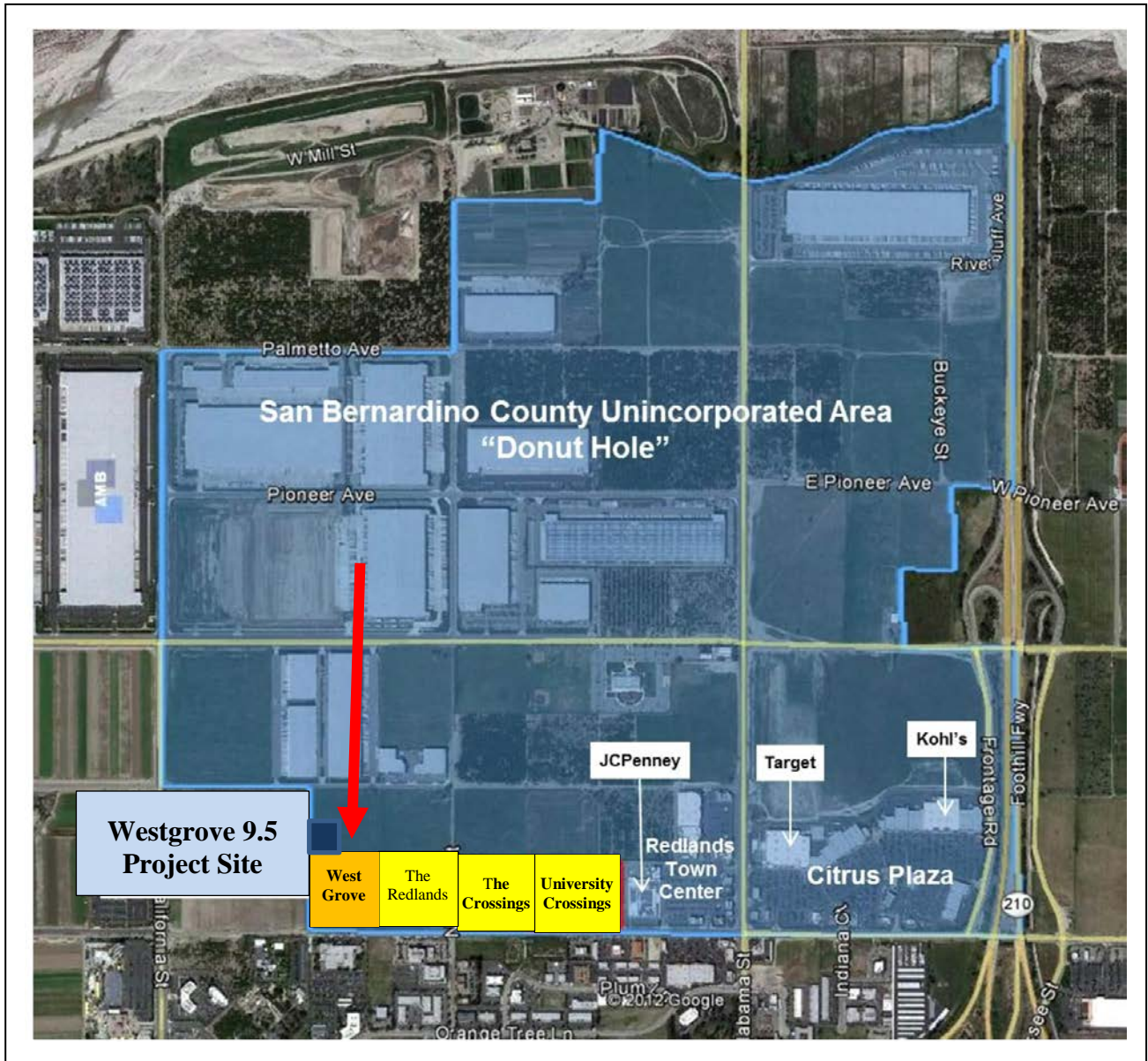


# Economic Impact of “Westgrove 9.5” High-End Transit-Oriented Multi-Family Complex



**Final**

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## **Economic Impact of Westgrove 9.5 High-End Transit-Oriented Residential Complex**

### **Executive Summary**

The UCR Group has proposed a 282 unit upscale apartment complex on 9.5 acres as a continuation of their development of multi-family transit-oriented units along Lugonia Avenue. This project will be at the intersection with Nevada Street and lies in the unincorporated portion of San Bernardino County adjacent to Redlands. It is under a one-mile walk to two proposed MetroLink Stations, Citrus Plaza and Redlands Town Center, three key medical centers and city's major office and industrial complexes.

**The Site.** The Westgrove 9.5 complex will be built on a site that is currently vacant. It is bounded on the east by an approved 360-unit apartment development expected to begin construction in 2020-2021. The contiguous property to the west is a 772,00 square foot DCG fulfillment center. To the north of the property is a Prologis 500,000-square foot industrial building. Lugonia Avenue is located directly south of the property with a mix of commercial/office/employment related uses located within the City of Redlands.

**Project Description.** Westgrove 9.5 will consist of 282 apartments (*280 leasable units, a permanent managers unit and a model unit for preleasing activities*). The complex will include five (5) three story buildings, two (2) two story buildings and a 'clubhouse' with multi-purpose facilities. It incorporates the design elements proven by UCR Group to have high market appeal. It will complement the diverse architecture and design of their existing apartment communities either occupied or under construction to the east.

As with UCR Groups other projects, the units will include a variety of studio, one, two, and three bedroom floor plans with amenities such as island kitchens, walk-in closets, private assigned parking garages, secure gated access, resort-style recreational pool and clubhouse, enhanced landscaping, water features, open and community space and other such Class A amenities.

The maximum building height in the complex will not exceed 38 feet tall. The residential buildings will be composed of three building types:

- Buildings 1 thru 4 are type 'A' and defined as three stories in height and host a total of 87,986 gross square feet.
- Building 5 is type 'B' with three stories and a total of 37,236 gross square feet.
- Buildings 6 & 7 are type 'C' carriage buildings will be two stories in height and contain a total of 4,792 square feet.

The clubhouse/pool house building will be used by project residents. It will include 7,584 square feet and 1,000 square feet respectfully totaling 8,584 square feet. The clubhouse/pool house buildings will host leasing offices, business center, clubhouse, fitness center, pool bathrooms and pool equipment room. A permanent non-leasable model unit and rooftop deck will set on top of the fitness center. An elevator will provide access from the ground level and connect the clubhouse

roof deck to building 5 via pedestrian bridge at the second-floor level. Each of the two carriage buildings (type 'C') will house two single level units over ground floor garages.

Prospective tenants may choose from eight distinct apartment unit floor plans.

- One Studio plan at 440 SF
- Four one-bedroom plans ranging from 680 to 952 net square feet (*727 SF to 1,012 SF gross*)
- Three two-bedroom plans ranging from 833 to 1,141 net square feet (*896 SF to 1,196 SF gross*)
- One three-bedroom plan offering 1,194 net square feet (*1,273 SF gross*)

Among the 280 leasable units will be:

- 21 studio units
- 166 one-bedroom units
- 79 two-bedroom units
- 10 three-bedroom units
- 4 carriage units

In addition, there will be one manager unit and one non-leasable model. The total building footprint area will be 138,554 square feet, which covers 33.5% of the total site area.

**Policy.** This high-end, gated complex would be UCR Group's fourth East Valley project to provide luxury attached living accommodations for young professionals and aging empty nesters, a trend that matured in the Westend and coastal counties. Importantly, it would provide the county and the city with dwelling units conforming to state, regional and local housing policies, including:

- SB 375 which encourages the approval of higher density, multi-family transit oriented projects that put families within walking distance of where they can live, work and play.
- San Bernardino County's Sustainable Community Strategy that aims to focus new housing and job growth in transit areas among existing main streets, downtowns and commercial areas to improve jobs-housing balance and transit-oriented development.
- Redlands's 2013-2021 Housing Element that adopts green policy initiatives requiring land use policies promoting walkable communities, preservation of open space and reduced sprawl plus promoting alternative transportation such as public transit and cycling.

**Demand.** While meeting these policy considerations as well as the East Valley Area Plan/Special Development zoning where it is sited, Westgate 9.5 also responds to growing market needs as proven by the demand for UCR Group's adjacent completed facilities:

- Upscale attached housing units demanded by highly paid young professionals, an important need expressed by major technology and health care firms in the East Valley as well as conforming to San Bernardino County's need to be competitive for such firms.

- Modern multi-tenant units in Redlands, where only 112 attached units have been proposed and approved from 1999-2015, none of which were designed for the growing upscale professional and empty nester markets.
- Safe, high-end gated attached units that put minimal stress on public safety resources.

**Budgetary Impact.** An analysis at build-out of the impact of Westgrove 9.5 on San Bernardino County's General Fund indicates it would generate **\$267,190** in extra revenue and **\$98,134** in extra costs, resulting in a net budgetary benefit of **\$168,355**, a revenue:cost ratio of **2.70**. Assuming inflation affects both sides of the budget equally, this would continue indefinitely.

**Fees.** In addition, the Westgrove 9.5 project would pay approximately \$1.2 million in one-time fees to San Bernardino County to permit the project.

**Construction Impact.** The design, permitting and construction phases of the Westgrove 9.5 complex would generate 345 full time jobs and \$21.5 million in payroll. The East Valley's gross regional product (*explained on page 9*) would rise by \$30.6 million in this period, with the activity concentrated in or near Redlands. East Valley firms would see sales grow by \$65.4 million.



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## Economic Impact of Westgrove 9.5 High-End Transit-Oriented Residential Complex

John E. Husing, Ph.D.

The UCR Group has proposed a 280 unit multi-family transit-oriented residential complex on Lugonia Avenue near Nevada Street will sit on 9.5 acres of land. Importantly, the location is under a mile walk to:

- Proposed California Street MetroLink Station
- Proposed Alabama Street MetroLink Station
- Citrus Plaza and Redlands Town Center
- Kaiser Hospital, Arrowhead Orthopedics and Arrowhead Surgery Center
- Major office complexes in the Orange Tree Lane area of Redlands
- East Valley's I-10 logistics hub
- University Crossings and "The Redlands" multi-family projects



There is an important array of market needs that Westgrove 9.5 complex, at its proposed location, is designed to meet. It would provide:

- The type of higher density, transit oriented walkable housing that conforms to state, regional, county and city housing policies and priorities.
- It responds to the demand for upscale housing units by today's young professionals, an important consideration for major technology and health care firms in the area as well as San Bernardino County's desire to increase its competitiveness for high-paying firms.
- It fills a need for modern multitenant units in an area where very few new attached units have been proposed and approved since 1999.
- It conforms to the East Valley Area Plan/Special Development zoning for the site where it is proposed.

**Sustainable Development.** With transit hubs, major shopping outlets, office and logistics job centers, a hospital and a surgery center within less than one mile of the Westgrove 9.5 project, plus other UCR Group high-end multi-family projects next door, this complex more than fulfills the goals of the CA Legislature envisioned with SB 375. This was the measure designed to encourage communities to approve higher density, multi-family transit oriented projects placing families within easy walking distance of the places they need to live, work and play:

- “SB 375 takes travel time into account by acknowledging that the development of transportation and land systems affects the amount of time that the public spends driving. The bill’s objective is to lead each of California’s regions to adopt more long-term sustainable investments across multiple sectors by lessening the extent to which Californians spend time driving and reducing air pollution through these efforts.”<sup>1</sup> [*emphasis added*]

Westgrove 9.5 complex is located in unincorporated San Bernardino County and is consistent with implementing SB 375. Thus, the county’s Annual Report for its 2012 General Plan Review incorporates the Southern California Association of Governments’ policies for sustainable development:

- “The Sustainable Community Strategy (SCS) outlines our plan for integrating the transportation network and related strategies with an overall land use pattern that responds to projected growth, housing needs and changing demographics, and transportation improvements ... The SCS focuses the majority of new housing and job growth in high quality transit areas and other opportunity areas in existing main streets, downtowns, and commercial corridors, resulting in an improved jobs-housing balance and more opportunity for transit-oriented development.”<sup>2</sup> [*emphasis added*]

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<sup>1</sup>Schoradt, Brent (2009). "Sustainable Communities Strategies Will Be Essential to the Success of SB 375". *Ecology law quarterly* (36.2): 611–614.

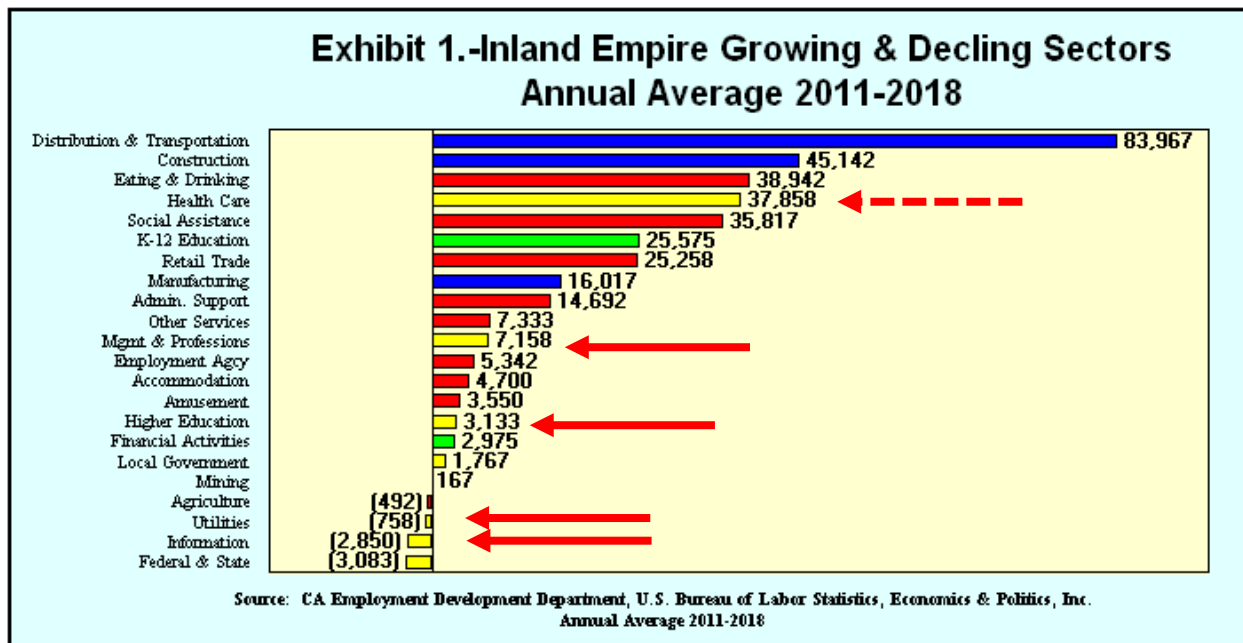
<sup>2</sup> Sustainable Communities Strategy, San Bernardino County General Plan Annual Report, 2012, p. 140

While the Westgrove 9.5 complex is located in unincorporated San Bernardino County, it is also consistent with the goals of the draft 2013-2021 Housing Element for the adjacent City of Redlands which states that:

- “On October 16, 2007, Redlands endorsed the U.S. Mayors Climate Protection Agreement, effectively establishing City policy to pursue environmental stewardship pertaining to a broad array of environmental programs and initiatives. The City has committed to exceed the target of reducing global warming pollution levels to seven percent below 1990 levels. The green policy initiatives that will be necessary to achieve this goal include *land use policies that promote walkable communities, preserve open space and reduce sprawl; amenities that promote alternative transportation such as public transit, bicycle use . . .*”<sup>3</sup> [emphasis added]

It therefore is the type of project which implements state, regional, county and city legal requirements, policies and visions for a less vehicle driven future.

**Need For Multi-Family Transit Oriented Housing.** An economic issue facing San Bernardino County generally and the East Valley in particular is the dominance of modest paying blue collar and lower paying population serving jobs in the Inland Empire’s employment mix. The missing piece has been growth in high paying sectors *not* in health care. Of the 352,208 jobs created in the turnaround and expansion from 2011-2018, just 6,683 (1.9% share) were in a combination of management/professions (7,158), higher education (3,133), utilities (-758) and information (-2,850) firms. High paying health care was the exception (*up 37,858, 10.7% share*) (*Exhibit 1*).



<sup>3</sup> Redlands General Plan Update, Draft 2013-2035 Housing Element, Dyett & Bhatia, December 2013, p. 2-41

Fortunately, major health care facilities are centered near the proposed Westgrove 9.5 project with Redlands Community Hospital, Loma Linda University Medical Center and the Beaver Clinics. Also, the Inland Empire’s strongest information operation is Redlands-based ESRI. In addition, the University of Redlands adds positively to the mix. Meanwhile, the opening and rapid filling of the UCR Group’s other high-end projects next to the Westgrove 9.5 site have showed that there is both a demand by professionals in these types of sectors and a lack of local availability of high-end multi-family rental units. Specifically, interviews with ESRI’s executives led to the following recommendation as part of the 2008 Economic Strategy Recommendations to Redlands:<sup>4</sup>

“While ESRI’s staff includes many families, there are also a large number of well-paid younger single workers less interested in the local schools, more interested in social networking with other young singles, and more interested in upscale apartments and condos than houses.

- **Recommendation #1F.** For the long run, the Planning Department should add zoning for upscale attached and transit oriented housing that can be made available to ESRI’s workers.”

These concerns were echoed by the former Third District Supervisor office which “indicated that he has spoken with Jack Dangermond at ERSI who spoke of concerns for ample housing for the company's employees.”<sup>5</sup>

There is thus a need for the kind of upscale modern units built and filled in the University Crossings complex and the proposed Westgrove 9.5 complex. This is the case from the standpoint of economic and sustainability policies in San Bernardino County and Redlands plus the needs of major employers located in the Redlands-Loma Linda area.

**Responding to Young Professionals.** Beyond its walkable relationship to jobs, shopping, transportation and health care venues, Westgrove 9.5, like its completed sister complexes, conforms to the requirements of the young professionals who must be relied upon for the East Valley’s higher-end sectors to prosper. These were highlighted by an real estate industry consulting firm in discussing the housing preferences of the Millennial generation:

- “Suburban development that increasingly emphasizes environmental consciousness, transit and pedestrian-friendly streets, a diversity of housing types and other millennial favorite features, is attracting older millennials — along with their higher median incomes when compared with younger millennials. As Nielson puts it, this subset “may be starting families but still want the vibrant feeling of an urban environment.” The result of such a community transformation even has a name: “urban burbs”.<sup>6</sup>

Westgrove 9.5 is designed to respond to these desires by young professional:

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<sup>4</sup> Economic Development Strategy, Redlands, September 10, 2008

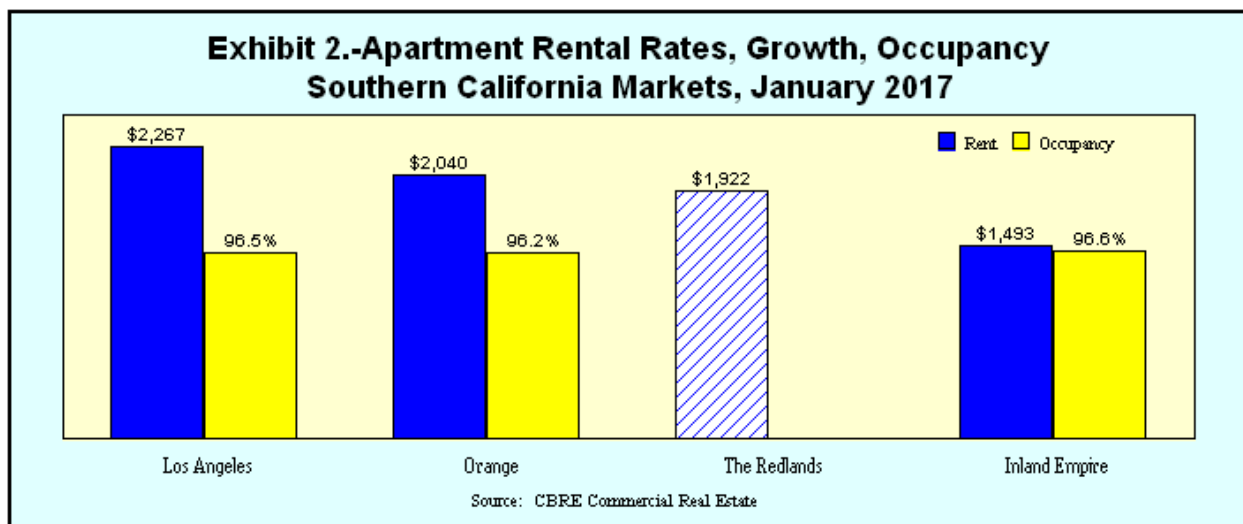
<sup>5</sup> Redlands Daily Facts, August 21, 2012

<sup>6</sup> “What Millennial Renters Want, Industry” Insights; <https://happy.co/blog/what-millennial-renters-want/>



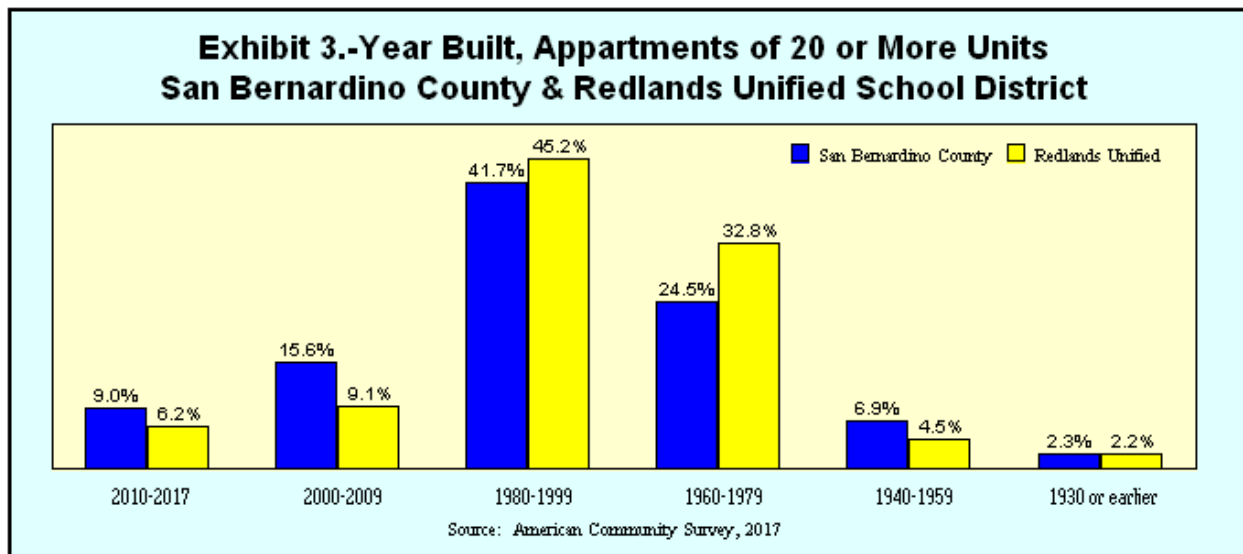
- The units include gathering areas in each building to promote social interaction between residents. These can then flow into the two courtyards which include meeting areas, recreational amenities, B-B-Q facilities, fitness center, cyber-café seating, shade and shelter, expanses of lawn for active recreation, decorative paved surfaces, potted flowering plants, seat walls, ornamental lighting and, in some cases, water features and/or statuary.
- The various studio, one, two and three bedroom floor plans offer extensive amenities as described above in the project description.
- Average rental levels for Westgrove 9.5 Complex are estimated at \$1,922 per month in 2019. For Southern California, this is a relative bargain. According to CBRE, it compares to January 2017 average rents of \$2,267 in Los Angeles County and \$2,040 in Orange County. The Inland Empire rate was \$1,493. With the high quality of the Westgrove 9.5 units, they should command a premium, given the age of the balance of the area’s apartment stock and the upscale nature of its proposed units (*Exhibit 2*).
- Note that apartment occupancy levels in the Inland Empire were extremely high at 96.6%, slightly above the 96.2% (*Orange*) and 96.5% (*Los Angeles*) in the two coastal counties. Also, note that from January 2016-2017, rates increased more than twice as fast in the Inland Empire (7.7%) than either Orange County (3.7%) or Los Angeles county (2.6%). These facts underscore the impact of the lack of supply on rental levels.

Westgrove 9.5 complex thus responds to the needs by young professionals for modern, socially-interactive multi-family units at competitive pricing. It will also help with the lack of dwelling units available in the Inland Empire.



**Lack of Modern Apartment Supply.** Looking at the age of apartments in Redlands Unified School District area, it should be noted that just 15.3% of the units within complexes of 20 or more were built in the 17 years from 2000-2017 (*Exhibit 3*). That amounted to just 399 units in large and medium sized facilities. It compares to 24.6% in San Bernardino County or 9,758 units

(Exhibit 3). Westgrove 9.5 project would thus be built in an area where just 4.1% of the county’s facilities have been proposed, approved, constructed and occupied since 1999, that amounted to 399 units in complexes of 20 or more. UCR’s University Crossing complex has since been occupied and added 306 very high-end units to the Redlands area mix. Westgrove 9.5 project would add to this supply.



Westgrove 9.5 would thus join the UCR Group’s other facilities in adding modern accommodations into a market area that previously had had almost no upscale multi-family units to respond to the demands of the kinds of higher paid workers that the project aims to accommodate. The project can also help the area conform to SB 375’s call for transit oriented housing and the policies of the state, the county and the city indicate need to be built. Westgrove 9.5 also would respond to the stated needs of executives wanting to have access to the young professionals that are the target market.

**Land Use Conformity.** Meanwhile, the location of the multi-family project in the midst of shopping, office and industrial uses proposed development is consistent with San Bernardino County’s zoning for the property. Specifically, the Land Use Department has stated in a letter to UCR Group that:

- “The land use designation of the subject property is the East Valley/Special Development (*EV/SD*), which is intended to allow a mix of residential, commercial, and/or manufacturing uses that maximizes the utilization of natural as well as man-made resources.”<sup>7</sup> [*emphasis added*]

San Bernardino County’s zoning thus calls for residential units to be added into the zone where Westgrove 9.5 is proposed to be located. The project and its neighboring facility emulated the

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<sup>7</sup> Letter from Chris Warrick, Senior Planner, Land Use Services Department, September 12, 2013

very successful development of high-end walkable multi-family units built in Rancho Cucamonga adjacent to Victoria Gardens and the office and logistics employment centers of that city.

### **Economic Impact of Westgrove 9.5 Complex**

Looking at the details of Westgrove 9.5 multi-family upscale apartment project proposed by the UCR Group would represent:

- **9.50 acres** or 413,820 square feet of land area
- **280 leasable units** would be built or 42.0 units per acre
  - 22 Studios @ 533 square feet
  - 127 One bedroom, one bath @ 2,203 square feet
  - 24 One bedroom, one bath, den @ 793 square feet
  - 140 Two bedrooms, two baths @ 2,016 square feet
  - 4 Two bedrooms, two baths, den @ 1,177 square feet
  - 10 Two bedrooms, three baths, den @ 1,194 square feet
- **478** parking spaces
- **129,249** square feet of common areas

**Economic Impact Modeling.** To understand how the construction of a project can impact the economy in which it is located, there are two types of impacts, each of which can be most easily be explained by an analogy to an Old Western gold mining town. There, the miners dug up gold and shipped it away. The money that came to them from the outside world allowed the mining town's economy to exist. This is the direct impact. When the miners bought supplies at the general store or the mine-workers took their pay and bought food and tools at the general store or entertainment at the saloon, the same dollars changed hands within the town creating a secondary tier of activity and jobs. Without the mines, there would be no economy. With the mines, the flow of outside dollars generates both the direct and a secondary impact on the town's economy. Economists refer to this two-tiered set of impacts as showing the direct injection of funds into an economy having a multiplier impact on its overall economy.

For the Westgrove 9.5 complex, the direct flow of funds into the East Valley from the outside world comes about because the financing of construction is from funds moving through the developer to local professional and construction operations to design, permit and build the project. As these East Valley operations buy local goods and services or pay local workers who spend within the area, the result is the secondary impact as the funds are used in outlets and with local workers in the East Valley economy.

To estimate the direct and secondary impact of outside funds flowing into the East Valley, the standard method used by economists is the IMPLAN model based upon U.S. Bureau of Economic

Analysis data for the relevant market.<sup>8</sup> In this case, the market is composed of the zip codes in San Bernardino County's East Valley. It includes the cities/areas of Bloomington, Colton, Grand Terrace, Highland, Loma Linda, Mentone, Redlands, Rialto, San Bernardino and Yucaipa. Construction of the project in the unincorporated area of San Bernardino County next to Redlands thus impacts the full East Valley, depending upon where the outside funds are spent and re-spent.

**Direct Construction Related Spending.** In looking at the pro forma budget for the project, three types of expenditures are detailed:

- \$ 1.0 million in Soft Costs including architecture, planning, engineering, design
- \$ 5.1 million in Soft Costs for permitting, taxes, bonding, marketing, legal, consultants
- \$44.7 million in Construction costs for sub-contractors, materials and labor
- \$ 4.4 million to obtain financing due to loan related fees, insurance
- **\$55.2 million** total cost, not including the land acquisition

Looking at each category of funding in the pro forma, it was determined that the share of spending going to East Valley firms or workers were:

- 75.0% of Soft Costs for designing project
- 62.4% of site related Soft Costs
- 90.0% of Hard Costs
- 15.0% of Cost to obtain Financing
- **81.2% of Total Cost** was the weighted average of funds reaching the East Valley

Direct Spending injected into the East Valley thus totaled:

- \$ 0.8 million in Soft Costs for Designing
- \$ 3.2 million in site related Soft Costs
- \$40.3 million in Construction costs
- \$ 0.6 million to obtain Financing
- **\$44.8 million** total spending, not including the land or monies spent outside the area

The \$44.8 million thus represents the direct spending that subsequently moves through the economy creating secondary impacts in the East Valley's economy. This is the input into the IMPLAN model to determine the full impact.

**Direct and Secondary Impacts of Construction Activity.** The output from the IMPLAN model shows the following anticipated impacts of the construction of Westgrove 9.5:

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<sup>8</sup> IMPLAN Professional Model 3.1.1001.12 copyrighted 2013

- **Jobs:** **345 full time equivalent jobs** would be created in the East Valley due to the project. This would include:
  - 196 full time equivalent jobs employed to design, permit and construct the complex
  - 149 workers employed elsewhere in the East Valley economy
- **Payroll & Entrepreneurial Income.** **\$21.5 million** in income would be paid to professionals, construction workers and other employees in the East Valley due to the project. This would include:
  - \$13.7 million paid to design, permit and construct the complex
  - \$7.8 million paid to workers and entrepreneurs elsewhere in the East Valley area
- **Value Added.** **\$30.6 million** would be the added production value into the East Valley economy as the project is designed, permitted and built. This would include:
  - \$17.8 million in value added into the economy for the design, permitting and building of the complex
  - \$12.8 million in value added would be added elsewhere in the East Valley area as the money funding the project continues moving through the local economy

*Note:* Value added is the economic concept used to estimate the GDP of the U.S. or any of its region. It only counts new value created by each operation supporting a project. Thus, if cement is mined in the East Valley, that is the cement company's contribution to the local economy. When that company sells cement to a concrete firm and that turns it into concrete and sells it to the developer, the value added is not the sales price of the concrete. Rather, it is the difference between the price of the concrete and the price paid for the cement. Otherwise the value of the cement would be counted twice in estimating the actual value added into the East Valley's economy.

- **Sales.** \$65.4 million would be the total trade between firms created in the East Valley economy as the project is designed, permitted and built. This would include:
  - \$44.8 million in direct sales activity for the design, permitting and building of the complex.
  - \$20.6 million in sales activity elsewhere in the East Valley area as the money funding the project continues moving through local firms and households.

*Note:* To the firms in the East Valley, an important consideration is how much in products or services they are able to sell directly to the companies constructing the project or secondarily sell to these firms or their workers when they spend their incomes locally. They are not worried about the issue of their net contribution to value added. The total direct and secondary sales level thus is not net of the items each firm buys from other local firms.



The result of the design, permitting and construction of Westgrove 9.5 would result in 345 workers finding jobs during the period of this activity. They would be paid \$21.5 million that would not occur without the project. The gross regional product of the East Valley will be \$30.6 million higher, with much of that activity concentrated in or near Redlands. Firms within the East Valley would see their business sales grow by \$65.4 million.

### **Fiscal Analysis of “Westgrove 9.5” Complex**

To determine the fiscal impact of Westgrove 9.5 complex on San Bernardino County’s operating budget, it is necessary to estimate the revenues generated by the increased assessed valuation of the facility as well as the revenues that the added population and resulting retail sales taxes and other revenues would bring to San Bernardino County. These must be compared to the added costs for the county to service the site and its residents.

For this analysis, the starting point is the increase in units and population as well as the valuation due to Westgrove 9.5 (*Exhibit 4*). The UCR Group estimates the market value of the units will be \$309,000, yielding a total valuation using a 4.5% capitalization rate of \$86,600,000 at build-out. Meanwhile, the 280 units have an average of 2.04 residents per apartment. There will be an estimated 571 tenants. Since the units are an addition to the county’s very tight housing stock, this can be thought of as a net increase in the county’s population. Either the people moving into the complex will all be new county residents, or they will be new adults forming households, or they will be replaced by new residents moving into their former units.

<b>Exhibit 4.-Units, Residents, Valuation, Westgrove 9.5 At Build-Out</b>			
<b>Type of Unit &amp; Baths</b>	<b>Number of Units</b>	<b>Assumed Residents</b>	<b>Total Residents</b>
Studio	22	1.50	33
1.0 Bdrm, 1.0 Bath	127	1.75	222
1.0 Bdrm, 1.0 Bath, Den	24	1.80	43
2.0 Bdrm, 2.0 Bath	93	2.50	233
2.0 Bdrm, 2.0 Bath, Den	4	2.60	10
2.0 Bdrm, 3.0 Bath, Den	10	3.00	30
<b>Total</b>	<b>280</b>	<b>2.04</b>	<b>571</b>
<b>Market Value Per Unit</b>	\$309,000		
<b>Project Value @4.5% Cap Rate</b>	\$86,600,000		

Source: The UCR Group, Economics & Politics, Inc.

**Revenue.** Using these tenant and valuation assumptions for Westgrove 9.5 complex, the revenues added to San Bernardino County’s general fund would total **\$345,124** estimated as follows (*see Exhibit 5, page 13*):

- **1. Property Tax.** The annual property tax revenue increased valued in 2019 dollars is:
  - \$86,600,000 in value upon build-out
  - \$ 5,000,000 in existing valuation based upon the current Assessed Valuation
  - \$81,600,000 increase in valuation
  - \_\_\_\_\_ 1.0% property tax rate for the General Levy

- \$ 816,000 General Property Tax Levy
  - 15.5% Share of General Levy to San Bernardino County's General Fund
  - \$ 126,408 County General Fund Property Tax Increase
- **2. Vehicle License Fee – Property Tax Swap.** Property tax in lieu of motor vehicle license fees (*MVLF*) revenues are received by counties to offset the state's reduction in MVLF fees starting in FY 2004. The amount paid each year is based upon the annual increase in San Bernardino County's Assessed Valuation:
    - \$113,266,720,440 Assessed Valuation (*FY 2004*), first year of the swap
    - \$245,458,805,503 Assessed Valuation Estimated for July 1, 2020
    - \$132,192,085,063 Change in Assessed Valuation since the swap's inception

Over the period the MVLF replacement funding also increased:

- \$137,463,200 Property Tax/MVLF (*FY 2004*), first year of the program
- \$298,096,824 Property Tax/MVLF (*FY 2020*), estimate for 2020 county budget
- \$ 108,196,709 Change in monies received by the county

Dividing the change in monies received during this period by the change in assessed valuation, yields::

- 0.001215 has been the average increase in MVLF replacement funds *per dollar* of change in assessed valuation
- \$1,215 is the amount for each \$1,000,000 of extra assessed valuation

The county's assessed valuation increased from completion of Westgrove 9.5 was estimated above, thus the increase in MVLF replacement is:

- $\$81,600,000 / 1,000,000 = \$81.6 \times \$1,215 = \underline{\underline{\$99,156}}$

**3. Sales & Use Taxes.** To estimate Sales and Use Taxes caused by Westgrove 9.5 complex, the standard methodology for economists is to take the following steps:

- \$86,600,600 is the project's market valuation
- 25.0% is the share of valuation to determine tenant income needed to afford units
- \$21,650,000 is the Household Income. That is close to a calculation that takes the \$1,922 average pro forma rent in the project times its 280 units for 12 months or \$6.5 million. Assuming people use the recommended 30% of income for rent, that would be \$21.5 million in income.
- 32.0% Retail spending of household income from BLS research for the CPI
- **\$6,928,000** is Retail spending from the tenants at Westgrove 9.5 complex

Next, how much of that spending occurs in unincorporated areas:

- **\$6,928,000** is Retail spending
- 50.0% is the share of retail sales assumed in the unincorporated Donut Hole Area
- \$3,464,000 is the retail sales captured for the unincorporated area
- 1.0% Local Sales Tax Rate
- **\$34,640** is the total unincorporated Sales Taxes going to the county
- 12.5% is the Use Tax percent above in-store sales taxes based upon the 2018 relationship of unincorporated in-store sales to county's use taxes paid to it by the state
- \$4,330 are the Use Taxes
- \$38,970 is the total of Sales & Use Taxes
- 10.0% is San Bernardino County's share of Donut Hole sales (*90% to Redlands*)
- **\$3,897** County Sales & Use Taxes

**4. to 12. Other Revenue Sources.** The other revenue sources for San Bernardino County are estimated using the average revenue from the most current budget (*FY 2019*) *per person* and then multiplying the result times the **571** residents anticipated at Westgrove 9.5 complex. The per person basis is calculated using a combination of the county's population and 50% of its job base. The 50% standard is used by economists to determine the degree to which the job base puts added pressure on county services beyond that of the local population. The combined basis is called the service area population. Using CA Employment Development Department data:

- 1,518,700 was the Inland Empire wage & salary job average in 2018
- 159,464 is the 10.5% factor above that for the self employed, from Census data
- 1,678,164 are the total jobs in the Inland Empire
- 51.4% was San Bernardino County's share of regional jobs in 2016
- **862,576** estimated jobs in the county; 50% = **431,288**
- 8.7% is the share SCAG estimates are in unincorporated areas
- **75,044** jobs in unincorporated San Bernardino County; 50% = **37,522**
- 2,174,938 was the county's 2018 Population from CA Department of Finance
- $2,174,938 + 431,288 = \underline{\underline{2,606,226}}$  Service Area Population for the county
- 311,659 was the Unincorporated Population
- $311,659 + 37,522 = \underline{\underline{349,181}}$  Unincorporated Service Area Population

Using these factors, it is possible to determine the impact of adding 571 people to San Bernardino County's economy (*Exhibit 5*):

<b>Exhibit 5.-New Revenue From Population &amp; Job Related County Taxes &amp; Fees</b>					
<b>Revenue Source</b>	<b>2019 SB County Budget</b>	<b>Service Population</b>	<b>Per Person</b>	<b>People Added</b>	<b>New Revenue</b>
4. Franchise Fees in unincorporated areas	\$6,645,000	349,181	\$14.17	571	\$8,098
5. Other Taxes in unincorporated areas	\$678,000	349,181	\$1.45	571	\$826
6. Countywide Cost Allocation Plan	\$73,218,224	2,606,226	\$28.09	571	\$16,051
7. Property Tax Administration Revenue	\$8,965,953	2,606,226	\$3.44	571	\$1,966
8. Recording Fee Revenue	\$3,400,000	2,606,226	\$0.00	571	\$0
9. Other State and Federal aid	\$5,122,675	2,606,226	\$1.97	571	\$1,123
10. Other Discretionary Revenues	\$430,000	2,606,226	\$0.16	571	\$94
11. Operating Transfers (Ongoing)	\$17,000,000	2,606,226	\$6.52	571	\$3,727
12. Interest on Recurring Invested Revenues	\$26,322,081	2,606,226	\$10.10	571	\$5,770
<b>13. Total Other</b>					<b>\$37,556</b>

Source: San Bernardino County Recommended Budget FY 2019, p. 6 of 36

**Total Increased Revenue.** Adding new assessed valuation, new retail spending in unincorporated areas and increasing the population by 571 people with Westgrove 9.5 complex would increase San Bernardino County's revenues by **\$267,190** (Exhibit 6).

<b>Exhibit 6.-Increased Revenues, San Bernardino County Operating Budget At Westgrove 9.5 Complex Project Build-Out, FY 2019</b>		
<b>Revenue Source</b>	<b>Amount</b>	<b>Percent of Total</b>
1. Property Tax	\$126,480	47.3%
2. Vehicle License Fee - Property Tax Swap	\$99,156	37.1%
3. Retail Sales and Use Tax	\$3,897	1.5%
4. Franchise Fees	\$8,098	3.0%
5. Other Taxes	\$826	0.3%
6. Countywide Cost Allocation Plan	\$16,051	6.0%
7. Property Tax Administration	\$1,966	0.7%
8. Recording Fee Revenue	\$0	0.0%
9. Other State and Federal Aid	\$1,123	0.4%
10. Other Discretionary Revenues	\$94	0.0%
11. Operating Transfers	\$3,727	1.4%
12. Interest on Recurring Invested Revenues	\$5,770	2.2%
<b>Total Annual Revenues</b>	<b>\$267,190</b>	<b>100.0%</b>

**Costs.** Using the San Bernardino County budget, the service population levels and the tenant assumptions, the costs added to San Bernardino County's general fund from Westgrove 9.5 complex would total **\$98,834** (Exhibit 7). These are estimated as follows:

**1. to 5. Other Costs.** Items 1-5 of San Bernardino County's increased costs due to the new tenants at Westgrove 9.5 complex are determined using the same method as for the other revenues. The cost of the county departments are spread across the service area population of 2,606,226 to determine the per person rates. The results are multiplied by

the 571 people added at the complex to generate the new costs for these five departments (*Exhibit 7*).

<b>Exhibit 7.-New Costs, San Bernardino County's Operating Budget From Population &amp; Job Related County Taxes &amp; Fees, Westgrove 9.5 Complex At Build-out FY 2019</b>						
<b>Cost Source</b>	<b>2019 SB County Budget</b>	<b>Service Population</b>	<b>Per Person</b>	<b>People Added</b>	<b>New Costs</b>	<b>Share</b>
1. Administration	\$8,139,002	2,606,226	\$3.12	571	\$1,784	1.8%
2. Economic Development Agency	\$3,872,567	2,606,226	\$1.49	571	\$849	0.9%
3. Fiscal	\$31,150,083	2,606,226	\$11.95	571	\$6,829	6.9%
4. Law and Justice	\$188,092,902	2,606,226	\$72.17	571	\$41,235	41.7%
5. Operations & Community Services	\$50,035,993	2,606,226	\$19.20	571	\$10,969	11.1%
6. Human Services	\$103,305,734	2,174,938	\$47.50	571	\$27,138	27.5%
7. Mandate Contingencies	\$11,403,798	2,606,226	\$4.38	571	\$2,500	2.5%
8. Reserve Contributions	\$34,349,597	2,606,226	\$13.18	571	\$7,530	7.6%
	<b>\$430,349,676</b>				<b>\$98,834</b>	100.0%

Source: San Bernardino County Recommended Budget FY 2017, p. 16 of 38

**6. Human Services.** Unlike the other departments, the budget for human services is not impacted by the level of job activity in San Bernardino County. The budget for the department is thus only spread across the county's population to determine the per capita rate. This is multiplied by the 571 tenants added at the complex to yield **\$27,138** in estimated added costs.

**7. Mandate Contingencies.** This item is \$11,403,798 spread across 2,606,226 people is \$4.38 per person. For 571 new people, the cost would be **\$2,500**.

**8. Reserve Contribution.** San Bernardino County has been consistently rebuilding its reserves after the problems caused by the Great Recession. \$34,349,567 set aside for FY 2019 with 2,606,226 people is \$13.18 per person. For 571 people that is **\$7,530**.

**Revenue:Cost Ratio.** Given **\$267,190** in extra revenue to San Bernardino County's General Fund because of Westgrove 9.5 Complex and the **\$98,834** in extra costs incurred because of the project, the results are:

- The extra annual revenues exceed the extra annual costs by **\$168,355**. That is a ratio of revenue:cost ratio of **2.70**. This indicates that the project would annually represent a net benefit to the county budget. The result is roughly equal to the UCR Group's last project.
- Assuming inflation affects both sides of the county's budget equally, this would continue in perpetuity.

**Transportation-Road Operations.** One other portion of San Bernardino County's budgets will be impacted by Westgrove 9.5 complex. This is the budget for Road Operations to handle the street and signalization of the area in which the project will be located. Assuming the issues impacting the facility are similar to the neighboring projects, the following are the relevant factors (*Exhibit 8*):



- Three revenue items will impact the county's Road Operations Fund. Together, the increased population from the complex generates **\$19,895** in added annual revenue:
  - The budgeted State Gas Tax is spread across the resident population to yield the per capita state allocation to the county. That times 571 residents yields **\$9,492** in new revenue per year.
  - The budgeted Other State, Federal and Other Government Aid including SB 1 funding is also spread across the county's population to yield the per capita allocation to the county. That times 571 residents yields **\$9,843** per year.
  - Other revenue is assumed to come from items such as sale of used equipment and fees. This is spread over half the county population as the roads serve unincorporated people but also other residents part of the time. That times 571 residents yields **\$559** per year.

<b>Exhibit 8.-New Revenues &amp; Costs</b>					
<b>San Bernardino Count's Road Operations Fund, Westgrove 9.5 Complex</b>					
Source	San Bernardino County Budget	Relevant Population	Per Person	Added Residents	Added Revenue
State Gas Tax	\$44,400,000	2,606,226	\$16.61	571	\$9,492
Other State, Federal or Other Government Aid	\$33,300,000	2,606,226	\$17.23	571	\$9,843
Other Revenue	\$1,275,240	1,303,113	\$0.98	571	\$559
<b>Added Revenue</b>					<b>\$19,895</b>
Street Segment	Road Length in Feet	Road Length in Miles	Annual Operations and Maintenance per Street Mile		Total Annual Operations and Maintenance
West Lugonia Avenue (40 feet wide) - property frontage	641	0.12	\$15,026		\$1,824
<b>Street Operations &amp; Maintenance</b>					<b>\$1,824</b>
Signalized Intersection	Project Contribution		Annual Operations & Maintenance per Intersection		Total Annual Operations and Maintenance
California Street/Lugonia Avenue	7.2%		\$2,504		\$180
Alabama Street/Lugonia Avenue	6.2%		\$2,504		\$155
Alabama Street/I-10 Westbound Ramps	2.6%		\$2,504		\$65
Alabama Street/I-10 Eastbound Ramps	2.9%		\$2,504		\$73
Alabama Street/Redlands Avenue	1.3%		\$2,504		\$33
<b>Signalization Operations &amp; Maintenance</b>					<b>\$506</b>
<b>Added Cost</b>					<b>\$2,330</b>
Net Added Revenue					<b>\$17,565</b>
Revenue:Cost Ratio					<b>8.5</b>

Sources: Revenue from San Bernardino County budget. Costs from Stan Hoffman & Associates updated for consumer price index.

- Two categories of cost items impact the county's Road Operations Fund. Together, they will add **\$2,330** in annual costs:
  - There are 0.12 miles of streets subject to operations and maintenance at \$15,026 per mile or **\$1,824** extra costs a year.

- The projects share of operation and maintenance costs for nearby signals at \$2,504 per signal yielded extra costs per year of **\$506**.
- **Revenue:Cost Ratio.** Given \$19,895 in extra revenue to San Bernardino County’s Road Operations Fund because of Westgrove 9.5 complex and the \$2,330 in extra costs incurred because of the project, the results are:
  - The extra revenues exceed the extra costs by **\$17,565**.
  - That is a ratio of revenue:cost ratio of **8.5**. This indicates that the project would annually represent a net benefit to the county budget.

Westgrove 9.5 complex will thus have a net positive annual impact on San Bernardino County’s Road Operations.

### WESTGROVE 9.5

