

## **APPENDIX E**

### **ECONOMIC IMPACT ANALYSIS**



*The Economics of Land Use*



## Report

# Public Revenue and Economic Impact Analysis of OMP Warehouse in Milpitas

Prepared for:

Overton Moore Properties

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# 1. EXECUTIVE SUMMARY

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At the request of Overton Moore Properties (OMP, aka "Project Sponsor"), Economic & Planning Systems, Inc. (EPS) estimated the public revenue and economic impacts of the proposed warehouse (Project) on the City of Milpitas. This report provides a summary of the key public revenue and economic findings regarding this Project and includes all of the technical support tables. The public revenue analysis highlights the new property tax revenues accruing to the City of Milpitas and other public agencies as well as the full suite of public revenues expected to accrue to the City's General Fund. The economic analysis highlights the ongoing economic impacts from the ongoing operation of the warehouse as well as the one-time economic impacts associated with Project construction.

OMP proposes to redevelop a nearly 30-acre parcel located just off of Milpitas Boulevard near the intersection of Milpitas Boulevard and Yosemite Drive in the City of Milpitas (City). The parcel will contain one new warehouse building of nearly 500,000 square feet, along with 479 surface parking spaces. Replacing existing buildings and surface parking in the Project area, the proposed development will involve the demolition of the four existing buildings, which have been vacant since 2015.

The public revenue analysis and ongoing economic impact analysis evaluate the Project's impacts at project completion. Key information sources for the analysis include: (1) Project Sponsor information on development program, development costs, and expected on-site employment; (2) County of Santa Clara Assessor information on the allocation of property tax payments by public agency; (3) the City's most recently adopted General Fund Budget (Fiscal Year [FY] 2019-20); and, (4) the IMPLAN economic impact model for Santa Clara County. All estimates are provided in 2020 dollars.

This report is organized into four chapters: (1) Executive Summary, (2) Project Description, (3) Public Revenue Analysis, and (4) Economic Impact Analysis.

## Summary of Key Findings

### **1. At buildout, the Project will generate \$240,000 in revenues and, by year 20, the project will have generated a cumulative \$4.8 million.**

The Project will generate about \$240,000 annually in public revenues to the City's General Fund at project completion. This includes about \$180,000 annually in net new property tax revenues and an additional \$60,000 annually from other revenues sources such as sales and use taxes, franchise taxes, and other charges and services. Over a 20-year period, this would sum to about \$4.8 million to the City's General Fund (in 2020 dollar terms). These revenues would be available to the City to support expenditures on General Fund public services, including police, fire, and parks and recreation services (see **Table 1**).

**Table 1 New Public Revenues to City’s General Fund (2020\$)**

<b>Annual Revenues</b>	<b>Annual Revenue Impact at Buildout</b>	<b>Total 20-Year Revenue Impact (2020\$)</b>
<b>City of Milpitas General Fund</b>		
Property Tax <sup>1</sup>	\$180,800	\$3,616,000
Sales and Use Taxes	\$10,600	\$212,000
Other Taxes <sup>2</sup>	\$9,800	\$196,000
Fees and Charges <sup>3</sup>	\$39,000	\$780,000
<b>Total Annual Revenues</b>	<b>\$240,200</b>	<b>\$4,804,000</b>

Note: Values are rounded to the nearest \$100.

[1] Includes revenue from Property Taxes as well as Property Transfer Taxes.

[2] Includes Franchise Taxes and Business License Taxes.

[3] Includes Licenses and Permits, Fines and Forfeiture, and Charges for Services.

Sources: City of Milpitas FY 2019-20 Adopted Annual Budget; Economic & Planning Systems, Inc

**2. In addition to the City, the project will generate property tax revenues for other public entities, generating the most revenue for the Milpitas Unified School District.**

At Project buildout, Property Tax is expected to generate approximately \$1.1 million in net new property taxes, based on the estimated incremental increase in the assessed value of the property. The Milpitas Unified School District receives the largest allocation of about 40 percent of property taxes, or \$437,000 annually and \$8.74 million over 20 years. County departments and districts collectively receive 20 percent of the property tax receipts, or \$220,600 annually and \$4.41 million over 20 years. The remaining share of the Project’s property taxes are allocated to the San Jose-Evergreen Community College District, the State’s Education Revenue Augmentation Fund, and a water and air quality districts (see **Table 2**).

**Table 2 New Property Revenues to All Public Agencies**

<b>Annual Revenues</b>	<b>Property Tax Allocation</b>	<b>Annual Revenue Impact at Buildout</b>	<b>Total 20-Year Revenue Impact (2020\$)</b>
City of Milpitas General Fund	16.2%	\$177,000	\$3,540,000
Milpitas Unified School District	40.1%	\$436,900	\$8,738,000
San Jose-Evergreen Community College	6.5%	\$70,900	\$1,418,000
Santa Clara County <sup>1</sup>	20.2%	\$220,600	\$4,412,000
All Other Allocations <sup>2</sup>	2.2%	\$23,500	\$470,000
State Educational Revenue Augmentation Fund	14.8%	\$161,100	\$3,222,000
<b>Total</b>	<b>100.0%</b>	<b>\$1,090,000</b>	<b>\$21,800,000</b>

Note: Values are rounded to the nearest \$100.

[1] Includes property tax allocations to the County, County Water Importation District, County School Service, and County Library services.

[2] Includes property tax allocations to Bay Area Air Quality Management District, Santa Clara Valley Water District, Santa Clara Valley Water District East Zone 1, and Santa Clara Valley Water District West Zone 4.

Sources: City of Milpitas FY 2019-20 Adopted Annual Budget; Economic & Planning Systems, Inc.

**3. Development of the Project is expected to support 375 ongoing on-site jobs, about 200 one-time job-years of construction employment, and associated economic multiplier effects.**

OMP expects the Project will support about 375 ongoing on-site jobs based on warehouse size and parking availability. This represents about 0.76 employees per 1,000 square feet which is consistent with industry standards. Annually, a total of \$24.4 million in employee compensation is expected to be associated with the ongoing operation of the warehouse. The construction of the warehouse will also generate one-time economic impacts, estimated to include about 198 job-years and associated employee compensation of about \$19.7 million. In other words, Project construction would support 198 construction jobs if completed over the course of a year, or 99 construction jobs over the course of two years.

## 2. PROJECT DESCRIPTION

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This analysis evaluates the annual revenue effects of the proposed development of the Project. Under the development program, a new warehouse/distribution center is planned for the 29.9-acre site. The new development would cover less than half of the site and would consist of 491,040 total square feet of development, 101,000 of which will be net new. The development will require the demolition of four existing buildings, all of which have been vacant since 2015. This analysis considers only the revenue impacts of the net new development—new construction less existing development, to not double-count fiscal revenues. The Project is expected to provide 479 parking spaces in surface parking lots on all four sides of the building and approximately two acres of open space. The surrounding area is entirely zoned industrial. **Table 4** summarizes the proposed development program.

**Table 3 Development Program Summary**

Land Use	Assumptions	New Development
<b>Industrial Development</b>		
Total New Warehouse Space <sup>1</sup>		491,040 sq. ft.
(Existing Construction)		<u>390,000</u> sq. ft.
<b>Net New Development</b>		<b>101,040 sq. ft.</b>
<b>Parking</b>		
Employee Parking <sup>2</sup>		349 stalls
Trailer Parking		<u>130</u> stalls
<b>Total Parking</b>		<b>479 stalls</b>
Number of Employees <sup>2</sup>		375
Service Population <sup>3</sup>	50% of employment	188

[1] No vacancy estimated by Project Sponsor based on experience in comparable properties.

[2] Projected number of employees and parking provided by Project Sponsor, based on distribution of building use type and employment density in comparable properties.

[3] "Service Population" equals 100 percent of project residents plus 50% of project employees. This measure of service population is used for cost or revenue impacts where employment affects the demand for service but by less than the residential demand. See Table A-1.

Sources: Project Sponsor; Economic & Planning Systems, Inc.



## Project Assessed Value

The current assessed value of the site (land and vertical improvements, as well as unsecured property) is \$48.9 million, according to the Santa Clara County (County) Assessor's Office, as shown in **Table A-2**.

To estimate the assessed value of the Project at buildout, this analysis relies on development costs provided by the Project Sponsor (i.e., replacement value as defined by the County Assessor). Development costs include hard and soft construction costs, tenant improvements, and finance costs and are approximately \$281 per square foot. The unsecured assessed value is estimated at \$40 per square foot. The actual assessed value of the Project will be determined by the County Assessor's Office at the time of assessment.

The total assessed value of the Project less the existing assessed value of the Project represents the net new assessed value, which is the basis of the property tax-related calculations in this analysis. The existing assessed value of the Project site is shown on **Table A-2**, and the new assessed value of the Project is shown on **Table A-5**.

### 3. FISCAL IMPACT ANALYSIS APPROACH AND ASSUMPTIONS

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This section describes the methodology and key assumptions used in calculating the revenue impact of the proposed Project on the City's General Fund. Specific revenues that would be affected by new development in the City were identified and estimated. For each revenue item, EPS used the most appropriate forecasting methodology available, summarized below:

- **Case Study.** A case-study approach is used to calculate those revenues that can be estimated using assumptions specific to the development program, such as sales tax revenues. Similarly, for the revenues that are based on market-specific assumptions, such as the assessed values of properties (property taxes), EPS has estimated the assessed value of the envisioned development.
- **Average Revenue per Service Population.** This approach estimates average revenues based on the City's current service population and applies that average revenue to the Project's proposed service population. Revenues are based on the City's most recently adopted budget (FY 2019-20). The relative impacts of employment and population are compared and used to estimate the City's service population. This City has a service population of 106,934, and the Project has a service population of 188 (service population for workers is estimated at 50 percent of expected employment). The calculation supporting the estimates of the Project's service populations is shown above in **Table 3**, and the citywide demographic assumptions that are used to estimate Project impacts for the smaller revenue items are shown in **Table A-1**.
- **Not Estimated.** Some budget items are not estimated because certain City revenues are not directly affected by the new development associated with this Project, such as Transient Occupancy Tax revenues or revenues associated with the City's use of money or property.

The analysis describes annual revenue impacts on the City's General Fund. All revenue forecasts are in constant 2020 dollars. For the purpose of evaluating the potential fiscal impact of the Project, this analysis considers impacts at buildout as detailed in **Table 5**, below. Key assumptions and calculations for each line item are shown in **Tables A-1** through **A-9**.

**Table 4 Expanded Annual Public Revenue Impact Summary (2020\$)**

City of Milpitas General Fund	Annual Revenue Impact at Buildout	Total 20-Year Revenue Impact (2020\$)
<b>Annual Revenues<sup>1</sup></b>		
Property Tax	\$177,000	\$3,540,000
Real Estate Transfer Tax	\$3,800	\$76,000
Sales Tax	\$10,600	\$212,000
Franchise Taxes	\$8,700	\$174,000
Business License Tax	\$1,100	\$22,000
Licenses and Permits	\$25,900	\$518,000
Fines and Forfeitures	\$900	\$18,000
Charges for Services	\$12,200	\$244,000
<b>Total Annual General Fund Revenues</b>	<b>\$240,200</b>	<b>\$4,804,000</b>

Note: Values are rounded to the nearest \$100.

[1] See Table A-3 for details on revenue estimating procedures.

Sources: City of Milpitas FY 2019-20 Adopted Annual Budget; Economic & Planning Systems, Inc.

## General Fund Revenues

New General Fund proceeds attributable to the Project will include property tax, sales tax, franchise fees, real estate transfer tax, licenses and permits, charges for service, as well as a business license tax. **Table A-3** provides a summary of the Milpitas FY 2019-20 adopted General Fund revenue budget and a brief description of the forecasting method relied on for each relevant revenue source. A general description of the method used for this analysis is provided for each revenue item. Some items are not forecasted because they are not expected to be affected by the Project (e.g., hotel/motel tax).

### Property Tax

Property taxes are based on the assessed value of land and Project improvements. The planned development of warehouse space will improve the site's value to an estimated \$157 million at buildout, as seen in **Table A-5**. The new warehouse space is assumed to generate assessed value of approximately \$281 per square foot (including tenant improvements), an estimate provided by the Project Sponsor based on the value of recently completed OMP projects. This analysis assumes the unsecured value is approximately 14 percent of the secured value, consistent with ratios of existing warehouse projects developed by OMP.

Consistent with Proposition 13, the County currently collects property tax based on 1.0 percent of the assessed value of a property, and Milpitas receives 16.2 percent of the property tax revenue generated. This share is assumed fixed going forward. Taxes are calculated based on the net increase in assessed value from the existing assessed value of the proposed Project site, including the existing structures. This results in estimated property tax revenue from the Project of \$177,033 annually. Full calculations are shown on **Table A-7**.

## **Sales Tax**

The Project is expected to generate sales tax in two ways: through employee spending in the City, and through business-to-business sales on site. To estimate the level of new retail sales generated by new employees, average daily retail expenditures are estimated at \$10 and multiplied by the number of annual workdays, as shown in **Table A-8**. About 50 percent of total taxable expenditures are estimated to be captured by retailers located in Milpitas. Of these sales, the City will collect 0.1 percent in sales tax from expenditures in the City.

Sales tax generated by business-to-business sales is attributed to approximately 25 percent of the new on-site commercial development, as 25 percent of the space is expected to be dedicated to wholesale trade and manufacturing and is calculated in **Table A-8**.

## **Business License Tax**

The City collects annual business license taxes. In the absence of data about the gross receipts of the future tenant(s), business license taxes are estimated on an average per-employee basis, and the estimate is shown in **Table A-4**.

## **Property Transfer Tax**

The City collects a property transfer tax each time a property is sold. The current rate is \$0.55 per \$1,000 in assessed value. This analysis assumes that commercial property will turn over once every 20 years, on average. This results in tax revenues of about \$3,800 annually, as seen in **Table A-9**.

## **Franchise Fees**

Franchise fees are paid by providers of cable, utilities, and waste management services in the City. Franchise fees are estimated on a per-service-population basis, and the estimate is shown in **Table A-4**.

## **Other Revenues**

Other revenues include revenues from the sale of licenses and permits, and charges for services. These taxes are estimated on a per-service-population basis, as shown in **Table A-4**.

## 4. ECONOMIC IMPACT EVALUATION

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Development of the Project will generate both ongoing economic impacts from the operation of the warehouse as well as one-time impacts associated with the construction of the Project. These impacts and potential multiplier effects are described below and shown in **Table 6**, as well as **Tables B-1** and **B-2**.

### Economic Impact Methodology

To measure the Project's economic impact, this analysis relies on IMPLAN (Impact Analysis for Planning) software, an Input-Output (I/O) model that draws on data from several state and federal sources, including the Bureau of Economic Analysis, Bureau of Labor Statistics (BLS), and the Census Bureau. The analysis measures the impact of building the Project in the County and reflects the most current data available from IMPLAN. While these estimates are limited to the County, the economic contributions of the Project will likely extend beyond this study geography.

I/O analysis is premised on the concept that industries in a geographic region are interdependent and thus the total contribution of any one establishment's activity is larger than its individual (direct) output or employment. Consequently, an establishment's economic activity has a "multiplier" effect that generates successive rounds of spending and output in other economic sectors within a particular region. Regional economic impact analysis and I/O models in particular provide a means to quantify economic effects stemming from a particular industry or economic activity. Specifically, I/O models produce quantitative estimates of the magnitude of regional economic activity resulting from some defined initial activity (e.g., new construction).

I/O models rely on economic multipliers that mathematically represent the relationship between the initial change in one sector of the economy and the effect of that change on employment, income, economic output, and value added in other regional industries. These economic data provide a quantitative estimate of the magnitude of shifts in jobs and revenues within a regional economy.

The analysis begins with an estimate of the initial economic injection associated with expenditures on construction operations and capital investment. This initial round of spending is referred to as the direct effect. Next, the I/O model quantifies the impacts associated with the ripple or multiplier effects that result from construction expenditures. The ripple effects are categorized as indirect or induced effects. Indirect effects represent economic impacts on suppliers, while induced effects represent economic impacts on household income and spending. In this report, direct, indirect, and induced effects are defined as follows:

- The **Direct Effect** is a measure of the economic value of the initial injection of spending into the economy that is made by the new construction, or in this case, the hard construction costs, shown in **Table B-1** and **B-2**.
- The **Indirect Effect** is a measure of the economic value of "upstream" industry-to-industry transactions that supply inputs to the production of goods and services consumed during the construction period, shown in **Table B-1** and **B-2**.

- The **Induced Effect** is a measure of the economic value of labor income that recirculates in the economy as a result of the initial expenditures made during the construction period, shown in **Table B-1** and **B-2**.

## Project Economic Impact Analysis

The Project will result in the development of an approximately 500,000 new warehouse development. **Table 6** summarizes the results of the Project economic impact analysis with additional description below.

The measurement of **ongoing economic impacts** is scaled based on the number of employees that are expected to work on-site at the Project. The permanent jobs estimate is used to derive direct economic impacts, such as employee compensation and overall economic output, as well as additional multiplier impacts for the County, such as ongoing business-related downstream supply chain transactions. The Project Sponsor estimates that the Project will generate about 375 jobs on site. Annual employee compensation of \$24.4 million is based on the average salary for warehousing and storage employees reported by the Bureau of Labor Statistics. The IMPLAN model also indicates an associated annual economic output of \$36.8 million as well as additional multiplier (indirect and induced) effects in Santa Clara County.

The measurement of **one-time economic impacts** from Project construction activity is scaled based on the estimated total development costs. The IMPLAN economic impact analysis model uses the estimated development costs to derive associated direct impacts, such as one-time construction employment and employee compensation, as well as additional multiplier impacts for the County. With an estimated Project development cost of approximately \$39.5 million, construction of the new buildings is estimated to create the equivalent of 198 one-time construction jobs over course of one year and an associated employee compensation of about \$19.7 million.

**Table 5 Select Economic Benefits of Construction**

<b>Economic Impact Category</b>	<b>Jobs</b>	<b>Total Compensation</b>	<b>Economic Output</b>
<b>One-Time Construction Impacts<sup>1</sup></b>			
Direct Economic Impacts: City of Milpitas	198	\$19,700,000	\$39,500,000
Additional Multiplier Effects: Santa Clara County <sup>2</sup>	64	\$5,500,000	\$14,100,000
<b>Ongoing Annual Impacts</b>			
Direct Economic Impacts: City of Milpitas	375	\$24,400,000	\$36,800,000
Additional Multiplier Effects: Santa Clara County <sup>2</sup>	109	\$8,800,000	\$13,300,000

Note: Values are rounded to the nearest \$100.

[1] One-time economic impacts.

[2] Multiplier effects include indirect and induced impacts at the level of Santa Clara County. Indirect impact is a measure of industry-to-industry transactions that supply construction inputs. Induced effect is a measure of labor income that re-circulates in the economy as a result of direct construction spending. The multiplier effects are derived from the direct effects and the IMPLAN model.

Sources: City of Milpitas FY 2019-20 Adopted Annual Budget; Economic & Planning Systems, Inc.

**APPENDIX:**

**Detailed Calculations for Public Revenue and Economic Impact  
Analysis**





**Table A-1**  
**General Assumptions**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

Item	Total
<b>General Assumptions</b>	
Base Fiscal Year <sup>1</sup> <i>Dollars</i>	FY 2019-20 (2020\$)
<b>Citywide Demographic Characteristics</b>	
<b>City of Milpitas</b>	
Population <sup>2</sup>	Per Capita 77,961
Employees <sup>3</sup>	Per Employee 57,946
<b>City of Milpitas Service Population<sup>4</sup></b>	<b>Per Service Population 106,934</b>

[1] Reflects the City of Milpitas Fiscal Year 2019-20 Adopted Annual Budget. Revenues and expenditures are in 2020 dollars. This analysis does not reflect changes in value resulting from inflation or appreciation.

[2] DOF Table 2: E-5 City of Milpitas population estimate as of May 2020.

[3] Employee number is based on LEHD 2017 jobs estimate for Milpitas, escalated by 2% based on employment growth in San Jose Metro Area from January 2017 through January 2020 (pre-COVID-19). Number is further adjusted by an additional 10% to account for self-employed workers.

[4] Defined as total population plus half of total employees.

Sources: CA DOF; LEHD; BLS.

**Table A-2  
Existing Assessed Value of Parcel  
OMP Warehouse Fiscal and Economic Impact Analyses**

Assessor Parcel Number	Gross Site Area	Existing Building Size	Secured Assessed Value, FY2019-20 <sup>1</sup>			
			Assessed Value Land	Assessed Value Improvements	Assessed Value of	Total Assessed Value
086-42-033	29.86 Ac	390,000 sq. ft.	\$33,937,828	\$14,914,008	\$0	\$48,851,836
<b>Subtotal</b>			<b>\$33,937,828</b>			<b>\$48,851,836</b>

[1] Based on most recent value recorded by the County Assessor for parcel with APN# 086-42-033.

Sources: County of Santa Clara, Office of the Assessor; Project Sponsor; Economic & Planning Systems, Inc.

**Table A-3**  
**Revenue-Estimating Procedures**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

General Fund Revenue Item	Estimating Procedure <sup>1</sup>	Case Study Reference	FY 2019-20 Budgeted Revenues	Population Served	Revenue Multiplier
Property Taxes	Case Study	Table A-7	\$34,806,700	N/A	-
Property Tax In-Lieu of VLF	Not Estimated		\$34,000	N/A	-
Sales and Use Tax	Case Study	Table A-8	\$27,200,042	N/A	-
Real Estate Transfer Tax	Case Study	Table A-9	\$773,000	N/A	-
Business License Tax	Avg. revenue per employee		\$355,000	57,946	\$6.13 per employee
Franchise Fees <sup>2</sup>	Avg. revenue per service pop.		\$4,937,000	106,934	\$46.17 per service pop.
Hotel/Motel Tax	Not Estimated		\$19,557,639	N/A	-
Licenses and Permits <sup>3</sup>	Avg. revenue per service pop.		\$14,748,486	106,934	\$137.92 per service pop.
Fines and Forfeitures	Avg. revenue per service pop.		\$501,810	106,934	\$4.69 per service pop.
Use of Money and Property	Not Estimated		\$1,267,000	N/A	-
Intergovernmental	Not Estimated		\$1,411,927	N/A	-
Charges for Services <sup>4</sup>	Avg. revenue per service pop.		\$6,960,914	106,934	\$65.10 per service pop.
Other Revenues	Not Estimated		\$241,000	N/A	-
Operating Transfers In	Not Estimated		<u>\$5,993,002</u>	N/A	-
<b>Subtotal General Fund Revenues</b>			<b>\$118,787,520</b>		
Other Financing Sources			<u>\$2,789,467</u>		
<b>Net General Fund Operating Revenues</b>			<b>\$121,576,987</b>		

[1] Where revenues are not estimated, revenues are not expected to be affected by the Project and therefore no revenue multipliers are estimated in this analysis.

[2] Franchise Fees are a regulatory fee charged to utility companies for the privilege of doing business in the City of Milpitas (i.e.: garbage franchise fee, gas and electric franchise fee).

[3] Licenses and Permits consist of building permits and fire permits which are primarily construction related and tend to follow the development cycle.

[4] Charges for Services are primarily user fees, including charges for private development related services, engineering fees and recreation service charges.

Sources: City of Milpitas FY 2019-20 Adopted Annual Budget; Economic & Planning Systems, Inc.

**Table A-4  
Annual Project Revenues at Buildout  
OMP Warehouse Fiscal and Economic Impact Analyses**

<b>Revenues</b>	<b>Source</b>	<b>Amount</b>
<b>City of Milpitas</b>		
Property Tax	Table A-7	\$177,000
Real Estate Transfer Tax	Table A-9	\$3,800
Sales Tax	Table B-5	\$10,600
Franchise Taxes	Table B-1	\$8,700
Business License Tax	Table B-1	\$1,100
Licenses and Permits	Table B-1	\$25,900
Fines and Forfeitures	Table B-1	\$900
Charges for Services	Table B-1	\$12,200
<b>Total Annual General Fund Revenues</b>		<b>\$240,200</b>

Note: Values are rounded to the nearest 100.

Sources: City of Milpitas FY 2019-20 Adopted Annual Budget; Economic & Planning Systems, Inc.

**Table A-5**  
**Assessed Value at Buildout**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

<b>Item</b>	<b>Assumption</b>	<b>Amount</b>
Existing Assessed Value of Site <sup>1</sup>		\$48,851,836
<b>New Development</b>		
Secured Value <sup>2</sup>		\$138,220,891
Unsecured Value <sup>3</sup>	\$40 per sq. ft.	<u>\$19,641,600</u>
<b>Total Project Assessed Value</b>		<b>\$157,862,491</b>
<b>Net New (Incremental) Value of Site<sup>4</sup></b>		<b>\$109,010,655</b>

[1] Existing Assessed Value is based on most recent County Assessment for APN # 086-42-033, recorded in Table A-2.

[2] Based on development budget provided by Project Sponsor. Includes land acquisition, entitlement costs, hard and soft costs, as well as financing costs.

[3] Based on industry research into typical valuation of warehousing and logistics buildings fixtures and equipment.

[4] Existing assessed value of land is subtracted from total estimated assessed value to approximate only net new value created by project.

Sources: California Local Government Finance Almanac; Project Sponsor; Economic & Planning Systems, Inc.

**Table A-6**  
**Development Costs**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

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<b>Development Item</b>	<b>Cost</b>
Land Acquisition	\$75,431,632
Soft Costs	\$12,200,101
Hard Costs	\$39,480,420
Other Costs <sup>1</sup>	\$11,108,738
<b>Total Development Costs</b>	<b>\$138,220,891</b>

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[1] Other costs include financing costs, leasing commission, signage, marketing, and legal.

Source: Project Sponsor

**Table A-7**  
**Property Tax Allocations at Buildout**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

Item	Assumptions / Reference	Net New Development
<b>Property Tax</b>		
Incremental Assessed Value of Site	Table A-5	\$109,010,655
Property Tax Total	1.0% of Assessed Value	\$1,090,107
<b>Allocation of the 1% Property Tax</b>		
City of Milpitas <sup>1</sup>	16.2%	\$177,033
Milpitas Unified School District	40.1%	\$436,915
San Jose Evergreen Community College	6.5%	\$70,857
Relevant Santa Clara Valley Water District <sup>2</sup>	1.98%	\$21,584
Santa Clara County <sup>3</sup>	19.8%	\$215,296
Santa Clara County Importation Water-Misc District	0.5%	\$5,342
Bay Area Air Quality Management District	0.2%	\$1,962
ERAF	14.8%	\$161,118
<b>Total</b>	<b>100%</b>	<b>\$1,090,107</b>

[1] Post ERAF shift, per Santa Clara County Assessor Tax Allocation Results

[2] Includes Water Districts East Zone 1 and West Zone 4.

[3] Includes County School Service and County Library

Sources: City of Milpitas; Santa Clara County Assessor; Economic & Planning Systems, Inc.

**Table A-8**  
**Taxable Sales and Use Tax Revenue**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

<b>Item</b>	<b>Amount</b>
<b>Annual Taxable Sales from New Employees</b>	
New Employees	375
Average Daily Taxable Sales per New Employee	\$10
Work Days per Year	240
Total Annual Taxable Sales from New Employees	\$900,000
City Capture of Taxable Sales	50%
<b>Total City Taxable Sales from New Employees</b>	<b>\$450,000</b>
<b>Taxable Sales from On-Site Commercial Development</b>	
Occupied Building Sq. Ft.	491,040
Proportion Generating Sales Tax <sup>1</sup>	25%
Taxable Sales per Sq. Ft. <sup>2</sup>	\$5.00
<b>Total Taxable Sales from Onsite Commercial Use</b>	<b>\$613,800</b>
<b>Total Annual Taxable Sales</b>	<b>\$1,063,800</b>
<b>Annual Sales Tax Revenue</b>	
Percent of Taxable Sales to the City	1%
<b>Bradley Burns Local Sales Tax to the City</b>	<b>\$10,638</b>

[1] Based on the assumption that about 25% of building space will be associated with wholesale trade and manufacturing.

[2] A conservative taxable sales per square foot assumption representing onsite business-to-business sales activity, based on research of industrial development.

Source: Economic & Planning Systems, Inc.



**Table A-9**  
**Real Property Transfer Tax at Buildout**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

<b>Item</b>	<b>Assumptions</b>	<b>Amount</b>
Total Assessed Value of Project at Buildout		\$138,220,891
Annual Turnover Rate <sup>1</sup>	5.0%	
Annual Turnover Value		\$6,911,045
Transfer Tax	\$0.55 per \$1,000 of AV	\$3,801
<b>Total Annual Property Transfer Tax</b>		<b>\$3,801</b>

[1] A 5% turnover rate suggests that the project is re-sold once every 20 years on average.

Source: Economic & Planning Systems, Inc.

**Table B-1**  
**Annual Economic Impact of Construction Activities**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

<b>Construction Impact Category<sup>1</sup></b>	<b>Employment (Jobs)</b>	<b>Employee Compensation</b>	<b>Economic Output<sup>2</sup></b>
<b>Project Site</b>			
Direct Economic Impacts <sup>3</sup>	198	\$19,729,699	\$39,480,420
<b>Santa Clara County</b>			
Indirect Economic Impacts <sup>4</sup>	23	\$2,450,346	\$6,065,564
Induced Economic Impacts <sup>4</sup>	<u>41</u>	<u>\$3,018,211</u>	<u>\$8,030,856</u>
<b>Total</b>	<b>262</b>	<b>\$25,198,255</b>	<b>\$53,576,840</b>

[1] Economic outputs based on the IMPLAN industry 'Construction of New Manufacturing Structures'.

[2] Economic Output represents a measure of economic activity, calculated as production value including intermediate inputs (i.e., the goods and services used in the production of final products). Output includes spending on employee compensation as well as the production value of each intermediate input, such as equipment, supplies, insurance, rents, utilities, communication services, printing, and other goods and services.

[3] Direct construction industry output/ sales associated with the supported development is assumed to be commensurate with construction hard costs. The job years, employee compensation, and economic output are derived from the IMPLAN model.

[4] Multiplier effects include indirect and induced impacts at the level of Santa Clara County. Indirect impact is a measure of industry-to-industry transactions that supply construction inputs. Induced effect is a measure of labor income that re-circulates in the economy as a result of direct construction spending. The multiplier effects are derived from the direct effects and the IMPLAN model.

Sources: IMPLAN; Economic & Planning Systems, Inc.

**Table B-2**  
**Annual Ecomic Impact of Ongoing Logistics Center Employment**  
**OMP Warehouse Fiscal and Economic Impact Analyses**

Ongoing Impact Category <sup>1</sup>	Employment (Jobs)	Employee Compensation <sup>2</sup>	Economic Output <sup>3</sup>
<b>Project Site</b>			
Direct Economic Impacts <sup>4</sup>	375	\$24,375,000	\$36,781,817
<b>Santa Clara County</b>			
Indirect Economic Impacts <sup>5</sup>	38	\$3,579,896	\$5,402,054
Induced Economic Impacts <sup>5</sup>	<u>71</u>	<u>\$5,256,016</u>	<u>\$7,931,316</u>
<b>Total</b>	<b>484</b>	<b>\$33,210,912</b>	<b>\$50,115,186</b>

[1] Economic metrics based on proposed development program, IMPLAN model for 'Warehousing and Storage' industry, and California EDD data on employee compensation for the Warehousing and Storage industry.

[2] Employee compensation estimates for Santa Clara County from the California Employment Development Department. QCEW 2017 annual data for Warehousing and Storage (NAICS 493) industries yielding an annual salary of \$65,000.

[3] Economic Output represents a measure of economic activity, calculated as production value including intermediate inputs (i.e., the goods and services used in the production of final products). Output includes spending on employee compensation as well as the production value of each intermediate input, such as equipment, supplies, insurance, rents, utilities, communication services, printing, and other goods and services.

[4] Direct industry output/ sales associated with operations is assumed to be commensurate with total on-site employment. The jobs data and economic output multiplier are derived from the IMPLAN model.

[5] Multiplier effects include indirect and induced impacts at the level of Santa Clara County. Indirect impact is a measure of industry-to-industry transactions that supply inputs to ongoing operations. Induced effect is a measure of labor income that re-circulates in the economy as a result of direct operations spending. The multiplier effects are derived from the direct effects and the IMPLAN model.

Sources: IMPLAN; CA EDD; Economic & Planning Systems, Inc.