WILLDAN Financial Services

Monterey Downs

Fiscal and Economic Impact Analysis

Final Draft Report

March 2015

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Executive Summary

This report identifies the estimated fiscal and economic impacts of the Monterey Downs Project.

Background and Study Objectives

The project applicant, Monterey Downs, LLC (Monterey Downs) proposes to construct a mixed use development that will include equestrian facilities, an indoor arena and sports complex, and residential, commercial and hotel development. The project will be located on the former Fort Ord, and for the purposes of this analysis is expected after completion to be within the City of Seaside.

Summary of Results

Following is a summary of the analysis, explained in further detail in the body of the report.

- *At build out, as shown on Table 1* and in more detail on Table 13, *the project will generate revenue to the City of Seaside of $3.56 million annually.*
- *Part of the $3.56 million annual revenue that will be generated by the project will be used to cover the cost of services provided to the project by the City. Willdan's analysis provides estimates of the costs to the City, but ultimately the cost will depend upon budget and service level decisions by the City Council as part of its annual budget process for the City as a whole. Depending on how fire services are provided, at build-out, as shown on Table 1, if the project is serviced by the Monterey County Regional Fire Station the project will generate a fiscal surplus of $1.9 million annually. If the project is served by the Presidio Fire Station, which is the station that is currently closest to the project, the fiscal surplus would be approximately $1.6 million annually. If the City of Seaside decided to instead build a new fire station and the project accounts for 58.7% of the service from that new station, the fiscal surplus would be $697,000 annually. Again, any decisions on whether a new station is built, or how services will be provided, will be made by the City Council each year as part of its annual budget process. This report simply analyzes the various alternatives.*

- *During construction of the project, Monterey Downs and other entities will expend approximately $199 million on labor, materials and related services in the zip code that includes the City.*
- *On an annual basis total expenditures within Seaside's zip code from the project is estimated at $20.4 million.*

- *In addition to direct construction expenditures, the development of the project will indirectly generate approximately $32.1 million in economic output in local businesses during the construction period (10 years). Once the project is completed, it will indirectly generate $2.7 million in economic output.*
- *The onsite employees at the facility will expend a portion of their income derived from the project in the local economy. This induced effect in turn has an additional indirect impact on the economy. The sum of these impacts is commonly referred to as the "multiplier effect" of expenditures. In total, the induced economic activity is estimated to create approximately $30.9 million in economic output during construction (over ten years) and $2.9 million in economic output annually thereafter.*
- *Once completed, the development will employ approximately 2,758 persons on site, with 1,743 non-equestrian jobs and equestrian jobs estimated at 1,015.*
- *Total Economic Impacts to Seaside's zip code during the 10 years of construction activity total $262 million and are $26 million annually thereafter.*

Table 1: City of Seaside Net Fiscal Impact

Annual General Fund Impact[1]	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Presidio Fire Station Alternative (Current Condition)							
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 636,499	$ 305,393	$ 84,471	$ 506,856	$ 331,251	$ 339,633	$ 2,204,103
Net Impact	**$ 763,658**	**$ (46,952)**	**$ (36,235)**	**$ 979,981**	**$ (61,423)**	**$ (238,269)**	**$ 1,360,760**
Cumulative	**$ 763,658**	**$ 716,706**	**$ 680,471**	**$ 1,660,452**	**$ 1,599,029**	**$ 1,360,760**	
Monterey County Regional Fire Alternative							
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 471,457	$ 226,206	$ 62,568	$ 375,430	$ 245,359	$ 251,567	$ 1,632,587
Net Impact	**$ 928,700**	**$ 32,235**	**$ (14,332)**	**$ 1,111,407**	**$ 24,469**	**$ (150,203)**	**$ 1,932,276**
Cumulative	**$ 928,700**	**$ 960,935**	**$ 946,603**	**$ 2,058,010**	**$ 2,082,479**	**$ 1,932,276**	
New Fire Station Alternative							
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 804,857	$ 360,519	$ 135,942	$ 817,052	$ 420,579	$ 329,242	$ 2,868,190
Net Impact	**$ 595,301**	**$ (102,078)**	**$ (87,707)**	**$ 669,785**	**$ (150,751)**	**$ (227,877)**	**$ 696,673**
Cumulative	**$ 595,301**	**$ 493,223**	**$ 405,516**	**$ 1,075,301**	**$ 924,550**	**$ 696,673**	

[1] Annual General Fund impact at build out in 2014 dollars.

[2] See Table 13

[3] See Table 20

Source: Willdan Financial Services

Table 2: Summary of Economic Impacts

Impact Type	During Construction Econ Activity	Annual after Construction Econ. Activity
Direct	$198,600,000	$20,400,000
Indirect	32,100,000	2,700,000
Induced	30,900,000	2,900,000
Total	$261,600,000	$26,000,000

Sources: IMPLAN, Willdan Financial Services

Willdan Financial Services, 2014

1. Introduction

This report identifies the fiscal and economic impacts that would be generated by the development of the proposed project. This chapter explains the study's approach under the following sections:

- Background and study objectives;
- Fiscal and Economic Impact Analysis; and
- Organization of the report.

Background and Study Objectives

The proposed Monterey Downs development program is detailed in Table 3. The proposed project is a master planned community on approximately 550 acres, of which 478 acres are located in unincorporated Monterey County and the remaining 72 acres are located within the City of Seaside. The location of the project is indicated on Figure 1. The proposed Monterey Downs community includes the following elements, broken down into phases: [1]

- Phase 1: 400 single family homes located within the current City of Seaside and the Horse Park; a hotel; and the beginning of development of an equestrian training and event facility with 100 horse stalls, several sand based arenas, training, and veterinary facilities, which will continue development through the six phases of the project;
- Phase 2: 197 single family homes;
- Phase 3: A commercial center consisting of 100,000 square feet of office development, and a tennis and swim center;
- Phase 4: Country Walk, a mixed-use center of over 200,000 square feet with retail, recreational and cultural uses, a hotel, 400 apartments, and 26 single family homes;
- Phase 5: 257 single family homes;

[1] The phasing is used in the analysis below, while Table 3 shows the total development plan. A more complete description of the project can be found in the Environmental Impact Report.

- Phase 6:
    - A sports arena and training track; and
    - A Qualified Worker Housing complex with 256 rooms that will house visiting staff for equestrian and other events.

In addition, the equestrian training facility will develop gradually throughout. It is important to note, however, that the phasing plan is flexible and therefore may change to accommodate City policies or market conditions.

This analysis does not consider revenue from the sports arena or training track, but does include the expected employees of the project in estimating service costs.[2] In addition to fiscal impacts, there is the potential for social impacts from horse racing that could result from the project. Social impacts are not within the scope of this analysis, and will be addressed in a separate report.

[2] In Willdan's experience Sports Arenas are contained developments. They provide their own services for the most part and the revenues generated by them (such as concessions, parking, ticket fees, etc.) are required for the financing and operation of the Arena itself. In order to be as conservative as possible, this analysis does include the general service costs to the City of the new employee at the equestrian facilities and sports arena, even though there is no offsetting revenue in the estimated net impact.

Table 3: Monterey Downs Development Program

Development Type	Acres	Square Feet	Units	Units/Acre or Rooms
Non-Equestrian Land Uses				
County Walk	22.2	330,000		
Retail		85,000		
Museum/Cultural		30,000		
Restaurant		20,000		
Office		60,000		
Theatre		35,000		
Hotel		100,000		200 Rooms
Qualified Worker Housing				
Complex 1	6.9		256	37/Acre
Residential	120.7		1,280	
Apartments	20.0		400	20/Acre
Courtyard Homes	9.0		82	9/Acre
Single Family Homes	21.7		210	9.5/Acre
Single Family Homes 2	16.0		109	7/Acre
Single Family Homes (Seaside)	54.0		479	9/Acre
Office Park/Hotel/Tennis and Swim	18.0	205,000		
Office		100,000		
Hotel		100,000		200 Rooms
Tennis and Swim		5,000		
Aquatic Center				Olympic Pool
Fire Station Site				
Equestrian Land Uses				
Training Facility (1)	117.6	225,000		
Track and Stabling				1,500 Stalls
Ancillary Buildings		50,000		
Sports Arena and Grandstand		175,000		6,500 Seats
Horse Park	111.0	15,000		
Visitor Center and Office Space		7,500		
Veterinary Clinic		7,500		
Public Stables				100 Stalls
Open Space and Infrastructure				
Habitat Preservation Area	73.0			
Oak Oval				
Open Space/Parks/Backbone Roads	70.0			
Monterey County	51.6			
City of Seaside	18.4			
Water District	4.0			
Water Tank Site				
TOTALS	**536.5**	**775,000**	**1,280**	

(1) Not included in the analysis, provided for illustrative purposes only.

Source: Monterey Downs LLC

Table 4: Development Phasing

Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Retail/Commercial Uses							
County Walk							
Retail				85,000			85,000
Museum/Cultural				30,000			30,000
Restaurant				20,000			20,000
Office				60,000			60,000
Theatre				35,000			35,000
Hotel				200			200
Qualified Worker Housing							
Complex 1						256	256
Residential							
Apartments				400			400
Courtyard Homes				26	56		82
Single Family Homes		9			201		210
Single Family Homes 2		109					109
Single Family Homes (Seaside)	400	79					479
Office Park/Hotel/Tennis and Swim							
Office			100,000				100,000
Hotel	200						200
Tennis and Swim			5,000				5,000
Aquatic Center			0				0
Fire Station Site							

Source: Monterey Downs, LLC

Willdan, 2015

Monterey Downs has proposed construction of a mixed use development at the former Fort Ord (as shown in Figure 1).

Figure 1: Project Site Map

Organization of the Report

The remainder of the report details the results of Willdan's research and analysis:

1. Background and Introduction
2. Overview of Fiscal and Economic Impact Methodology
3. Fiscal Impacts
4. Economic Impact of the Project
5. Recommendations

2. Overview and Methodology

This chapter discusses the methodology of the data gathering and analysis, the means used to calculate the results reported in the summary, above, and in more detail later in this report.

Fiscal Impact Methodology

This section details the underlying methodology used to estimate the fiscal impact of the proposed Monterey Downs development on the City of Seaside.[3] The fiscal impact analysis uses a combination of techniques to estimate the increases in revenues and expenditures. Where possible, the increases in revenues and expenditures are modeled following the manner in which they are collected and allocated, referred to as the case study methodology. For example, increases in property tax revenues are based on an estimate of the increase in assessed valuation associated with a given project component. In other cases, where this type of detailed modeling is not possible due to lack of adequate data, Willdan utilized revenue multipliers that represent the current average per service population. Generally, this methodology presents a reasonably conservative analysis of the potential fiscal impacts of the proposed development.

In addition to applying case study-based or service population-based estimates of General Fund revenues and expenditures, certain municipal line item revenues or costs vary more with growth and development than others. For example, on the expenditures side, Public Assistance and Education costs vary more with population growth than General Government costs. Therefore, a percent variable factor was included in the analysis of the major line items.

To generate the fiscal impact model, Willdan used the adopted budget for fiscal year 2014-2015 to extrapolate revenues and expenditures that could result from the Monterey Downs development. All results of the analysis are presented in current dollars, rather than inflated to a future nominal value. It is important to note that the analysis does not consider excess capacity that may exist for particular city services or the possibility that the proposed development might fall at a service threshold level, requiring major new capital construction to accommodate increased growth. Rather, it applies current fiscal conditions and municipal service levels to anticipate future costs upon completion and operation.

[3] For the purposes of this analysis Willdan assumes that the entire project is located in the City of Seaside. The ultimate revenue and service arrangements are subject to approval by LAFCO through an annexation process, so for the purposes of this report Willdan has assumed that the project will eventually be fully integrated into the City's services, and that property tax rates will be comparable to elsewhere in the City.

Economic Impact Methodology

The economic impact analysis conducted for this report utilizes IMPLAN (Impact Analysis for Planning), an Input-Output (I/O) model developed by the Minnesota IMPLAN Group. Based upon certain inputs and assumptions, and utilizing appropriate local data sets, the IMPLAN model calculates the relationships among industries, consumers, government suppliers, and other economic actors, and synthesizes data from a variety of sources, including the Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Census Bureau. The IMPLAN model divides the US economy into 440 sectors and can be tailored down to individual zip codes depending upon specific project parameters and drawing from data and relationships for that defined area.

For each analytical task the model is tailored to a particular region or geography. In this case, the model estimates impacts for Seaside's zip code only. The IMPLAN model is regularly used all over the country to measure the impacts of development and many other activities that affect employment or expenditures in the economy.

Models such as IMPLAN are particularly useful for measuring the total economic effects of a particular project or program, and yield estimates of the number and types of jobs created, the amount of wages associated with those jobs, and the total economic output or "final sales" generated within particular industries. I/O models like IMPLAN rely upon economic "multipliers" that mathematically represent the relationship between the initial change in one sector of the economy and the corresponding effect of that change on other interdependent industry sectors, as well as the effect of that subsequent change on further sectors. These effects are commonly described as "direct," "indirect," and "induced" and are generally defined as follows:

- The "direct" effect is the initial change in economic activity from local payroll and construction expenditures in a specific industry or sector. For the Monterey Downs project, for example, the direct effects to Seaside's zip code are the wages and other expenditures at the site (and with County businesses), both during construction and operation of the proposed facility.
- The "indirect" effect results from industry-industry transactions required to support the direct activity. This effect is a measure of the change in the output of suppliers linked to the industry being evaluated. In the case of the Monterey Downs project, for example, construction will result in an increase in purchases of building materials, engineering and consulting services, and other goods from "business to business" suppliers in Seaside's zip code.
- The "induced" effect consists of employee spending in Seaside's zip code by employees, created by direct and indirect impacts, spending their earnings on local goods and services, such as food, clothing, real estate, education, health services, etc.

The total economic impact of the project is the sum of the direct, indirect, and induced impacts, offset by any economic loss related to the change in the use of the land. The IMPLAN model is designed to identify the types and magnitudes of impacts within a specified geographic area, and can be tailored by station, county, zip code and other parameters. For this analysis the IMPLAN model has been set up to measure impacts within the economy of Seaside's zip code.

Within each type of economic impact the IMPLAN model estimates several subcategories or components. "Earnings" consists of the actual compensation, including benefits, paid to employees. "Value Added," which is not detailed in this report, is the total revenue generated less the cost of the inputs used to generate that revenue. For example, the Value Added for a retail store would be the total sales of the store after subtracting the cost of labor (Earnings), rent, payments to wholesalers, etc. In rough terms, the "value added" is the profit of a business. "Economic Output" is the sum of Earnings and Value Added.

Several points are important to make as caveats to the IMPLAN estimates. First, the IMPLAN model calculates economic relationships based on 2011 data (the latest available for this purpose), and therefore the analysis assumes that no fundamental changes have occurred in the economic relationships within the City since then, and that those relationships are a reasonable basis to predict future relationships. Willdan is not aware of any fundamental changes in the Seaside's zip code that would invalidate the results of analysis based on more current economic relationships.

Second, I/O modeling generally assumes that demand for goods and services by industries or households increases in relation to an increase in income, and that an increase in demand results in a proportional increase in local supply and employment. This implies that local suppliers satisfy this initial demand by increasing their output and hiring additional workers rather than shifting their goods or services from one set of consumers to another. This assumption may not hold in areas with tight labor or capital markets since suppliers may find it difficult to obtain these labor or material inputs or other resources necessary to expand production. Considering the scale of the proposed project and the size of the economic study area (Seaside's zip code) this is not likely to be a factor.

2. Fiscal Impacts

The following list documents additional land use, demographic, and other development-related assumptions used in this fiscal impact analysis:

- **Existing Population and Employment Estimates** – Demographic data used to estimate existing population and employment in the City of Seaside came from the California Department of Finance, California Employment Development Department, and the Association of Monterey Bay Area Governments (AMBAG).
- **Seaside FY 2014-15 Budget** – The analysis utilizes the most recently available adopted budget for the City at the time of the preparation of this report. Budgets vary so Willdan has also provided alternative analysis at the end of this report exploring the impact of changes in the fiscal assumptions underlying the model.
- **Future Population and Employee Estimates** – Population projections are calculated using average persons-per-household factors derived from the U.S. Census. Employee estimates are based on average square feet per employee factors for nonresidential land uses.
- **Residential Assessed Value** – The estimated assessed valuation of residential development is based on Redfin sales records from the six month period ending in September 2014, of comparable residential properties within the region. Willdan has also surveyed nearby projects, such as East Garrison, as an additional check on the reasonableness of the assumptions. In Willdan's opinion the estimated residential values are reasonable and reflect current and foreseeable market conditions. At the end of this report Willdan has prepared a sensitivity analysis to examine the impacts of lower assessed value on the fiscal impact of the project.
- **Nonresidential Assessed Value** – Valuation of the project's nonresidential land uses is based on sales prices of comparable land uses listed on LoopNet, the primary online listing service for sales and leases of commercial real estate. Willdan believes these values are reasonable estimates of the assessed valuation of the project, which is the basis of property tax assessments. At the end of this report Willdan has prepared a sensitivity analysis to examine the impacts of lower assessed value on the fiscal impact of the project.
- **Sports Arena and Racetrack Complex** – The Sports Arena and Race Track will provide their own onsite security and maintenance of all public facilities. In addition, Willdan expects that revenues generated, such as property tax, ticket fees, parking taxes, etc., will be needed to fund construction and operations. For this reason revenues generated are not included in the calculated fiscal impact. Willdan does expect, however, that the employees at these facilities may have a general impact upon City operations, so the employees have been included in the calculation of "persons served" in Table 7.

General assumptions and land use assumptions are presented in Tables 4 and 5. The paragraphs that follow provide detailed explanations of each table utilized in the model.

Table 5: Seaside Fiscal Impact Analysis General Assumptions

Item	Assumption
General Assumptions	
Base Fiscal Year[1]	FY 2014-2015
Property Turnover Rate (% per year)[2]	
Apartments	5%
Courtyard Homes	10%
Single Family Homes	10%
Non-Residential	5%
General Demographic Characteristics	**Estimates**
City of Seaside	
City of Seaside Population[3]	33,534
City of Seaside Employees[4]	16,000
City of Seaside Persons Served[5]	41,534

Sources: California Department of Finance, California Employment Development Department, AMBAG, Willdan Financial Services

[1] Revenues and expenditures are in 2014 dollars.

[2] Property turnover rates based on Willdan research.

[3] Based on January 2014 estimates from the California Department of Finanace.

[4] Based on 2012 annual average estimates from the California Employment Development Department.

[5] Defined as total population plus 50% of employees.

Table 6: Seaside Fiscal Impact Analysis Land Use Assumptions

Land Use	Development at Build Out Units/Rooms	Square Feet	Estimated Unit Size (Sq Ft)[1]	Estimated Assessed Value Per Sq Ft	Estimated Assessed Value Per Unit, Sq Ft OR Room[2]	Total Estimated Assessed Value
Residential	*Units*				*Per Unit*	
Apartments	400		1,000	$239	$239,181	$95,672,269
Courtyard Homes	82		1,400	$304	$425,210	$34,867,227
Single Family Homes	210		1,900	$252	$478,361	$100,455,882
Single Family Homes 2	109		2,800	$224	$627,185	$68,363,151
Single Family Homes (Seaside)	479		2,200	$248	$544,907	$261,010,320
Residential Subtotal	**1,280**		**1,776**	**$253**		**$560,368,850**
Nonresidential (Non Equestrian)	*Rooms*				*Per Sq Ft or Room*	
Country Walk						
Retail		85,000			$200	$17,000,000
Museum/Cultural[3]		30,000			0	0
Restaurant		20,000			$200	$4,000,000
Office		60,000			$250	$15,000,000
Theatre[3]		35,000			0	0
Hotel	200				$180,000	$36,000,000
Qualified Worker Housing						
Complex 1	256				$120,000	$30,720,000
Office Park/Hotel/Tennis and Swim						
Office		100,000			$200	$20,000,000
Hotel	200				$180,000	$36,000,000
Tennis and Swim		5,000			N/A	N/A
Nonresidential Subtotal						**$158,720,000**
Horse Park						
Equestrian Facilities						$0
Total						$719,088,850

[1] Estimated unit sizes based on Willdan research.

[2] Estimated assessed values per square foot or room based on Willdan research.

[3] These uses may be owned and operated by non profit entitites and therefore are not included in the AV calculation.

Sources: Monterey Downs Land Uses Table, Willdan Financial Services

Project Demographics

The estimated number of persons served includes new residents and employees anticipated at the Monterey Downs development at build out. Willdan assumed that the on-site residential units would be occupied by households that range from 1.8 to 4.0 persons per household, based on an average household size of 3.12 in Monterey County from 2007 to 2011, according to the U.S. Census. Occupancy at the Qualified Worker Housing complex is estimated at 1.5 persons per room. The factors used to estimate the number of employees by land use range from 250 square feet per employee for office uses to 1,500 square feet per employee for theatre uses. Willdan assumes that each employee has approximately one half the impact of a resident on the cost of providing municipal services. Therefore, the total number of persons served is equal to the on-site residential population plus half the on-site employee population. The

fiscal analysis uses this "total persons served" figure to estimate municipal service revenue and cost increases.

Table 7: Seaside Estimated Persons Served at Build Out

Description	Total Units/SF	Persons/HH OR Employees/SF[1]	Residents OR Employees
Residential Population at Build Out	*Units*		
Apartments	400	2.0	800
Courtyard Homes	82	3.0	246
Single Family Homes	210	3.3	693
Single Family Homes 2	109	4.0	436
Single Family Homes (Seaside)	479	3.8	1,820
Qualified Worker Housing			
Complex 1	256	1.5	384
Total Residential Population at Build	**1,536**		**4,379**
On-site Employees at Build Out	*Square Feet*		
Country Walk			
Retail	85,000	400	213
Museum/Cultural	30,000	350	86
Restaurant	20,000	300	67
Office	60,000	250	240
Theatre	35,000	1,500	23
Hotel	100,000	600	167
Office Park/Hotel/Tennis and Swim			
Office	100,000	250	400
Hotel	100,000	600	167
Tennis and Swim	5,000	350	14
Total On-site Employees at Build Out			**1,376**
Total Equestrian Employees			**1,015**
Total Persons Served[2]			**5,575**

[1] Based on Willdan research and industry standards.

[2] Defined as total population plus 50% of employees.

Sources: Monterey Downs Land Uses Table, Willdan Financial Services

Table 8 below calculates the person served by phase.

Table 8: Seaside Estimated Persons Served by Phase

Item	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Residential Population at Build Out							
Apartments	0	0	0	800	0	0	800
Courtyard Homes	0	0	0	78	168	0	246
Single Family Homes	0	30	0	0	663	0	693
Single Family Homes 2	0	436	0	0	0	0	436
Single Family Homes (Seaside)	1,520	300	0	0	0	0	1,820
Qualified Worker Housing							
Complex 1	0	0	0	0	0	384	384
Total Residential Population	**1,520**	**766**	**0**	**878**	**831**	**384**	**4,379**
On-site Employees at Build Out							
Country Walk							
Retail	0	0	0	213	0	0	213
Museum/Cultural	0	0	0	86	0	0	86
Restaurant	0	0	0	67	0	0	67
Office	0	0	0	240	0	0	240
Theatre	0	0	0	23	0	0	23
Hotel	0	0	0	167	0	0	167
Office Park/Hotel/Tennis and Swim							
Office	0	0	400	0	0	0	400
Hotel	167	0	0	0	0	0	167
Tennis and Swim	0	0	14	0	0	0	14
Total On-site Employees at Build Out	**167**	**0**	**414**	**795**	**0**	**0**	**1,376**
Total Equestrian Employees	**13**	**13**	**13**	**13**	**13**	**950**	**1,015**
Total Persons Served	**1,610**	**772**	**214**	**1,282**	**838**	**859**	**5,575**

Wildan Financial Services, 2015

Impact Analysis

General Fund Revenues

A listing of all General Fund revenue sources and the corresponding methodology used to forecast future project revenues is shown in Table 9. For some categories, such as property and sales tax, Willdan prepared a case study consisting of detailed revenue projections. For other categories where the impact of the project on revenues is more diffuse, Willdan has calculated the revenue the City receives on a per capita basis. To account for the fact not all revenue is directly related to population, Willdan has applied a

"percent variable" factor to each of the per capita estimates, ranging from ten percent for revenue from other agencies to fifty percent for utility user taxes. It is important to note that these factors are estimates based on the nature of the project, its size relative to the City, and Willdan's experience with other projects.

Table 9: Seaside General Fund Revenues and Estimating Methodologies

Description by Entity	Budgeted Revenue Amount	Methodology	Factors		
			Gross	Percent Variable	Net
Annual General Fund Revenues					
Property Tax	$ 4,751,000	Case Study	-	-	-
Property Transfer Tax	$ 50,000	Case Study	-	-	-
Sales Tax	$ 9,758,000	Case Study	-	-	-
Transient Occupancy Tax	$ 2,520,000	Case Study	-	-	-
Franchise Fee	$ 1,255,000	Per Persons Served	$ 30.22	25%	$ 7.55
Business License Tax	$ 570,000	Per Persons Served	$ 13.72	25%	$ 3.43
Utility User Tax	$ 2,384,000	Per Persons Served	$ 57.40	50%	$ 28.70
Licenses and Permits	$ 459,900	Per Persons Served	$ 11.07	25%	$ 2.77
Fines	$ 127,000	Per Persons Served	$ 3.06	25%	$ 0.76
Income from Investments	$ 171,000	Not Applicable	-	-	-
Revenue from Other Agencies	$ 53,800	Per Persons Served	$ 1.30	10%	$ 0.13
Fees and Charges	$ 609,920	Per Persons Served	$ 14.68	25%	$ 3.67
Miscellaneous	$ 362,303	Per Persons Served	$ 8.72	50%	$ 4.36
Total Revenues	$ 23,071,923				

Source: City of Seaside Budget 2014-2015

Property Tax and Transfer Tax

The property taxes the City will receive from the project are derived from the total assessed value of new development and the City's property tax allocation share of the one percent ad valorem property tax. Any allocation of property tax for the areas that would have to be annexed into the City will be subject to a tax sharing agreement between the City and the County of Monterey. Because of the uncertainties of these factors, Willdan has focused on the long term fiscal picture. Accordingly, for the areas currently within the City Willdan derived the City's property tax allocation factor by averaging the City's share of the Tax Rate Areas (TRAs) located within the project area. Willdan adjusted the property tax rates to account for the Educational Revenue Augmentation Fund (ERAF) distribution, which averaged 14.85 percent countywide in 2012.

Of the one percent property tax, the City is anticipated to receive 18.4 percent of ad valorem property tax revenue, as shown in Table 10. For areas that are currently not within the City, Willdan assumed that the City would receive property taxes at the same rate.[4]

[4] It is important to note, however, that the eventual rate applied will depend on a tax sharing agreement between the City and County of Monterey in connection with annexation of the area into the City.

Table 10: Seaside Estimated Annual Property Tax Revenue

Item	Rate	Assessed Value Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Retail/Commercial Uses								
County Walk								
Retail		0	0	0	17,000,000	0	0	17,000,000
Museum/Cultural		0	0	0	0	0	0	0
Restaurant		0	0	0	4,000,000	0	0	4,000,000
Office		0	0	0	15,000,000	0	0	15,000,000
Theatre		0	0	0	0	0	0	0
Hotel		0	0	0	36,000,000	0	0	36,000,000
Qualified Worker Housing								
Complex 1		0	0	0	0	0	30,720,000	30,720,000
Residential								
Apartments		0	0	0	95,672,269	0	0	95,672,269
Courtyard Homes		0	0	0	11,055,462	23,811,765	0	34,867,227
Single Family Homes		0	4,305,252	0	0	96,150,630	0	100,455,882
Single Family Homes 2		0	68,363,151	0	0	0	0	68,363,151
Single Family Homes (Seaside)		217,962,689	43,047,631	0	0	0	0	261,010,320
Office Park/Hotel/Tennis and Swim								0
Office		0	0	20,000,000	0	0	0	20,000,000
Hotel		36,000,000	0	0	0	0	0	36,000,000
Tennis and Swim		0	0	0	0	0	0	0
Aquatic Center		0	0	0	0	0	0	0
Fire Station Site		0	0	0	0	0	0	0
Horse Park		0	0	0	0	0	0	0
Total Assessed Value		253,962,689	115,716,034	20,000,000	178,727,731	119,962,395	30,720,000	719,088,850
Project Assessed Value								
Property Tax Revenue (1% of Assessed Value)	1.0%	2,538,627	1,157,160	200,000	1,787,277	1,199,624	307,200	7,190,888
Estimated Property Tax								
Seaside General Fund (Avg of Seaside TRAs)	18.4%	466,135	212,391	36,709	328,046	220,185	56,385	$ 1,319,850
Total Estimated Annual Property Tax Revenue								
PROPERTY TRANSFER TAX								
Turnover Rate	Varies							
Rate per $1,000 of AV (City of Seaside)	$0.55							
Estimated Annual Property Transfer Tax Revenue		$12,978	$6,364	$550	$5,219	$6,598	$845	$32,554

Source: http://www.californiacityfinance.com/, Willdan Financial Services, 2015

Property Transfer Tax

Property transfer tax is based on the assessed value of the development's land uses and the anticipated turnover rate of properties over time. This fiscal impact analysis is based on the assumption that the project's apartments and nonresidential property will turn over once every 20 years (five percent per year) and courtyard homes and single family homes will turn over about once every ten years (10 percent per year). The City earns $0.55 for every $1,000 of assessed value for properties that turn over. Property transfer tax calculation for Seaside is presented in Table 10.

Sales Tax

Sales tax revenue generated by the new development is based on an estimate of the taxable sales generated by stores and restaurants in the project. Because the contemplated retail and restaurant development is relatively small compared to the number of housing units and the activity that will be generated by other uses on the site, Willdan believes that the retail will be feasible. Willdan has not conducted a market study specific to the project, but instead has used conservative industry-standard estimates of sales per square foot for retail establishments and restaurants. Estimated sales tax revenue for the City is presented in Table 11.

Table 11: Estimated Annual Sales Tax Revenue

	Square Feet	Retails Sales Per Sq Ft[1]	Total Sales	Taxable Percentage	Taxable Sales	City Sales Tax @ 1.00%
Retail	85,000	$250	$21,250,000	95%	$20,187,500	$201,875
Restaurant	20,000	$250	$5,000,000	95%	$4,750,000	$47,500
Total Annual New Development Sales Tax Revenues					**$24,937,500**	**$249,375**

[1] Retail sales per square foot based on Willdan research.

Source: California Board of Equalization, Willdan Financial Services, Monterey Downs LLC

Transient Occupancy Tax

The Transient Occupancy Tax (TOT) rate in Seaside is 12 percent of room revenues. TOT is assessed on lodging for which the period of stay is less than 31 days, therefore, the Qualified Worker Housing complex was not included in the calculation for anticipated TOT revenue. Estimated TOT revenue for Seaside is presented in Table 12. Based on an examination of the competitive landscape, locational factors (such as the project itself and the adjacent DoD facility), and interviews with local experts Willdan believes the hotels are feasible. In order to maintain a conservative approach to the fiscal analysis, however, Willdan has specified relatively conservative factors in the analysis, including an average daily rate of $145 and an occupancy rate of 66 percent.

Table 12: Seaside Estimated Annual Transient Occupancy Tax Revenue

Estimated Transient Occupancy Tax	
Number of Hotel Rooms	400
Average Occupancy Rate[1]	66%
Average Number of Daily Occupied Rooms	264
Annual Occupied Room Nights	96,360
Average Daily Rate[2]	$145
Total Annual Room Revenues	$13,972,200
Transient Occupancy Tax Rate	12.00%
Total Annual TOT Revenues	**$1,676,664**

[1] Average occupancy rate based on PKF publication.

[2] Average daily rate based on Willdan research.

Source: Willdan Financial Services

A summary of General Fund revenues for the City of Seaside, based on the factors discussed above, is presented in Table 13.

Table 13: Seaside Summary of Estimated Annual General Fund Revenues

Description by Entity	Net Factor	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Annual Revenues at Build Out
Annual General Fund Revenues								
Property Tax	-	466,135	212,391	36,709	328,046	220,185	56,385	$ 1,319,850
Property Transfer Tax	-	12,978	6,364	550	5,219	6,598	845	32,554
Sales Tax	-	-	-	-	249,375	-	-	249,375
Transient Occupancy Tax	-	838,332	-	0	838,332	-	-	1,676,664
Franchise Fee	$ 7.55	12,161	5,835	1,614	9,684	6,329	6,489	42,111
Business License Tax	$ 3.43	5,523	2,650	733	4,398	2,874	2,947	19,126
Utility User Tax	$ 28.70	46,201	22,167	6,131	36,791	24,044	24,653	159,988
Licenses and Permits	$ 2.77	4,456	2,138	591	3,549	2,319	2,378	15,432
Fines	$ 0.76	1,231	590	163	980	640	657	4,261
Income from Investments	-	0	0	0	0	0	0	-
Revenue from Other Agencies	$ 0.13	209	100	28	166	109	111	722
Fees and Charges	$ 3.67	5,910	2,836	784	4,706	3,076	3,154	20,466
Miscellaneous	$ 4.36	7,021	3,369	932	5,591	3,654	3,747	24,314
Total Revenues		$ 1,400,157	$ 258,441	$ 48,236	$ 1,486,837	$ 269,828	$ 101,365	$ 3,564,863

Source: City of Seaside Budget 2014-2015, Willdan Financial Services

General Fund Expenditures

In this fiscal impact analysis, expenditures that are expected to be affected by the proposed development are forecasted by using the average cost per service population methodology. As with revenues above, Willdan has calculated the per capita budgets and applied a variable factor depending on the degree to which expenditures will be affected by increased service population. For general government, for example, Willdan expects the project will have a minimal effect. For direct services such as police, fire, and recreation, on the other hand, Willdan expects a significant impact and has therefore applied variable factors ranging from seventy to eighty percent. As with revenues, these factors are combination of the characteristics of the project, the type of expenditure, and Willdan's experience in other jurisdictions. All General Fund expenditure items are listed in Table 14.

Table 14: Seaside General Fund Expenditures and Estimating Methodologies

Description	Budgeted Expenditures	Departmental Revenues	Net City Costs	Methodology	Factors Gross	Factors Percent Variable	Factors Net
Annual General Fund Expenditures							
General Government	$ 2,866,327	$ 3,600	$ 2,862,727	Per Person Served	$ 68.92	10%	$ 6.89
Police Department	9,321,786	390,625	8,931,161	Case Study	NA	NA	NA
Fire Department	4,547,032	288,920	4,258,112	Case Study	$ 102.52	100%	$ 102.52
Resource Management	211,312	-	211,312	Per Person Served	$ 5.09	70%	$ 3.56
Building Code and Enforcement Div	310,032	234,700	75,332	Fees Cover Cost	-	-	-
Community and Economic Dev	840,047	240,200	599,847	Per Person Served	$ 14.44	60%	$ 8.67
Public Works and Engineering Div [1]	3,812,779	102,178	3,710,601	Per Person Served	$ 89.34	30%	$ 26.80
Recreation Division	1,476,350	-	1,476,350	Per Person Served	$ 35.55	80%	$ 28.44
Total Expenditures	**$ 23,385,665**	**$ 1,260,223**	**$ 22,125,442**				

[1] The project will have privately maintained streets.

Source: City of Seaside Budget 2014-2015, Willdan Financial Services

For two categories, police and fire, Willdan has calculated the expenditures on a case study basis, with input from the City. Table 15 estimates the annual costs of police services for the project provided by the City. The estimate includes additional sworn patrol officers at the existing City ratio of 1.1 officers per 1,000 residents, along with an investigator and one additional administrative staff person. Table 15 shows the expenditures for these officers, but as with fire the final determination on expenditures will be made by the City Council each year as part of its annual budget process. In addition, the City anticipates that activity at the site will generate additional impacts on police services elsewhere in the City, but these cannot be quantified.

Table 15: Estimated Police Expenditures

Item	Amount
Seaside Officers Per 1,000 Residents	1.1
Monterey Downs Residents (1)	4,915
Officers Needed	5.4
Cost Per Officer	$175,093
Sworn Officer Costs	$946,679
Investigator	$183,848
Admin	$87,547
Total Costs	$1,218,073
Cost Per Person Served	$219

(1) City of Seaside Police Residents Served Calculation at 3.2 residents per HH at direction of Police Dept. According to California Department of Finance and most recent ACS the population per HH in Seaside is 3.12. Monterey Downs has a higher proportion of MF dwellings and Qualified Worker Housing units that will have an average of 1.5 residents each. If these population numbers were used the total number of officers would be 4.8 instead of the 5.4 above. This adjustment would bring the total cost down to $1.1 million, a reduction of approximately $100,000. The final determination on expenditures will be made by the City Council each year as part of its annual budget process.

Source: City of Seaside

Willdan, 2015

For fire services, there is currently uncertainty about how they will be provided to Monterey Downs in the long term. At the moment the closest fire station is the Presidio station, but that may not be true in the long term.

One possibility is that the Monterey County Regional Fire District (MCRFD) will provide fire protection. If this is the case the district will primarily receive funding from property taxes generated by the development at Monterey Downs. Willdan does not have any specific information about the amount of the funding or how much fire protection for Monterey Downs would cost MCRFD.[5] The final disposition of the funding of fire services in this case would be subject to further negotiations but Willdan expects that the source of revenue would be independent of the City, the revenues would come from the project and would go MCRFD directly. This could have a large positive fiscal impact for the City, as the City would be relieved of the responsibility to fund fire services but would keep the revenue generated by the project.

The second possibility is that the Presidio fire station would continue to provide fire protection on a long-term basis. Willdan expects that this would necessitate some financial contribution from the City to cover the increased costs. Willdan has no way to determine what this would be, but as a rough estimate Willdan has calculated the average cost on a per capita basis for existing fire services in the City. This assumes that the additional costs would be proportional to existing costs. As shown on Table 16, the cost to provide fire services calculated on this basis is $571,000 at completion of the project, with lesser amounts before then.

Table 16: Fire Services Cost Estimate - Presidio Station

Description	Net Factor	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Build Out
Persons Served		1,610	772	214	1,282	838	859	5,575
Fire Department - per capita	$102.52	$165,042	$79,187	$21,903	$131,426	$85,892	$88,066	$571,516
Cumulative		$165,042	$244,229	$266,132	$397,558	$483,450	$571,516	

Source: City of Seaside Budget 2014-2015, Willdan Financial Services

The third possibility is that a new fire station will be built to serve several new developments in the eastern portion of the City, including Monterey Downs. Monterey Downs would be responsible for its fair share of the annual operating costs of the fire station, based on estimated call volume. Table 17 below calculates the call volume for existing and planned development in the service area of the likely station, including

[5] Willdan understands that at East Garrison fire services are paid for through property taxes.

Monterey Downs. As shown in Table 17 Monterey Downs represents approximately 58.7 percent of the calls for fire services to be generated.

Table 17: Fire Services Cost Allocation

Project	FORA Polygon	SF/Units	Acres Comm	Tranient Units	Resid. Units	Total Calls	Percentage	Call Rate Factor
Retail								
The Projects at Main gate	15	591,500	54			50	25.4%	0.912
Seaside Renaissance Center	20h	300,000	28			25	12.9%	0.912
University Village	20e	100,000	9			8	4.3%	0.912
Hotel								
Hotel	15	110		110		7.5	3.8%	0.068
Office								
Chartwell School	20d	18,000	4			3.7	1.9%	0.914
Monterey College of Law	20e	13,100	1			0.9	0.5%	0.914
The Projects at Main gate	15	27,000	2			2.3	1.2%	0.914
Seaside Pointe	20h	75,000	7			6.3	3.2%	0.914
Industrial								
Seaside Corp Yard		25,320	0.5			0.5	0.2%	0.914
University Village	20e	100,000	9			8.4	4.3%	0.914
Residential								
The Lofts	20e				90	13.3	6.8%	0.148
The Views	20e				100	14.8	7.6%	0.148
Seaside Village	20e				370	54.6	28.0%	0.148
Total			**115.1**	**110.0**	**560.0**	**195.1**	**41.3%**	
Monterey Downs								
Commercial Acreage	18, 19a		40.2			36.7	13.3%	0.914
Transient	18, 19a			656		44.6	16.1%	0.068
Resid Units	18, 19a				1,280	195.6	70.6%	0.153
Total						**276.9**	**58.7%**	
Grand Total						**472.0**		

Source: City of Seaside; Main Gate Draft EIR, Appendix J, Update to Fee Analysis, April 18, 2008; Monterey Downs LLC

Willdan, 2015

Using the allocations calculated in Table 17, Willdan estimated the annual cost of operating the planned fire station attributable to the Monterey Downs project, as shown in Table 18, below.

Table 18: Monterey Downs Fire Services Cost

Item	Amount
Annual Station Operation Cost	$2,106,171
Call Allocation	
Monterey Downs	59%
Other Development	41%
Monterey Downs Cost	$1,235,603
Cost Per Annual Call	$4,462

Sources: City of Seaside

Willdan, 2014

Table 19: Fire Call Phased Allocation

Item	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Residential							
Apartments	0	0	0	61	0	0	61
Courtyard Homes	0	0	0	4	9	0	13
Single Family Homes	0	1	0	0	31	0	32
Single Family Homes 2	0	17	0	0	0	0	17
Single Family Homes (Seaside)	61	12	0	0	0	0	73
Qualified Worker Housing Complex 1	0	0	0	0	0	17	17
Total Residential Fire Calls	**61**	**30**	**0**	**65**	**39**	**17**	**213**
Non-Residential							
Country Walk	0	0	0	20	0	0	20
Country Walk Hotel	0	0	0	14	0	0	14
Office Park/Tennis and Swim	0	0	16	0	0	0	16
Hotel	14	0	0	0	0	0	14
Total Non-Residential Fire Calls	**14**	**0**	**16**	**34**	**0**	**0**	**64**
Total Calls	**75**	**30**	**16**	**99**	**39**	**17**	**277**

Wildan Financial Services, 2015

Based on the expenditure factors calculated above, Willdan has estimated an increase in expenditures for the City with the development of the project. This estimate is presented both for the total project and on a phased basis on Table 20.

Table 20: Seaside Summary of Estimated Annual General Fund Expenditures

Description	Net Factor	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Build Out
Annual General Fund Expenditures								
General Government	$ 6.89	11,096	5,324	1,473	8,836	5,775	5,921	$ 38,423
Police Department	218.50	351,754	168,772	46,682	280,108	183,062	187,694	1,218,073
Fire Department	4,461.98	333,309	134,313	73,375	441,622	175,220	77,674	1,235,603
Fire Department - per capita	102.52	165,042	79,187	21,903	131,426	85,892	88,066	$ 571,516
Resource Management	3.56	5,733	2,751	761	4,565	2,984	3,059	19,853
Building Code and Enforcement	-	0	0	0	0	0	0	-
Community and Economic Development	8.67	13,950	6,693	1,851	11,109	7,260	7,444	48,306
Public Works and Engineering	26.80	43,146	20,702	5,726	34,358	22,454	23,023	149,409
Recreation Division	$ 28.44	45,778	21,964	6,075	36,454	23,824	24,427	$ 158,522
Total Expenditures (New Station)		$ 804,857	$ 360,519	$ 135,942	$ 817,052	$ 420,579	$ 329,242	$ 2,868,190
Total Expenditures (Presidio Fire Station)		$ 636,499	$ 305,393	$ 84,471	$ 506,856	$ 331,251	$ 339,633	$ 2,204,103
Total Expenditures (County Fire)		$ 471,457	$ 226,206	$ 62,568	$ 375,430	$ 245,359	$ 251,567	$ 1,632,587
Persons served at Build Out	5,575							

Source: City of Seaside Budget 2014-2015, Willdan Financial Services

It is impossible to say which of the three fire services scenarios is the most likely. Because of this Willdan has calculated the net fiscal impact of the project under each of the three. In the sense of cost the new station alternative is the most conservative, a "worst case scenario", in that is the most expensive.

Net Fiscal Impact

Based on the analysis of revenues and expenditures detailed above, Willdan has estimated the net fiscal impact of the Monterey Downs Project, both overall and on a phased basis. As shown on Table 21 below, the overall net fiscal impact ranges from $1.9 million to $691,000 annually once the project is completed. Individual phases vary considerably depending on the mix of development and the provision of fire services, as discussed above.

Table 21: Net Fiscal Impact

Annual General Fund Impact[1]	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Presidio Fire Station Alternative (Current Condition)							
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 636,499	$ 305,393	$ 84,471	$ 506,856	$ 331,251	$ 339,633	$ 2,204,103
Net Impact	**$ 763,658**	**$ (46,952)**	**$ (36,235)**	**$ 979,981**	**$ (61,423)**	**$ (238,269)**	**$ 1,360,760**
Cumulative	**$ 763,658**	**$ 716,706**	**$ 680,471**	**$ 1,660,452**	**$ 1,599,029**	**$ 1,360,760**	
Monterey County Regional Fire Alternative							
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 471,457	$ 226,206	$ 62,568	$ 375,430	$ 245,359	$ 251,567	$ 1,632,587
Net Impact	**$ 928,700**	**$ 32,235**	**$ (14,332)**	**$ 1,111,407**	**$ 24,469**	**$ (150,203)**	**$ 1,932,276**
Cumulative	**$ 928,700**	**$ 960,935**	**$ 946,603**	**$ 2,058,010**	**$ 2,082,479**	**$ 1,932,276**	
New Fire Station Alternative							
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 804,857	$ 360,519	$ 135,942	$ 817,052	$ 420,579	$ 329,242	$ 2,868,190
Net Impact	**$ 595,301**	**$ (102,078)**	**$ (87,707)**	**$ 669,785**	**$ (150,751)**	**$ (227,877)**	**$ 696,673**
Cumulative	**$ 595,301**	**$ 493,223**	**$ 405,516**	**$ 1,075,301**	**$ 924,550**	**$ 696,673**	

[1] Annual General Fund impact at build out in 2014 dollars.

[2] See Table 13

[3] See Table 20

Source: Willdan Financial Services

Sensitivity Analysis

To provide a more refined understanding of the assumptions behind the fiscal impact analysis, Willdan has prepared the fiscal impact under several alternative scenarios.

First, Willdan examined the impact of the Presidio Fire station remaining in place and continuing to provide fire protection. It is impossible to say with certainty the details of this eventuality, but in order to provide an estimate of the fiscal implications Willdan has assumed that the City would have fire services costs in proportion to the growth in residents and employees at Monterey Downs. As shown on Table 22 this would result in overall net fiscal impacts at build out of $1.36 million, an increase of $660,000.

Table 22: Seaside Summary of Estimated Annual General Fund Expenditures with Presidio Fire Station

Annual General Fund Impact[1]	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 636,499	$ 305,393	$ 84,471	$ 506,856	$ 331,251	$ 339,633	$ 2,204,103
Net Impact	**$ 763,658**	**$ (46,952)**	**$ (36,235)**	**$ 979,981**	**$ (61,423)**	**$ (238,269)**	**$ 1,360,760**
Cumulative	**$ 763,658**	**$ 716,706**	**$ 680,471**	**$ 1,660,452**	**$ 1,599,029**	**$ 1,360,760**	

[1] Annual General Fund impact at build out in 2014 dollars.

[2] See Table 12

[3] See Table 17

Source: Willdan Financial Services

Second, Willdan considered the possibility that fire protection at Monterey Downs would be provided by the County, rather than the City of Seaside. To evaluate this Willdan has assumed that the pattern at East Garrison would be followed, in which fire services are funded through a special tax or assessment. If this were the case the City would not fund fire services and therefore would have no fire services costs associated with Monterey Downs. As shown in Table 23 this would result in a net fiscal impact to the City of $1.9 million, an increase of $1.2 million.

Table 23: Seaside Summary of Estimated Annual General Fund Expenditures with Fire Services Provided by County

Annual General Fund Impact[1]	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Revenues[2]	1,400,157	258,441	48,236	1,486,837	269,828	101,365	3,564,863
Expenditures[3]	$ 471,457	$ 226,206	$ 62,568	$ 375,430	$ 245,359	$ 251,567	$ 1,632,587
Net Impact	**$ 928,700**	**$ 32,235**	**$ (14,332)**	**$ 1,111,407**	**$ 24,469**	**$ (150,203)**	**$ 1,932,276**
Cumulative	**$ 928,700**	**$ 960,935**	**$ 946,603**	**$ 2,058,010**	**$ 2,082,479**	**$ 1,932,276**	

[1] Annual General Fund impact at build out in 2014 dollars.

[2] See Table 12

[3] See Table 17

Source: Willdan Financial Services

Third, Willdan considered the possibility of lower assessed values for the property once it is developed. Willdan calculated the net fiscal impacts with a twenty percent reduction in total property tax revenues. As shown in Table 24 this would result in an overall fiscal impact of between $1.7 million and $427,000, a reduction of approximately $264,000 annually in each case.

Table 24: Seaside Summary of Estimated Annual General Fund Expenditures with Reduced Property Tax

Annual General Fund Impact[1]	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Presidio Fire Station Alternative (Current Condition)							
Revenues[2]	1,306,930	215,962	40,894	1,421,228	225,791	90,088	3,300,893
Expenditures[3]	$ 636,499	$ 305,393	$ 84,471	$ 506,856	$ 331,251	$ 339,633	$ 2,204,103
Net Impact	$ 670,431	$ (89,431)	$ (43,577)	$ 914,371	$ (105,460)	$ (249,546)	$ 1,096,790
Cumulative	$ 670,431	$ 581,001	$ 537,424	$ 1,451,796	$ 1,346,336	$ 1,096,790	
Monterey County Regional Fire Alternative							
Revenues[2]	1,306,930	215,962	40,894	1,421,228	225,791	90,088	3,300,893
Expenditures[3]	$ 471,457	$ 226,206	$ 62,568	$ 375,430	$ 245,359	$ 251,567	$ 1,632,587
Net Impact	$ 835,473	$ (10,243)	$ (21,674)	$ 1,045,797	$ (19,568)	$ (161,480)	$ 1,668,306
Cumulative	$ 835,473	$ 825,230	$ 803,556	$ 1,849,354	$ 1,829,786	$ 1,668,306	
New Fire Station Alternative							
Revenues[2]	1,306,930	215,962	40,894	1,421,228	225,791	90,088	3,300,893
Expenditures[3]	$ 804,857	$ 360,519	$ 135,942	$ 817,052	$ 420,579	$ 329,242	$ 2,868,190
Net Impact	$ 502,074	$ (144,556)	$ (95,048)	$ 604,176	$ (194,788)	$ (239,154)	$ 432,703
Cumulative	$ 502,074	$ 357,518	$ 262,469	$ 866,645	$ 671,857	$ 432,703	

[2] See Table 13

[3] See Table 20

Source: Willdan Financial Services

Fourth, Willdan considered the possibility that the proposed hotels 1 would not be constructed and the resulting fiscal impact from the absence of transient occupancy taxes. As shown on Table 25 this results in an overall negative fiscal impact ranging from $303,000 to $968,000.

Table 25: Seaside Summary of Estimated Annual General Fund Expenditures without TOT

Annual General Fund Impact[1]	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Presidio Fire Station Alternative (Current Condition)							
Revenues[2]	553,262	258,441	48,236	639,941	269,828	101,365	1,871,073
Expenditures[3]	$ 607,019	$ 305,393	$ 84,471	$ 506,856	$ 331,251	$ 339,633	$ 2,174,623
Net Impact	$ (53,757)	$ (46,952)	$ (36,235)	$ 133,085	$ (61,423)	$ (238,269)	$ (303,550)
Cumulative	$ (53,757)	$ (100,710)	$ (136,944)	$ (3,859)	$ (65,282)	$ (303,550)	
Monterey County Regional Fire Alternative							
Revenues[2]	553,262	258,441	48,236	639,941	269,828	101,365	1,871,073
Expenditures[3]	$ 441,977	$ 226,206	$ 62,568	$ 875,430	$ 245,359	$ 251,567	$ 1,603,107
Net Impact	$ 111,285	$ 32,235	$ (14,332)	$ 264,511	$ 24,469	$ (150,203)	$ 267,966
Cumulative	$ 111,285	$ 143,520	$ 129,188	$ 393,699	$ 418,169	$ 267,966	
New Fire Station Alternative							
Revenues[2]	$ 553,262	$ 258,441	$ 48,236	$ 639,941	$ 269,828	$ 101,365	1,871,073
Expenditures[3]	$ 775,377	$ 360,519	$ 135,942	$ 817,052	$ 420,579	$ 329,242	$ 2,838,710
Net Impact	$ (222,115)	$ (102,078)	$ (87,707)	$ (177,110)	$ (150,751)	$ (227,877)	$ (967,638)
Cumulative	$ (222,115)	$ (324,193)	$ (411,899)	$ (589,010)	$ (739,760)	$ (967,638)	

[1] Annual General Fund impact at build out in 2014 dollars.

[2] See Table 13

[3] See Table 20

Source: Willdan Financial Services

3. Economic Impacts

Willdan has estimated the County-level impact of the project by inputting the expected employment and expenditures from the project into IMPLAN v.3.

For the economic analysis Willdan and the project proponent have prepared an estimate of the visitors to the Horse Park and indoor arena and sports complex for the events that will be held there, summarized in Table 26.

Table 26: Visitor Estimates

Item	Number of Events	Duration (days)	Daily Visitors	Visitor-days	Outside County %	Total
Horse Shows						
Local Horse Shows	20	7	300	42,000	0%	0
Regional Shows	20	4	600	48,000	10%	4,800
State Shows	15	4	1,400	84,000	65%	54,600
National Shows	5	14	4,000	280,000	95%	266,000
Total Horse Shows			6,300	454,000		325,400
Concerts	40	1	2,500	100,000	20%	20,000
Music Festival	1	7	6,500	45,500	40%	18,200
Misc Events[1]	40	1	4,125	165,000	10%	16,500
TOTAL				764,500		380,100

1 Includes basketball, hockey, and a variety of traveling productions.

Sources: Monterey Downs, Willdan Financial Services

Table 27, below, details the estimated costs of construction and the expenditures associated with the operation of the Horse Park and its other facilities. As shown in Table 27, hard construction costs are estimated to total $879 million, with $665 million of that total estimated to be expended within Seaside's zip code. Once the project is completed, Willdan has prepared an estimate of ongoing economic activity. As shown on

Table 27, Willdan has included only expenditures spent within Seaside's zip code.[6] The figures in Table 27 have been provided by the applicant, with estimates of local expenditures prepared by Willdan. Willdan has assumed average per person hotel costs (including lodging and onsite expenditures such as meals) of $80 and other expenditures (primarily retail and restaurants) of $50. These are intended to be rough estimates of overall expenditures based on the low end of national averages for event venues.

Table 27: Estimated Project Expenditures

Item					Amount	Zip Code 93955 Proportion	Zip Code Expenditures
CONSTRUCTION COSTS							
	units	**sf**	**total sf**	**cost/sf**			
Residential Construction							
Seaside	479	2,200	1,053,800	$175	$184,415,000	25%	$46,103,750
Monterey County	1,280	1,776	2,273,280	$175	$397,824,000	25%	$99,456,000
Total Residential							
Commercial Construction			1,035,000	$175	$181,125,000	25%	$45,281,250
Horse Park and Track					26,000,000	30%	7,800,000
TOTAL CONSTRUCTION COSTS					**$789,364,000**		**$198,641,000**
OPERATING EXPENDITURES	**# visitor days**		**exp per visitor**				
Visitor Expenditures							
Hotel Expenditures	380,100		$80		30,408,000	35%	$10,642,800
Visitor Misc Expenditures	380,100		$50		19,005,000	30%	5,701,500
Horse Park Operations							
Visitor Revenues (shows, rent, facilities)					6,050,246	35%	2,117,586
Horse Park Operating Expenditures					1,921,750	100%	1,921,750
Total Operating Expenditures					**$57,384,996**		**$20,383,636**
Retail Sales					**$21,250,000**		
Restaurant Sales					**$5,000,000**		

Sources: Monterey Downs LLC; Willdan Financial Services

Willdan Financial Services, 2014

Table 28 summarizes the results of the economic impact analysis. As shown in Table 28, during construction, the project is estimated to generate $262 million in economic output. Table 28 also details the estimated annual economic impacts once the project is completed, totaling $26 million in economic output.

[6] For example, for construction costs Willdan has assumed that soft costs (such as engineering, planning, finance, etc.), are largely expended outside the area, since the firms most likely to perform the work are located outside the City.

Table 28: Summary of Economic Impacts

Phase	Activity	Impact Type	Estimated Seaside Impacts Jobs	Earnings	Econ. Output
Construction					
	Project Development	Direct	1,177	$84,500,000	$198,600,000
	Local Business Activity	Indirect	289	13,900,000	32,100,000
	Employee Expenditures	Induced	247	10,100,000	30,900,000
		Total	1,714	$108,500,000	$261,600,000
Operations (Annual)					
	Operations	Direct	245	$8,300,000	$20,400,000
	Local Business Activity	Indirect	22	$1,000,000	$2,700,000
	Employee Expenditures	Induced	23	$900,000	$2,900,000
		Total	290	$10,200,000	$26,000,000

Sources: IMPLAN, Willdan Financial Services

Willdan Financial Services, 2014

Direct Impacts

The estimated direct impacts of the project come from the construction expenditures within Seaside's zip code and ongoing operations of the facility over the first 25 years. The data is largely supplied by Monterey Downs with some modifications, including construction expenditures by category, and estimates of the proportion of each that would be spent within the County. Willdan has not audited the data, but has independently verified it through comparison to other projects in California.

Construction

As shown in Table 28, construction on the project will result in direct economic impacts of $199 million in economic output during the 10 year construction period.

Operations

As shown in Table 28, activity at Monterey Downs is expected to generate annual direct impacts of $20.4 million in economic output.

Indirect Impacts

Although a portion of the project costs are expected to be expended outside the County (as detailed in Table 27), Willdan estimates that approximately $199 million will be spent on labor, goods, and services within Monterey County during construction. As shown in Table 28, these in-county expenditures are projected to generate indirect impacts of approximately $32.1 million in economic output during construction. After completion, project will generate indirect impacts $2.7 million in economic output.

Induced Impacts

Employees of the project and employees of local businesses indirectly impacted by the project will in turn spend a portion of their earnings in Monterey County on goods and services. For example, employees at Monterey Downs will purchase food from the local grocery store, and a portion of that spending will go to employees of the grocery store, the workers for the company that supplies products to the store, and so on. Table 28 also summarizes these estimated induced impacts generated by construction and activity at Monterey Downs. As shown in Table 28, construction of the project is projected to generate induced impacts of $30.9 million in economic output. Annual activity at Monterey Downs is projected to generate induced impacts of $2.9 million in economic output.