant and five officers. To estimate the annual costs of these officers, BAE reviewed the North Richmond Annexation Fiscal Impact Analysis prepared by Wildan Financial Services, dated September 2017 ("Wildan Analysis") and the increase in overall police costs between the 2016/2017 budget and the 2019/2020 budget. Table 3, on the next page, shows the estimated costs of \$2.0 million a year to staff a new police station at Point Molate using the Chief's proposed staffing with a ten percent overhead allowance.

The Wildan Analysis was extensively vetted by City Staff when the City considered, in 2017, the annexation of a 45-acre area with 1,323 housing units with an existing population of 4,221 and a potential total buildout of 6,673 residents. Appendix A is the police cost table from the Wildan Analysis.

BAE's recommendation is to use the estimate of \$2 million a year of annual Police Department Costs for the FIA as it reflects a specific case study analysis for Point Molate. BAE additionally recommends to use the same police cost estimate for both scenarios.

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<sup>1</sup> Note that EPS is modifying its residential population forecast slightly to be consistent with the SEIR population. That change should not significantly change this analysis.



**Table 2: EPS March 2020 Draft FIA Police Costs for Point Molate (2019 dollars)**

	Phase 1	Full Build Out
<b><u>Base Case -- 60% of Costs Variable</u></b>		
Residential Heavy Option	\$848,800	\$1,907,800
Commercial Heavy Option	\$848,800	\$1,488,500
<b><u>Sensitivity -- 85% of Costs Variable</u></b>		
Residential Heavy Option	\$1,202,500	\$2,702,700
Commercial Heavy Option	\$1,202,500	\$2,108,700

Source: EPS 2020, BAE 2020

**Table 3: Estimated Point Molate Police Annual On-Going Costs (2019 dollars)**

	FTE (a)	Annual Salaries & Benefits (b)	Annual Overtime(b)	Total
Sergeant	1	\$324,087	\$12,421	\$336,507
Graveyard Shift	1	\$268,656	\$41,149	\$309,804
Swing Shift	2	\$497,720	\$38,101	\$535,821
Day Shift	2	\$469,526	\$35,931	\$505,457
<b>Total</b>	<b>6</b>	<b>\$1,559,987</b>	<b>\$127,602</b>	<b>\$1,687,589</b>
911 Communications (b)				\$129,480
Total Annual Costs				\$1,817,069
Incremental Overhead	10%			\$181,707
<b>Total Annual Police Costs</b>				<b>\$1,998,776</b>
			Round	<b>\$2,000,000</b>

Notes:

(a) City assumptions of one sergeant and five officers to serve Point Molate.

(b) Cost assumptions are from the Table 13 of the North Richmond Annexation Fiscal Impact Analysis prepared by Wildan Financial Services, dated September 2017, increased by 8.5 percent based on the increase between the 2016/2017 and 2019/2020 Police department budgets.

Source: Wildan 2017, City of Richmond, BAE 2020

