

Fiscal Revenue and Employment Impact 11.4 Acre Industrial Development Veterans Field, City of Pomona (Portion of Former General Dynamics Site)



Prepared for:

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CONTENTS

EXECUTIVE SUMMARY	1
PROJECT DESCRIPTION AND BACKGROUND	4
Location	4
Components	4
Analytic Approach	5
ANNUAL FISCAL REVENUES	7
Property Tax	7
Utility User Tax	10
Business License Fee	10
Vehicle License Fee Adjustment	11
ONE-TIME FISCAL REVENUES AND BENEFITS	12
Documentary Transfer Tax	12
Development Taxes, Fees and Permits	12
EMPLOYMENT IMPACT	13
Permanent Jobs	13
Construction Jobs	13
ASSUMPTIONS AND LIMITING CONDITIONS	15

EXECUTIVE SUMMARY

The Project will consist of the development of an 11.4-acre parcel immediately to the west of the 71 Corona Expressway and north of Mission Blvd. in the City of Pomona. The site was formerly part of the General Dynamics Naval Industrial Reserve Ordinance Plant (NIROP) owned by the Federal government. It is now owned by the City of Pomona. The developer indicates that the Veterans Field project will be similar to and complement the balance of approximately 2.5 million square feet of space already built on the former General Dynamics Plant site in earlier phases. At full build-out, the Project will have a total of approximately 206,500 square feet of space in four separate buildings housing between four and six separate businesses. Most of the space in the earlier phases was developed by Seventh Street Development which provided costs and occupancy information for this analysis based on experience with these prior phases and its occupants. The Project will generate substantial annual ongoing as well as one-time fiscal benefits for the City of Pomona and other public entities. The summary tables below present projections of the estimated impacts to Pomona and other entities from the principal fiscal revenues generated by the Project. All figures are in 2018 dollars.

Included in the one-time revenues to the City of Pomona are the proceeds of the sale of the site to Seventh Street Development of approximately \$11,650,000. Additionally, the city may realize operating savings from relocating the soccer fields, including savings from not replacing the Veterans Field turf.

ANNUAL FISCAL REVENUE

City of Pomona	
Property Tax	
Statutory Passthrough	\$8,100
Residual Distribution	67,300
Utility Tax	39,900
Business License Fee	4,000
VLF Adjustment	64,000
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Subtotal	\$183,300
Property Tax to Other Entities	
Los Angeles County	\$206,600
Pomona Unified School District	56,800
Other Public Agencies & Entities	95,800
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Subtotal	\$359,200
Voted Bond Indebtedness	
Pomona Unified School District	\$66,800
Community College	9,400
Metro Water District	1,500
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Subtotal	\$77,700
Combined	
Total	\$620,200

ONE-TIME FISCAL REVENUE

City of Pomona	
Land Sale Proceeds	\$11,650,000
Documentary Transfer Tax	126,000
Taxes, Fees & Permits	438,500
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Subtotal	\$12,214,500
Pomona Unified School District	
Impact Fee	\$111,500
Los Angeles County	
Documentary Transfer Tax	\$63,000
Others	
Impact Fees	\$307,000
Combined	
Total	\$12,696,000

At full build-out, the Project will also provide a substantial number of new job opportunities for the region. It is assumed that the generic mix of businesses and the employment in the Project will be similar to the pattern in the adjacent projects that have been developed over the past five years.

The construction of the improvements will also produce one-time construction jobs. The number of construction jobs was estimated based on the construction costs for the improvements.

Both direct job impacts will produce indirect and induced economic activity that will result in additional jobs. Induced activity consists of the business to business transactions that are necessary for the direct activity to occur. The induced activity results from direct employees spending their wages on goods and services. The figures calculated for this impact are those that would occur in Los Angeles County.

EMPLOYMENT PROJECTION

Building	T	U	V	W	TOTAL
Permanent Jobs					
Direct Onsite	33	33	67	71	203
Indirect & Induced	19	20	39	41	119
Total	52	53	106	112	323
One-Time Construction Jobs					
Direct	68				
Indirect & Induced	40				
Total	108				

The actual amounts of revenues and jobs created will depend on the specific businesses that eventually occupy the properties at full build-out. Changes in future market conditions could alter these results. Nevertheless, these estimates are considered to be representative of what the actual performance will be for the Project as now envisioned.

PROJECT DESCRIPTION AND BACKGROUND

Location

The Project is located in the City of Pomona on the west side of the 71 Corona Expressway and north of Mission Blvd. It consists of a total of 11.4 acres. Since 1997, the Federal government has transferred or sold off the holdings comprising the former General Dynamics Plant including the Project site. When operating as the Naval Industrial Reserve Ordinance Plant (NIROP) under federal government ownership it was the home to Hughes Missile Systems Company and General Dynamics Corporation which succeeded Convair. Both utilized the site for manufacturing military and naval aircraft. The Veterans Field site was transferred from the United States Government to the City of Pomona on March 28, 2000 for public purposes. It is currently operated for recreational purposes with four soccer fields.

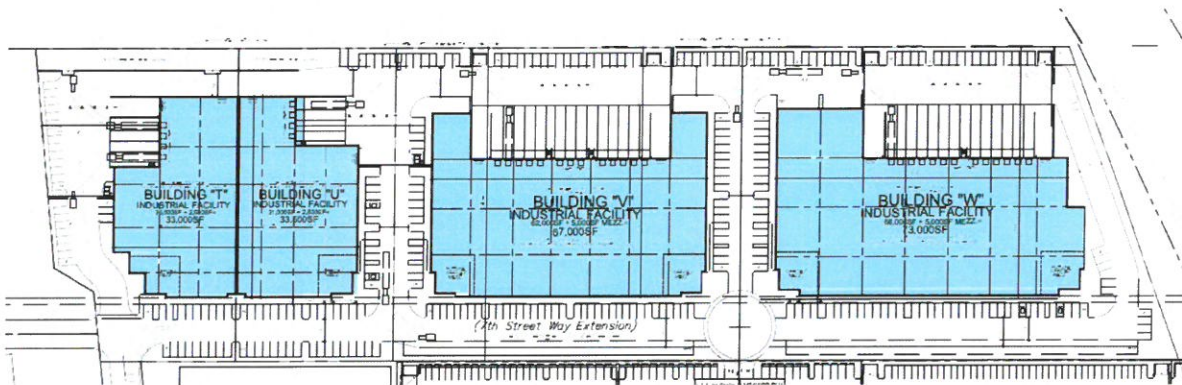
In September 2011, the City of Pomona completed the \$48 million Mission-71 Overpass project. This project is the largest public improvement project in the history of the City of Pomona. That improvement combined with the widening of a 2.5 mile stretch of the 71 Freeway between the 60 and 10 Freeways enhances the Project's easy access to the regional freeway network.

Components

The Project will consist of four industrial buildings and associated parking. Two of the Buildings will each have approximately 5,000 square feet of two-story offices with a single occupant, and two of the buildings are expected to each have two 5,000 square foot two-story office pods (total of 10,000 square feet of office) to accommodate two separate businesses in each building. Each building will have a manufacturing/warehouse area with high ceiling and ample power. The project will have a total of approximately 300 car parking spaces (approximately 1.5 spaces/1,000 square feet of building area) plus loading for trucks.

PROJECT DESCRIPTION

BUILDING	T	U	V	W	Total
ACRES					
Net					11.40
BUILDING SQUARE FEET					
Manufacturing/Warehouse	28,000	28,500	57,000	63,000	176,500
Office	5,000	5,000	10,000	10,000	30,000
Total	33,000	33,500	67,000	73,000	206,500



Subject to obtaining approvals for transfer and city planning and building permits, construction of the Project is expected to commence within 10 months of transfer.

Analytic Approach

The analysis focuses on the key fiscal revenues that the Project will generate for the City of Pomona and other public entities on both an annual and one-time basis. The annual revenue projections are for a full fiscal year for the Project at full build-out. Pomona's principal one-time revenues and benefits consist of the fees paid during the development process and the documentary transfer taxes levied upon acquisition and disposition of the site.

The exact timing of the build-out of the Project will depend on the timing of the transfer and city and governmental approvals. Consequently, in order for the revenue figures to have the most relevance today, all dollar figures are in terms of 2018 dollars.

The data for this analysis has come from a variety of sources. These include but are not limited to Seventh Street Development, the City of Pomona, the Los Angeles County Assessor, the Los Angeles County Recorder, IMPLAN MIG Inc., and other sources.

ANNUAL FISCAL REVENUES

There are four (4) principal annual sources of fiscal revenues that are generated directly by the Project and the businesses located there. Those revenue sources are:

- Property tax
- Utility user tax
- Business license fee
- Vehicle license fee adjustment

There are other categories of fiscal revenues that will be associated with the Project. However, they will be small in comparison to these four.

Property Tax

All non-exempt secured and unsecured property in the city is subject to property tax. Property tax has a General Levy component equal to 1.00% of the assessed value of the property plus an additional amount made up of voter-approved levies to pay bonded indebtedness, special taxes and special assessments. That additional amount above the General Levy totals approximately 0.1786% of the assessed value at the Project location. The City of Pomona does not receive a share of the levies in excess of the 1.00% General Levy.

The project is in a former redevelopment project area. In the seven years since the dissolution of redevelopment agencies in California, the way in which the 1.00% general levy property tax revenue from properties in former redevelopment project areas is allocated has been revised. There is still substantial remaining debt of the now-terminated Pomona redevelopment agency outstanding.

Currently, property taxes generated from such properties are allocated to various entities in a cascading priority fashion as shown in the Property Tax Allocation tabulation. Administrative Distribution payments are followed first by Negotiated and then by Statutory Distribution payments to the various entities indicated. Any funds remaining at that point after those distributions and payments would be available to make payments to the successor agency if any

are required in order to meet enforceable obligations of the former redevelopment agency. Finally, and to the extent there are residual funds after any required payments to the successor agency, those funds are then used to make Residual Distributions to the various entities as indicated.

The computation of the allocation of revenues to the successor agency is complex and varies from year to year based on a number of sometimes unrelated factors. That allocation to the successor agency will eventually expire when all enforceable obligations of the redevelopment agency have been discharged. In this analysis, for this individual property, it is assumed that the combined tax revenues from existing tax-paying properties in all of the city's former redevelopment project areas is sufficient to fund those enforceable payment obligations to the successor agency. Consequently, the new property tax revenue that the Project generates is not shown to be reduced by any allocation to the successor agency. If an allocation is ever required from the new revenue generated by the Project, only the "residual revenue distribution" component of the city's revenue would be reduced. The city's allocation from the Statutory Pass-through would not be reduced because it is in the allocation tier ahead of allocations to the successor agency.

The amount of the property tax is computed by multiplying the tax rate times the property's assessed value. There is additional bonded indebtedness associated with the Pomona Unified School District, community college and Metro Water District. The county's Trauma Emergency Services service levies an assessment equal to \$0.0424 per square foot of improvements. In the case of the Project, that would equal approximately \$8,700 in 2018 dollars.

To account for the taxation of unsecured property, the amount of unsecured assessed value on similar nearby properties was reviewed. Based on that information, the unsecured assessed value for a factor of 6.00% of secured assessed value was used. That additional assessed value was added to the estimated secured assessed value to arrive at the entire assessed value to which the property tax rates would be applied.

Applying the various allocation factors produces the following breakdown for the entities receiving a share of the General Levy.

PROPERTY TAX ALLOCATIONS

Estimated Assessed Value		
New Development Assessed Value	\$41,000,000	
Unsecured Assessed Value	2,460,000	
Total Assessed Value	\$43,460,000	
		Percent of Total
General Levy Property Tax Revenue	\$434,600	100.00%
H&S Code 34183 Distributions		
Administrative Distributions		
SB813 5%	(\$1,222)	0.28%
ABx1 26	(1,207)	0.28%
SB2557 Administrative fees	(5,701)	1.31%
Negotiated Passthrough Distributions		
County Taxing Entities Payments	(\$199,481)	45.90%
K-12 School Payments	(6,661)	1.53%
Community College Payments	(965)	0.22%
Statutory Passthrough Distributions		
City of Pomona Payments	(\$8,121)	1.87%
County Taxing Entities Payments	(201)	0.05%
Special District Payments	(496)	0.11%
K-12 School Payments	0	0.00%
Community College Payments	0	0.00%
County Office of Education	(458)	0.11%
ERAF	(162)	0.04%
Residual Available	\$209,925	
		Percent of Residual
Residual Revenue Distributions		
City of Pomona	\$67,258	32.04%
County Taxing Entities	6,957	3.31%
Special Districts	3,514	1.67%
K-12 Schools	50,098	23.86%
Community Colleges	7,242	3.45%
County Office of Education	987	0.47%
ERAF	73,867	35.19%

Utility User Tax

The City of Pomona levies a 9.00% user tax on the dollar cost of consumption of electric power, water, natural gas, and telephone service. Information on utility usage (in terms of annual dollars per square foot) at similar nearby properties and industry standards to estimate the total utility usage in dollars.

UTILITY USER TAX

BUILDING	T	U	V	W	TOTAL
SQUARE FEET					
Manufacturing/Warehouse	28,000	28,500	57,000	63,000	176,500
Office	5,000	5,000	10,000	10,000	30,000
Total	33,000	33,500	67,000	73,000	206,500
ANNUAL UTILITY USE					
Per Square Foot					
Manufacturing/Warehouse	\$2.00	\$2.00	\$2.00	\$2.00	
Office	3.00	3.00	3.00	3.00	
Total					
Manufacturing/Warehouse	\$56,000	\$57,000	\$114,000	\$126,000	\$353,000
Office	15,000	15,000	30,000	30,000	90,000
Total Annual	\$71,000	\$72,000	\$144,000	\$156,000	\$443,000
UTILITY USE TAX Rate	9.00%				
UTILITY USE TAX Amount	\$6,400	\$6,500	\$13,000	\$14,000	\$39,900

Future occupants of the Project that utilize equipment intensively in manufacturing processes or who may require special cooling or refrigeration will use more electric power and could generate substantially more utility user tax for the City.

Business License Fee

Pomona charges an annual fee for a business license to operate in the City. For retailers and service providers, the fee is based on a percent of gross revenues. Manufacturing, processing and warehousing businesses are charged a fee based on the number of employees. Consequently, the

occupants of the Project would pay a fee based on the number of their employees. The fee schedule ranges from a low of \$109 to a high of \$857 per year for the largest category of employees. Based on the number of employees estimated to occupy each of the four buildings, it is estimated that six businesses in the entire Project at full build-out will pay businesses license fees in the range of **\$4,000** annually in 2018 dollars.

Vehicle License Fee Adjustment

Cities in California formerly received a substantial amount of revenue in the form of a share of motor vehicle license fees collected by the State. That arrangement was changed and cities now receive a “replacement” revenue that increases each year based on changes in the total assessed value in each city. This revenue is sometimes called Motor Vehicle License Fee In-Lieu funds.

The build-out of the Project will result in an increase in the City’s annual VLF Adjustment revenue based on the percent increase in the City’s total assessed value that the Project constitutes. The current total assessed value in Pomona is approximately \$10.6 billion. In the most recent fiscal year, Pomona received approximately \$15.6 million in VLF Adjustment revenue. At full build-out, the Project will have added approximately \$41 million in assessed value to the property tax rolls. Consequently, the Project will have increased the annual VLF Adjustment revenue by approximately **\$64,000** in 2018 dollars.

VEHICLE LICENSE FEE ADJUSTMENT

Assessed Value	
City of Pomona	\$10,556,000,000
Project	
Assessed Value	\$43,460,000
Percent of City	0.41%
Amount of VLF	
Current Revenue	\$15,575,000
Increase from Project	64,000

ONE-TIME FISCAL REVENUES AND BENEFITS

There are three principal elements that make up the one-time fiscal revenues and benefits that the Project will generate.

- Documentary transfer tax
- Development taxes, fees and permits
- Public infrastructure

Documentary Transfer Tax

Whenever a property is sold, a documentary transfer tax is levied. The amount of the tax is based on the price of the property sold. For properties located in Pomona, the City receives \$2.20 per \$1,000 of value and Los Angeles County receives \$1.10 per \$1,000 of value.

When Seventh Street Development acquires the site from the city, a documentary transfer tax will be levied. Based on an assumed acquisition price for the site in the range of \$11,653,000, the transaction will generate revenues for the City and County in approximately the following amounts. When the completed Project is sold for an estimated value of \$45,430,000, the City and County will also receive documentary transfer tax revenue. The combined amounts for the site acquisition and sale of the completed Project are estimated to be approximately:

- **\$116,000** for the City of Pomona
- **\$58,000** for Los Angeles County

Development Taxes, Fees and Permits

Through full build-out the Project is estimated to generate in excess of \$856,900 in taxes, fees and permits associated with its development. Those include development taxes, impact fees, permits, and fees for plan checks and utility connections.

City of Pomona planning fees, development tax, public safety, public art and plan check fees are expected to total **\$438,500**. Impact fees due to Pomona Unified School District are estimated at **\$111,500**. Los Angeles County and other entities are expected to receive approximately **\$306,900** in fees and one-time charges.

EMPLOYMENT IMPACT

The Project will have both permanent and one-time impacts on jobs in Pomona. The permanent jobs will consist of the positions filled by the employees of the businesses located in the Project. The one-time job impact will be the number of on-site construction jobs required to build the improvements.

In addition to the direct jobs, there will also be indirect and induced impacts that will produce additional jobs in the region. Indirect activity consists of the business to business transactions that are necessary for the direct activity to occur. The induced activity results from direct employees spending their wages on goods and services. In this analysis the indirect and induced job impacts will be limited to those occurring in the Los Angeles County area.

Permanent Jobs

As indicated earlier, based on the anticipated number of square feet of improvements for this type of land use, it is estimated that approximately **203** employees will be employed at businesses in the four buildings that make up the Project.

Based on the nature of the direct jobs, the IMPLAN regional economic analysis model indicates that a factor of approximately 0.587 is appropriate to calculate the number of indirect and induced jobs that would be created in Los Angeles County. Applying that factor to the direct produces an estimate of **119** indirect and induced permanent jobs. Combining the direct, indirect and induced jobs produces an estimated total of **323 jobs**.

Construction Jobs

There will be a one-time impact on employment resulting from the construction activity required to develop the Project. Construction employment impacts are most often estimated on the basis of the cost and type of construction involved. IMPLAN factors for the type of commercial construction involved in the Project estimate that \$1 million of construction hard costs will produce approximately 5.24 construction jobs on-site. This is equivalent to one construction job

(one year in duration) for each \$190,800 of construction cost. Applying this factor to an estimated total construction spending (including the public infrastructure) of \$12.9 million produces a figure of **68** jobs.

The IMPLAN model indicates that a factor of approximately 0.59 is appropriate to calculate the number of indirect and induced jobs that would be created. Applying that factor to the direct produces an estimate of **40** indirect and induced permanent jobs.

Combining the direct, indirect and induced one-time jobs produces an estimated total of **108** jobs.

ASSUMPTIONS AND LIMITING CONDITIONS

Extensive efforts have been made to confirm the accuracy and timeliness of the information contained in this analysis. Although all the information in the analysis is believed to be correct, no responsibility is assumed for inaccuracies in the information provided by primary and secondary sources.

The accompanying projections are based on economic factors developed in connection with the analysis. It is the nature of forecasting that some assumptions may not materialize or unanticipated events may occur. Consequently, actual results will vary from the projections.

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Dr. Selvidge has more than 35 years experience in real estate finance and economics, fiscal and economic impact analysis, tax increment financing, and public/private partnerships/joint ventures. He has assisted a wide range of private sector clients and government agencies on assignments involving commercial, industrial, residential, and mixed-use properties.

He has held positions with:

- CB Richard Ellis, Global Consulting Services, Managing Director
- Kosmont Companies, Senior Vice President
- Kotin, Regan and Mouchly (Sedway Kotin Mouchly Group), Senior Associate

Dr. Selvidge has more than 15 years of experience as a part-time faculty member at the University of Southern California Marshall School of Business and School of Policy Planning and Development. He taught undergraduate and graduate courses in real estate finance and investment analysis and the development approval process.

He is retired from the U.S. Naval Reserve, Civil Engineer Corps, with the rank of rank of Commander. His billets and assignments included Naval Construction Battalions (Seabees), naval facilities planning and management, and real estate acquisition.

Dr. Selvidge has extensive local government experience in the City of Pasadena, California including:

- Elected Member of the Board of Trustees, Pasadena Area Community College District
- Commissioner, Burbank-Glendale-Pasadena Airport Authority (Hollywood Burbank Airport)
- Planning Commissioner
- Recreation and Parks Commissioner
- Chairman, City Charter Reform Task Force
- Member, City Hall Renovation Financing Task Force
- Member, Board of Directors of Rose Bowl Stadium Operating Company

EDUCATION

- Bachelor of Architecture, University of Southern California
- Master of Science (Systems Management), University of Southern California
- Ph.D. (Real Estate Finance and Land Economics), University of Southern California