MEMORANDUM

To: Alexandros Economou, A.G. Spanos Companies

From: Jamie Gomes, Amy Lapin, and Megan Quinn

Subject: El Dorado Hills Town Center East Project Revenue Impact Analysis; EPS #132136

Date: July 29, 2014

The Economics of Land Use

Introduction

Economic & Planning Systems, Inc. (EPS) was retained by A.G. Spanos (Client) to evaluate the revenue and other impacts associated with development of a 4.5-acre site (Project) located in the El Dorado Hills Town Center East Commercial Development Plan area (Town Center). The Town Center is located in the community of El Dorado Hills (EDH), California, in unincorporated El Dorado County (County).

The Town Center was approved in August 1995 to accommodate a maximum of 925,000 square feet of commercial space and a 150-room hotel.[1] In 2008, the Project site, specifically, was designated to accommodate the hotel, as well as general commercial/retail land uses.[2] In this memorandum, the hotel and commercial development plan for the Project site is referred to as the "Hotel Project."

The Client proposes to rezone the Project site to exclusively accommodate a 250-unit multifamily residential project. In this memorandum, the multifamily residential development plan is referred to as the "Multifamily Residential Project."

The purpose of this memorandum is to provide the Client and County with the results of an analysis of key, annual County General Fund revenues and one-time development impact fee revenues estimated to be generated

[1] County of El Dorado Development Services Planning Commission Staff Report, June 26, 2014.

[2] Ibid.

Economic & Planning Systems, Inc.
2295 Gateway Oaks Drive, Suite 250
Sacramento, CA 95833-4210
916 649 8010 tel
916 649 2070 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

by both the Hotel Project and the Multifamily Residential Project. Further, this memorandum presents additional economic information to assist the Client and County in evaluating the impacts of each project.

Summary of Findings

EPS presents the following key revenue impact conclusions from the analysis contained herein. These revenues reflect the net present value (NPV) of annual key County General Fund tax revenues and one-time development impact fee revenues under two development absorption scenarios and three time frames: 10 years (2014-2023); 15 years (2014-2028); and 20 years (2014-2033). All figures are presented in adjusted 2014 dollars.[3] The revenue impact analysis assumptions and methodology and additional economic information underpinning these conclusions are described in detail in the remaining sections of this memorandum.

Key Annual General Fund Revenues

- **Over the next 10 years, the *Multifamily Residential Project* is estimated to generate about $80,000 (in adjusted 2014 dollars) in additional tax revenues for the County General Fund compared with revenues generated by the Hotel Project.** The Multifamily Residential Project is estimated to generate about $1.71 million (in adjusted 2014 dollars); the Hotel Project is estimated to generate about $1.63 million (in adjusted 2014 dollars). This estimate is based on the assumption that existing demand does not support the near-term construction of the Hotel Project, and the hotel and commercial land uses would be constructed in calendar year 2019. In contrast, it is assumed that demand exists for near-term construction (calendar year 2015) of the Multifamily Residential Project.

- **Over the next 15 to 20 years, the *Hotel Project* is estimated to generate about $884,000 and nearly $1.9 million (in adjusted 2014 dollars), respectively, in additional tax revenues for the County General Fund compared with revenues generated by the Multifamily Residential Project.** The Hotel Project is estimated to generate about $3.66 million over the next 15 years and about $5.69 million over the next 20 years (both figures are in adjusted 2014 dollars). The Multifamily Residential Project is estimated to generate about $2.78 million in total over the next 15 years and $3.84 million total over the next 20 years (both figures are in adjusted 2014 dollars). These figures assume the same development absorption schedule for each project as presented in the previous finding.

- **Under an alternative development absorption scenario, over the next 10 years, the *Multifamily Residential Project* is estimated to generate about $900,000 (in adjusted 2014 dollars) in additional County General Fund revenues relative to the Hotel Project.** This estimate is based on an alternative development absorption scenario in which the Hotel Project incurs an additional 2 year delay, and no change is assumed in

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[3] In this analysis, NPV is based on a revenue-escalation rate of 3.0 percent and a discount rate of 3.0 percent. Both rates are based on a rate that approximates the average, long-term consumer price index (CPI).

constructing the Multifamily Residential Project. The Multifamily Residential Project is estimated to generate about $1.71 million (in adjusted 2014 dollars); the Hotel Project is estimated to generate about $814,000 (in adjusted 2014 dollars).

- **Based on the same 2-year delay, over the next 15 to 20 years, the *Hotel Project* is estimated to generate a total of about $71,000 and about $1.0 million (in adjusted 2014 dollars), respectively, in additional revenues for the County General Fund compared with revenues generated by the Multifamilty Residential Project.** The Hotel Project is estimated to generate about $2.85 million over the next 15 years and about $4.88 million over the next 20 years (both figures are in adjusted 2014 dollars). The Multifamily Residential Project is estimated to generate about $2.78 million in total over the next 15 years and $3.84 million total over the next 20 years (both figures are in adjusted 2014 dollars). These figures assume the same additional 2-year delay in constructing the Hotel Project.

County and Other Agency Development Impact Fee Revenues

- **The *Multifamily Residential Project* is estimated to generate about $10.9 million (in adjusted 2014 dollars) in additional one-time development impact fee revenues for the County and other agencies and special districts in the County relative to the one-time fee revenues generated by the Hotel Project.** This revenue comparison reflects current fees established by the County and other agencies and special districts in the County as of July 2014.

Site and Project Description

The Town Center functions as a hybrid shopping center, combining a pedestrian-oriented "main street" presence with a traditional, suburban neighborhood- and community-serving retail center. Town Center Boulevard serves as the primary entrance to the retail center, providing immediate access and visibility from U.S. Highway 50. The "main street" element of the center contains a mix of small boutique retail, other retail, and office uses, while the remainder of the retail center is anchored by a grocery store, movie theater, and big box retail.

At the terminus of Town Center Boulevard is the Regal Cinema Theater, and to the south and east of the "main street" shops are: a 93-room upper midscale class hotel (Holiday Inn Express & Suites), a Spare Time gym, a Target, and numerous outparcels containing various retail and medical office uses. To the north of the "main street" portion of the project, and separated by a a large surface parking lot, is a grocery-anchored (Nugget Markets) strip retail center called MarketPlace at Town Center. East of the grocery store is a Mercedez-Benz automobile dealership.

To date, the Town Center consists of approximately 687,000 square feet of neighborhood-, community-, and regional-serving retail uses and commercial office space. This total square footage includes the the 128,000-square-foot Target; the 62,000-square-foot Regal Cinema Theater; and about 135,000 square feet in the Nugget-anchored MarketPlace at Town Center.

The Project site is in the heart of the Town Center, bordered by existing commercial uses, including the Regal Cinema Theater to the east; the Holiday Inn Express & Suites hotel, restaurants, and retail shops to the west and south; and the Mercedez-Benz dealership to the north, with two major access points from Town Center Boulevard and Vine Street. The Project site is within walking distance to nearby amenities and stores, with easy access to the highway and nearby employment centers.

The following sections describe the two development plans being evaluated in this memorandum: the Hotel Project and the Multifamily Residential Project.

Hotel Project

Consistent with the May 2014 El Dorado Hills Town Center Apartments Transportation Impact Analysis prepared by Fehr & Peers, the Hotel Project evaluated in this analysis consists of an approximately 74,000-square-foot, 100-room hotel, including a 4,500-square-foot restaurant and 4,250 square feet of conference facility space.[4] In this analysis, the hotel is envisioned to be an upper midscale class of hotel, similar to the nearby Holiday Inn Express & Suites. In addition, the Hotel Project is anticipated to contain 33,000 square feet of general commercial/retail land uses. In sum, the Hotel Project is proposed as 107,000 square feet of commercial land uses contained in three separate structures (the hotel and two retail pads).[5] This project is estimated to generate about 84 employees.

Refer to **Table A-1** in **Appendix A** for more detail regarding the Hotel Project land uses. Refer to **Table A-3** for the project's estimated buildout employee population and **Table A-5** for employee generation assumptions.

Multifamily Residential Project

The Multifamily Residential Project evaluated in this analysis consists of a 4-story, 250-unit complex comprising upscale studio, one-bedroom, and two-bedroom renter-occupied apartments. The targeted rents for apartments reflect a proposed price point of $1.90 per square foot per month. This translates into estimated average monthly rents ranging from about $1,100 for studios, $1,530 for one-bedrooms, and $2,130 for two-bedrooms.

To achieve the targeted rents, the proposed Multifamily Residential Project is anticipated to offer a variety of amenities to supplement the Project site's surrounding walkable environment with proximity to retail, restaurants, and entertainment. Amenities include on-site features, services, technology, and other rental premium characteristics as described further in the December 2013 El Dorado Hills Town Center Multifamily Housing Market Analysis Draft Report prepared by EPS. On-site features that may be incorporated into the project include swimming pools, outdoor Jacuzzi, clubhouse, business center, community garden, and a dog park. Service-oriented amenities may include valet, trash collection, concierge services, off-site dry cleaning and laundry service, and personal trainers. Technology-oriented amenities may include complimentary internet/television connections, centralized smart technology and control, remote access to thermostats, and built-in wireless speakers. Other rental premium characteristics may

[4] Fehr & Peers' evaluation of Hotel Project land uses in the Transportation Impact Analysis is based on land use information contained in the Declaration of Use Restrictions and Agreement to Grant Easements filed with the County Recorder on October 13, 2008.

[5] The Hotel Project is estimated to contain one structure containing the hotel (including a restaurant, conference facility, and 3,000 square feet of retail); one structure containing 20,000 gross building square feet of general commercial/retail; and one structure containing 10,000 gross building square feet of general commercial/retail.

include energy-efficient appliances; insulated and Low E windows; LED lighting; recycled and natural materials; passive solar features; and architectural features such as high ceilings, large windows, additional storage, and balcony or yard access.

Refer to **Table A-2** in **Appendix A** for the number of units by apartment size proposed in the Multifamily Residential Project. Refer to **Table A-4** for the project's estimated buildout residential population and **Table A-5** for population generation assumptions by apartment size.

Development Absorption Scenarios

This analysis evaluates two development absorption scenarios of the Hotel Project and Multifamily Residential Project—**Scenario 1** and **Scenario 2**—as described in further detail below. Both development absorption scenarios are based on the assumption that the Multifamily Residential Project would be constructed before the Hotel Project. In particular, EPS estimates that sufficient demand exists to warrant development of the Multifamily Residential Project in the short term (2015). However, the estimated timing of developing the Hotel Project is uncertain, based on existing hotel and commercial retail market dynamics in EDH.

Additional details related to the rationale underpinning the development absorption scenarios are provided below. It is important to note that the only difference between the two development absorption scenarios is the estimated absorption of the Hotel Project. In addition, for the purpose of this analysis, it is assumed that all components of each project will be constructed at once and within the same calendar year. That is, the hotel and all commercial development assumed under the Hotel Project would be constructed in a single phase within the same calendar year. It is possible the Hotel Project could be constructed in multiple phases spanning multiple years, thereby delaying a portion of the revenues that ultimately would be generated by the project at buildout.

Scenario 1: Hotel Project Developed in 2019; Multifamily Residential Project Developed in 2015

Hotel Project

This analysis is based on an estimated development scenario, Scenario 1, in which the Hotel Project would be constructed in calendar year 2019, with revenues derived from development of the project accruing to the County General Fund the following year (calendar year 2020).

As indicated previously, the hotel in the Hotel Project is assumed to be an upper midscale hotel. The basis for the Scenario 1 development scenario stems from recent occupancy levels of four upper midscale hotels near the Town Center, including the Holiday Inn Express & Suites in EDH. Over the previous 5 years (2009–2013), the occupancy rate for these four hotels combined has ranged from a low rate of 53 percent (in 2010) to a high rate of 66 percent (in 2013, the most recent annual figure available), with an average occupancy rate of approximately 61 percent.[6] To put this vacancy rate in context, there are approximately 171,000 rooms available annually in these four hotels, with demand for only about 110,000 rooms on average over the previous

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[6] Source: Smith Travel Research data, 2009–2013 for four upper midscale class hotels located in El Dorado Hills (Holiday Inn Express & Suites), Folsom (Hampton Inn Suites and Larkspur Landing), and Placerville (Best Western Plus).

2 years (2012–2013).[7] Although occupancy rates have strengthened over the previous 5 years, average room rates have remained essentially static ($109.60 in 2009 and $110.05 in 2013). Thus, an occupancy rate of between 60 percent and 65 percent suggests sufficient demand to warrant an additional 36,500 rooms annually (100 rooms, 365 days per year) may not be present for several years.

It is important to note that this analysis assumes the hotel is an upper midscale hotel. According to the October 13, 2008 Declaration of Use Restrictions and Agreement to Grant Easements, it appears the hotel may be envisioned to be a higher-end hotel. The document describes the hotel as full-service hotel with a conference facility. This type of higher-end hotel may be further delayed than what is estimated in this analysis. Demand for full-service hotels are dominated by the commercial and group segments of the hotel market, with leisure travelers comprising a relatively small percentage (about 15 percent).[8] Demand for these corporate and government-related travelers is being accommodated through a small number of hotels in the region, almost all of which are located in the City of Sacramento. Although a market study was not conducted, it is plausible that a sufficient amount of corporate and government-related demand to support a full-service hotel and conference facility in the Town Center will not exist for many years.

In addition, there does not appear to be sufficient near-term demand for the type of retail development that would be accommodated in the 33,000 square feet of commercial proposed in the Hotel Project. In November 2013, EPS conducted an evaluation of retail market indicators in the EDH submarket. The following key indicators contributed to this conclusion:

- **Net retail absorption in EDH has been low.** Over the past 4 years (2010–3Q 2013), the EDH area has incurred very little net new absorption (10,200 square feet), contrasted by strong positive absorption in the adjacent City of Folsom (421,700 square feet).[9] This is indicative of a strong market trend favoring Folsom as the center of the retail market in this portion of the Sacramento Region.
- **Historical and existing vacancy rates are above average.** Substantial vacancies in the EDH and Folsom submarkets exist.[10] As of the 3Q 2013, the vacancy rate in EDH and Folsom was 10.0 percent and 11.1 percent, respectively. From 1Q 2006 through 3Q 2013, the long-term average vacancy rate was 8.5 percent and 9.7 percent for EDH and Folsom, respectively.

  Despite national retailers' preference for the area, vacancy in Folsom has been higher than in EDH. Unfortunately, it is not possible to discern from this data how vacancy rates differ for older product and new construction. Folsom retailers have been gradually migrating south from the older urban core to locate in newer construction near U.S. Highway 50. Folsom's spike up to 12-percent vacancy (2011–2012) largely was attributed to the Palladio at Broadstone shopping center opening, adding more than 300,000 square feet of retail and

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[7] Ibid.

[8] Source: PKF Consulting.

[9] Source: Terranomics Sacramento Valley Retail Report 3Q 2013.

[10] Source: Terranomics Sacramento Valley Retail Report 3Q 2013 and interviews with local real estate professionals.

restaurant space. Scott Reynolds, a local retail broker for the Palladio, estimated it was 65-percent leased and would be about 75-percent leased by the end of 2014.

La Borgata at Serrano, the Town Center's neighboring competitor to the north across U.S. Highway 50, also is experiencing high vacancy. Matt Goldstein of Voit, a former broker for La Borgata, estimated it was between 30-percent and 35-percent leased. This vacancy is uncharacteristically high because the center recently went through foreclosure and is trying to lease up under new ownership. Eight retail spaces are available, and some spaces have been vacant for more than a year, according to Race Merrit, a broker from ProEquity Asset Management.

The Town Center is faring relatively well with respect to vacancy. The Town Center Management Group indicated its retail space was about 88-percent occupied. During interviews, a couple of brokers observed that vacancy in the Town Center tends to be higher on the far eastern end near the Regal Theater. Pedestrian activity seems to diminish as one travels further from the core of the Town Center. Although the Town Center is 88-percent occupied, some of the ground-floor space is occupied by non-retail, non sales-tax revenue generating tenants (e.g., senator and assembly member offices, County Sheriff offices), indicating weal demand for prime retail space.

In addition to the recently-departed CVS, there were two vacant, available retail spaces totaling 3,730 square feet as of November 2013. One of these spaces has been available for 8 months, but its length of time on the market may be partially attributed to an unusual floor plan. The CVS, formerly housed in the MarketPlace, relocated to the southwest corner of the White Rock Road and Latrobe Road intersection about a year ago. Although the 23,435-square-foot space remains vacant, it is not yet available because CVS still has lease obligations. The vacant CVS and two boutique shops leave the MarketPlace at 75-percent occupied. These vacancy rates may act to keep lease rates low.

- **Lease rates have been steadily declining and may not support the cost of new construction.** Between 2011 and 2013, lease rates in the EDH submarket dropped about $0.13 per square foot (from $1.87 to $1.74). This reduction in lease rates may be attributable to a few ground floor, non-retail tenants (e.g., senator and assembly member offices, County Sheriff offices) that are likely leasing space for reduced market rents. Over the same period (2011 to 2013), lease rates in Folsom increased $0.03 per square foot (from $1.63 to $1.66), despite the emergence of a major high-end regional retail center (Palladio) that remains at least 25-percent vacant. The level of design at the Town Center is very high, thereby increasing construction costs. Although a detailed pro forma analysis has not been conducted at this stage, there is a very real possibility that lease rates in EDH would not be sufficient to capitalize new construction.

- **Future growth prospects may strengthen but do not impact the near-term viability of retail development at the site.** Household incomes in EDH and the surrounding community are very strong; however, projected growth among households is uncertain. The timing of major master-planned projects in the greater area is such that additional demand is unlikely to affect the prospects for developing a viable near-term retail project at the site. Such future projects also are likely to include additional supply of retail uses that will, at least partially, offset future demand.

It should be noted that a retail leakage and supply analysis conducted by Buxton in June 2014 indicates that, while there are opportunities for additional retail in the EDH area, many of these opportunities are inappropriate for the Project site, which is positioned as a high-end boutique/entertainment retail location and is located between the village center and a multiplex theater.[11] While some retail categories potentially could be accommodated on the Project site, current vacancy and lease rates indicate that additional retail is unlikely to be absorbed in the near term. Additional information regarding the Buxton study is found at the end of this memorandum.

Multifamily Residential Project

Scenario 1 is based on the assumption that the Multifamily Residential Project would be constructed in calendar year 2015, with project revenues accruing to the County General Fund the following year (calendar year 2016). In the December 2013 El Dorado Hills Town Center Multifamily Housing Market Analysis Draft Report, EPS concluded that the multifamily housing market, both nationally and regionally, has been growing steadily since 2011 and continues to strengthen as demand from Baby Boomers and Generation Y/Millennials increases. Locally, EDH appears ready to capitalize on the recent multifamily development uptick and emerging trends in multifamily demand. The supply from the 250-unit project is estimated to be reasonably absorbed in the market, given the desirable neighborhood and urban development pattern surrounding the site.

Scenario 2: Hotel Project Developed in 2021; Multifamily Residential Project Developed in 2015

Hotel Project

This analysis also estimates an alternative development scenario (Scenario 2) in which development of the Hotel Project is delayed 2 additional years, based on existing hotel market dynamics as described above, with construction occurring in calendar year 2021 and revenues accruing to the County General Fund the following year (calendar year 2022).

Multifamily Residential Project

As mentioned previously, the Multifamily Residential Project is anticipated to be reasonably absorbed in the market, given existing multifamily housing market dynamics. As such, the development schedule for the Multifamily Residential Project under Scenario 2 remains the same as the schedule under Scenario 1.

Summary of Revenue Impacts

Key County General Fund Revenues

Development of the Project site will generate annual revenues for the County's General Fund.[12] In this analysis EPS estimated key annual General Fund tax revenues generated by development

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[11] Source: Buxton Retail Leakage and Surplus Analysis in EDH (10 minute drive time), June 18, 2014.

[12] Note that this analysis does not evaluate all County General Fund revenues that would be generated by each project. Further, this analysis does not estimate the net fiscal impacts of

of each project at buildout, including property tax, sales and use tax, Proposition 172 public safety sales tax, and transient occupancy tax (TOT) revenues. In addition, EPS estimated the one-time development impact fees that would be generated for the County and other agencies and special districts in the County at building permit for each project.

EPS estimated the NPV of the annual key General Fund revenues and one-time development impact fee revenues under development Scenario 1 and Scenario 2, assuming three time frames: 10 years (2014-2023), 15 years (2014-2028), and 20 years (2014-2033).[13]

Table 1 shows that, under **Scenario 1** over the next 10 years, the Hotel Project is estimated to generate about $1.63 million (in adjusted 2014 dollars), or about $80,000 less than the Multifamily Residential Project, which is estimated to generate $1.71 million (in adjusted 2014 dollars) in annual County General Fund revenues. Over the next 15 to 20 years, the Hotel Project will generate an estimated $3.66 million and $5.69 million, respectively, for the County's General Fund (in adjusted 2014 dollars). Comparatively, the Multifamily Residential Project will generate about $2.78 million and $3.84 million (in adjusted 2014 dollars) for the County's General Fund, or about $884,000 and $1.85 million less than the Hotel Project over the 15-year and 20-year timeframes, respectively. Refer to **Table 2** for the cash flow analysis of each project under Scenario 1.[14]

Under **Scenario 2**, in which the Hotel Project is delayed 2 additional years, the Hotel Project is estimated to generate approximately $900,000 (in adjusted 2014 dollars) less in key County General Fund revenues over the 10-year timeframe, compared with revenues generated by the Multifamily Residential Project. Over the next 15 to 20 years, the Multifamily Residential Project is estimated to generate approximately $70,000 and $1.04 million (in adjusted 2014 dollars) less than the Hotel Project, respectively. Refer to **Table 3** for the cash flow analysis of each project under Scenario 2.[15]

The key annual General Fund revenues that inform the NPV analysis are summarized in **Table 4** and described in further detail in the following sections.

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development on the Project site; EPS did not estimate County General Fund expenditures to provide services to the site.

[13] In this analysis, NPV is based on a revenue-escalation rate of 3.0 percent and a discount rate of 3.0 percent. Both rates are based on a rate that approximates the average, long-term consumer price index (CPI).

[14] This table provides a cash flow analysis for the 10-year timeframe only.

[15] This table provides a cash flow analysis for the 10-year timeframe only. Note that only the Hotel Project cash flow analysis is shown; the cash flow analysis for the Multifamily Residential Project (which remains unchanged for Scenario 2) is shown in **Table 2**.

County and Other Agency Development Impact Fee Revenues

Based on development impact fee estimates provided by the County, the Hotel Project is estimated to generate $1.59 million (in adjusted 2014 dollars) in one-time revenues for the County and other agencies and special districts in the County, or about $10.9 million less than development impact fee revenues generated by development of the Multifamily Residential Project, which is anticipated to generate about $12.48 million (in adjusted 2014 dollars).[16] [17]

The detailed one-time development impact fee estimates are provided in **Tables 5** and **6** for the Hotel Project and Multifamily Residential Project, respectively.

Detailed Information Related to Revenue Impacts

Key Annual General Fund Revenues

As described previously, EPS estimated key annual County General Fund tax revenues generated by development of each project at buildout, including property tax, sales and use tax, Proposition 172 public safety sales tax, and TOT revenues. At stabilized buildout occupancy and operating levels, the Hotel Project is estimated to generate about $419,000 in annual County General Fund tax revenues. In comparison, at buildout, the Multifamily Residential Project is estimated to generate about $220,000 annually for the County General Fund. The following sections describe the basis for these annual key County General Fund revenue estimates.

Property Tax

Estimated annual property tax revenue resulting from both projects is shown in **Table B-1** in **Appendix B.** The property tax revenue the County will receive from each project is derived from the County's General Fund percentage share of the 1-percent ad valorem property tax rate as shown in **Table C-1** in **Appendix C** and the estimated, total assessed value of the project as shown in **Table C-2**.

The total assessed value of the Hotel Project was estimated to equal $180 per gross building square foot. The assessed value per square foot was derived based on the total assessed value per square foot of the nearby Holiday Inn Express & Suites, as well as recently constructed commercial retail uses in and surrounding EDH. This assumed total assessed value translates into a total assessed value of $21.53 million for the Hotel Project.

The total assessed value of the Multifamily Residential Project was estimated based on the assumed average monthly rents by apartment size, multiplied by 12 months, to derive annual rent and divided by a Sacramento regional capitalization rate of 7 percent to derive an asset

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[16] Because these are one-time revenues that are escalated and discounted at the same rate, the adjusted figures in 2014 dollars are the same under both development scenarios.

[17] The one-time development impact fee estimates shown in this anlaysis reflect current fees established by the County and other agencies and special districts in the County as of July 2014.

value per unit. As of 2012, capitalization rates ranged between 6 percent and 7 percent in the Sacramento Region; although capitalization rates are projected to continue decreasing, the higher capitalization rate was used in the analysis as a more conservative estimate of value.[18]

Based on an estimated total assessed value of $21.53 million, the Hotel Project is estimated to generate about $41,000 in annual property tax revenue for the County General Fund. The Multifamily Residential Project, based on a total assessed value of $73.77 million, generates approximately $139,000 in annual property tax revenue for the County General Fund.

Property Tax in Lieu of Vehicle License Fees

This analysis uses a formula provided by the California State Controller's Office to forecast Property Tax in Lieu of Vehicle License Fees (PTIL VLF). PTIL VLF is calculated by taking the percentage increase of the County's assessed value resulting from the Project and applying that percentage share to the County's current State allocation of PTIL VLF. This calculation is shown in **Table B-1** in **Appendix B**. EPS estimates the Hotel Project will generate about $13,000 annually and the Multifamily Residential Project will generate about $46,000 annually for the County General Fund.

Sales Tax

The sales tax components examined in this analysis include the Bradley-Burns local 1-percent rate and a revenue-neutral factor to estimate the State-mandated exchange of 25 percent of sales tax revenue for property tax revenue (Property Tax in Lieu of Sales Tax or PTIL ST). Sales tax and PTIL ST revenues to the County are summarized in **Table B-2** in **Appendix B**. As shown, the Hotel Project is estimated to generate about $71,000 in combined annual sales tax and PTIL ST revenues. The Multifamily Residential Project is estimated to generate about $24,000 in combined annual sales tax and PTIL ST revenues.

EPS uses a combination of methodologies to account for taxable sales generated for each project:

1. **Market Support Method.** This methodology measures taxable sales generated from new residential households and employees who are estimated to spend money in the unincorporated County.

2. **Retail Space Method.** This approach measures taxable sales from new retail uses in the Hotel Project (only).

<u>Market Support Method</u>

The market support method of estimating sales tax revenue combines estimating taxable sales generated by new residential households in the Multifamily Residential Project and employees of businesses in the Hotel Project.

New residential households are estimated to spend between approximately 27 percent and 31 percent of their household income on taxable retail expenditures. Under the Multifamily

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18 Source: MPF Research and Colliers International, 1st Quarter 2012 Multifamily Report and Forecast, 2012. This represents the most recent data available on capitalization rates for the Sacramento Region.

Residential Project, the analysis estimates the unincorporated County will capture about 50 percent of project households' taxable retail expenditures. That is, half of the taxable retail expenditures of project households (50 percent) likely will occur in competing retail outlets in nearby jurisdictions.

New employees of the Hotel Project are estimated to spend an average of $10 in taxable retail expenditures per day for each of the 240 work days annually. This analysis estimates the unincorporated County will capture approximately 50 percent of taxable sales from the project's new employees.

The capture rate of 50 percent used in this analysis appears to be reasonable, based on the findings detailed in the June 2014 Retail Leakage and Surplus Analysis, prepared by Buxton. The Buxton report found that, for the EDH market area (bound by a 10-minute drive time from the center of EDH), demand exceeds sales by 60 percent, indicating significant leakage. Although, it should be noted that some retail categories--neighborhood- and community-serving food and beverage and general merchandise stores—are approaching equilibrium. Additional details regarding the Buxton report are provided at the end of this memorandum.

Retail Space Method

The retail land uses in the Project (Hotel Project only) will generate taxable retail expenditures in addition to expenditures generated from project employees. That is, other consumers outside the Hotel Project will purchase taxable goods and services from the project's retail development.

Annual taxable sales generated by retail businesses in the Project are calculated based on an "annual sales-per-square-foot" factor published in the Urban Land Institute's *Dollars and Cents of Shopping Centers: 2008* (escalated to 2014 dollars) and proposed retail building square feet.

Annual taxable sales generated by retail businesses are estimated net of market support.

See **Tables B-2**, **B-2A**, and **B-2B** in **Appendix B** for detailed calculations.

Proposition 172

The County receives approximately 93.5 percent of the gross Proposition 172 Public Safety Sales Tax rate of 0.5 percent. See **Table B-2** for the estimated annual Proposition 172 sales tax revenue generated for the Hotel Project and Multifamily Residential Project.

TOT

This analysis uses a case-study methodology to estimate TOT revenues generated by the Hotel Project (only). TOT revenue is estimated based on the number of lodging units (hotel rooms), an annual occupancy rate of 65 percent, an average daily room rate of $110, and the County's TOT rate of 10 percent. The occupancy rate and average daily room rate assumptions are derived from recent occupancy and room rates of similar hotels in and surrounding EDH. Refer to **Table B-3** in **Appendix B** for estimated TOT revenue generated under the Hotel Project. The Multifamily Residential Project does not contain any new lodging facilities. Thus, no TOT revenue is estimated for this project.

Development Impact Fees

The County and other agencies and special districts in the County collect development impact fees on new development based on a project's building valuation, square footage, or other building characteristics.[19] EPS, with assistance from County staff, estimated the one-time development impact fees estimated to be collected from development in the Hotel Project and Multifamily Residential Project.[20] This section provides details related to the standard development impact fees, building permit fees, and special district fees for each project.

As shown on **Table 5**, the total one-time development fees for the Hotel Project are estimated to be approximately $1.6 million. The estimated total development impact fees are approximately $15.35 per gross building square foot.

In contrast, the total one-time development impact fees for the Multifamily Residential Project are approximately $12.9 million (refer to **Table 6**). The estimated total development fees are approximately $51,430 per unit or $31.33 per gross building square foot.

The Multifamily Residential Project's total fee burden is higher than the Hotel Project because the Multifamily Residential Project's total gross square footage is significantly higher than the total gross square footage of the Hotel Project. Furthermore, the residential development impact fees charged to the Multifamily Residential Project are significantly higher than the corresponding commercial fees charged to the Hotel Project.

Other Impacts

The following sections summarize additional impacts of the Hotel Project and Multifamily Residential Project, including an evaluation of the County and EDH jobs-to-housing ratio, the June 2014 Buxton retail leakage and supply analysis, and residential land uses' estimated impact on Town Center land uses.

Jobs-to-Housing Ratio

According to the Draft County 2013–2021 Housing Element, the Sacramento Area Council of Governments (SACOG) estimates there were 44,764 jobs available on the County West Slope for individuals living in 61,821 housing units in 2008.[21] This equates to a County West Slope jobs-

[19] Note that a project's building valuation is set by a local jurisdiction's building official. A project's building valuation differs from its estimated total assessed value, which is based on the estimated market value of land and improvements.

[20] The one-time development impact fee estimates shown in this anlaysis reflect current fees established by the County and other agencies and special districts in the County as of July 2014.

[21] The County's West Slope is defined as the County net of the Tahoe National Forest Area and Lake Tahoe Basin.

to-housing ratio of 0.7:1, indicating that many workers leave the County West Slope to work. In contrast, the EDH Regional Analysis District (RAD) representing EDH (RAD 85) is estimated to have a nearly "balanced" jobs-to-housing ratio of 1.1:1.[22]

The table below summarizes the existing jobs-to-housing ratios for the County West Slope, EDH RAD, and impacts of both the Hotel Project and Multifamily Residential Project on the respective ratios. As shown, neither project significantly impacts the County or EDH RAD jobs-to-housing ratios.

El Dorado County and EDH Jobs-to-Housing Ratio Analysis

Item	Jobs	Housing	Jobs-to-Housing Ratio
Existing [1]			
County West Slope	44,764	61,821	0.72
El Dorado Hills (RAD 85)	14,020	13,341	1.05
Potential Town Center East Projects [2]			
Hotel Project	84	0	
Multifamily Residential Project [3]	0	250	
Cumulative Impacts (Existing + Potential)			
County West Slope			
Hotel Project	44,848	61,821	0.73
Multifamily Residential Project	44,764	62,071	0.72
El Dorado Hills (RAD 85)			
Hotel Project	14,104	13,341	1.06
Multifamily Residential Project	14,020	13,591	1.03

Source: Draft El Dorado County 2013-2021 General Plan Housing Element, October 2013; EPS.

[1] Based on 2008 SACOG data.
[2] Reflects gross jobs. EPS did not estimate any potential shifts in employment (net new jobs).
[3] It is possible this project may generate a nominal number of employment opportunities (e.g., property manager; maintenance workerl jobs associated with service-oriented amenities). As a conservative estimate, no jobs have been estimated.

[22] According to the State General Plan Guidelines, a jobs-to-housing ratio of 1.5:1 is considered "balanced."

It is important to note that despite the EDH's "balanced" jobs-to-housing ratio, the Draft County Housing Element indicates there is a concentration of high-end housing development and a large export of workers from EDH. Although this RAD supplies a substantial percentage of the West Slope's jobs (20 percent), the wages of jobs in EDH do not support habitation in the type of housing available in EDH. This has resulted in an increasing number of individuals living in other parts of the County, as well as outside the County. Many of the employment opportunities generated by the Hotel Project would be service-oriented and may continue this trend. The Multifamily Residential Project, although proposed to be upscale, may offer rental apartment units that likely are more affordable than the average monthly mortgage payment for a for-sale unit in EDH.

Retail Leakage and Supply Analysis Findings

As mentioned previously in this memorandum, Buxton prepared a retail leakage and supply analysis in June 2014. The Buxton report found that, for the EDH market area (bound by a 10-minute drive time from the center of EDH), demand exceeds sales by 60 percent, indicating significant leakage. It should be noted that some retail categories—food and beverage and general merchandise stores—are approaching equilibrium. The study determined the leakage index, which provides a ratio of demand (retail expenditures) and supply (retail sales) at neighborhood-serving food and beverage stores is 0.9 (where an index of 1.0 indicates demand and supply are in balance). Under the food and beverage category, expenditures at grocery stores were found to be in balance (leakage index of 1.0), and expenditures at other food and beverage stores (convenience stores, specialty food, liquor stores) were found to have significant leakage. For community-serving general merchandise stores, the report indicates the leakage index is 0.8.

There is significant retail leakage estimated in the Buxton report for all remaining retail categories (leakage indices ranging from 0.1 to 0.5). Many of these retail categories (e.g., motor vehicle parts and dealers, furniture and home furnishings, electronics and appliances stores, and building materials and garden equipment and supply dealers) would be unsuitable to accommodate on the relatively small retail pads offered on the Project site (one pad is estimated to accommodate 20,000 gross building square feet; the second pad is estimated to accommodate 10,000 gross building square feet).

Some of the retail categories experiencing leakage potentially could be accommodated on the Project site. These include health and personal care stores; clothing and clothing accessories stores; sporting goods, hobby, book, and music stores; miscellaneous store retailers (e.g., florists, gifts, and novelties); and foodservice and drinking places (e.g., restaurants and bars). However, given the current local retail market dynamics (relatively high vacancy rates and low lease rates), it is unlikely that new retail development could be absorbed in the near term.

In reality, the overall existing retail shortage could be absorbed substantially by recently constructed vacant retail space existing in the EDH and Folsom submarkets. Moreover, proposed retail on prepared pads adjacent to the Town Center, at the Pointe at El Dorado Hills, offers 88,000 square feet of potential space. If not suitable for current demand, these pads could provide an opportunity to capture future retail demand.

While a more detailed retail market analysis could pinpoint the likely market share of added retail space on the subject site, the preponderance of evidence suggests the upper-end boutique retail—which the subject Town Center site would serve—effectively can be addressed by existing space in the regional market.

Residential Land Uses' Impact on Town Center Commercial Uses

As mentioned previously, the Project site enjoys convenient access to nearby major employment centers, public transportation network, and nearby parks and amenities. Its location caters to a population segment that demands accessibility to urban, downtown neighborhoods and other similar amenities and values the ability to live, work, and play nearby. Developing residential land uses on the Project site would contribute to the creation of a true "town center" and would bolster demand for retail goods and services in the Town Center.

If the Multifamily Residential Project is developed, the addition of residents near Town Center retail could strengthen the local retail market dynamics. In downtowns across the United States, housing has become an important element in comprehensive revitalization efforts to create an active, mixed-use, 24-hours-a-day/7-days-a-week (24/7) environment for living, working, shopping, and entertainment. A healthy downtown residential district generates a constant flow of foot traffic to support nearby retailers, services, restaurants, and other businesses. In fact, downtown residents who live within a half-mile of downtown provide a captured market for convenience retail and services.[23] Likewise, residents in the Town Center will increase demand for retail goods and services within the walkable half-mile, helping to reduce vacancy rates, strengthen lease rates, and support future absorption of additional, proximate retail development and employment land uses.

[23] Downtown Economics: Ideas for Increasing Vitality in Community Business Districts, http://fyi.uwex.edu/.

Table 1
El Dorado Hills Town Center East
Revenue Impact Analysis
Net Present Value Analysis by Project and Scenario (2014$)

Scenario	Project	Development Assumptions [1] Construction	Revenue	Net Present Value of Revenues by Project [2] Hotel	Multifamily Res.	Difference
Formula				*a*	*b*	*c = b - a*
Scenario 1:	Hotel Project	2019	2020			
	Multifamily Res. Project	2015	2016			
	Total Key General Fund Revenues [3]					
	10-Yr Timeframe (2014-2023)			$1,627,087	$1,708,738	$81,650
	15-Yr Timeframe (2014-2028)			$3,660,947	$2,776,699	($884,248)
	20-Yr Timeframe (2014-2033)			$5,694,806	$3,844,660	($1,850,146)
	Total Development Impact Fee Revenues [4]					
	10-Yr Timeframe (2014-2023)			$1,591,277	$12,483,226	$10,891,949
Scenario 2:	Hotel Project	2021	2022			
	Multifamily Res. Project	2015	2016			
	Total Key General Fund Revenues [3]					
	10-Yr Timeframe (2014-2023)			$813,544	$1,708,738	$895,194
	15-Yr Timeframe (2014-2028)			$2,847,403	$2,776,699	($70,704)
	20-Yr Timeframe (2014-2033)			$4,881,262	$3,844,660	($1,036,602)
	Total Development Impact Fee Revenues [4]					
	10-Yr Timeframe (2014-2023)			$1,591,277	$12,483,226	$10,891,949

"npv_sum"

Source: The Spanos Corporation; EPS.

[1] This analysis assumes that revenue to El Dorado County's General Fund will be generated one year following project construction. In this analysis, all development for both projects is assumed to occur during the same year, with a duration of one year or less.
[2] Net present value (NPV) is presented in 2014 dollars and is based on the following assumptions:
Revenue Escalation 3.00%
Discount Rate 3.00%
Refer to Table 2 and Table 3 for the cash flow analysis of each project under Scenario 1 and Scenario 2, respectively (10-yr timeframe only).
[3] Key General Fund Revenues include property tax, sales tax, and transient occupancy tax revenues. See Table 4 for annual key revenues in 2014 dollars.
[4] Refer to Table 5 and Table 6 for Hotel Project and Multifamily Res. Project development impact fee revenues, respectively.

Prepared by EPS 7/22/2014

Table 2
El Dorado Hills Town Center East
Revenue Impact Analysis
General Fund Revenue Cash Flow Analysis: Scenario 1 [1]

Land Use	Source/ Assumption	Total (2014-2023)	2014 1	2015 2	2016 3	2017 4	2018 5	2019 6	2020 7	2021 8	2022 9	2023 10
Revenue Escalation [2]	3.00%		1.000	1.030	1.061	1.093	1.126	1.159	1.194	1.230	1.267	1.305
Hotel Project												
Key County General Fund Revenues	Table 4											
Property Tax		$359,674	$0	$0	$0	$0	$0	$0	$85,972	$88,551	$91,207	$93,944
Sales and Use Tax		$264,760	$0	$0	$0	$0	$0	$0	$63,285	$65,183	$67,139	$69,153
Prop. 172 Public Safety Sales Tax		$164,850	$0	$0	$0	$0	$0	$0	$39,404	$40,586	$41,803	$43,058
Transient Occupancy Tax		$1,303,693	$0	$0	$0	$0	$0	$0	$311,618	$320,966	$330,595	$340,513
Total Hotel Project		**$2,092,977**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$500,278**	**$515,286**	**$530,745**	**$546,667**
Development Impact Fees		**$1,900,068**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,900,068**	**$0**	**$0**	**$0**	**$0**
Total Revenue		**$3,993,045**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,900,068**	**$500,278**	**$515,286**	**$530,745**	**$546,667**
Net Present Value (2014$)	3.00%											
Key County GF Revenues		$1,627,087										
Development Impact Fees		$1,591,277										
Total Revenue		$3,218,364										
Multifamily Res. Project												
Key County General Fund Revenues	Table 4											
Property Tax		$1,801,871	$0	$0	$202,632	$208,711	$214,972	$221,421	$228,064	$234,906	$241,953	$249,212
Sales and Use Tax		$169,810	$0	$0	$19,096	$19,669	$20,259	$20,867	$21,493	$22,138	$22,802	$23,486
Prop. 172 Public Safety Sales Tax		$103,773	$0	$0	$11,670	$12,020	$12,381	$12,752	$13,135	$13,529	$13,934	$14,353
Transient Occupancy Tax		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Multifamily Res. Project		**$2,075,453**	**$0**	**$0**	**$233,398**	**$240,400**	**$247,612**	**$255,040**	**$262,692**	**$270,572**	**$278,689**	**$287,050**
Development Impact Fees		**$13,243,454**	**$0**	**$13,243,454**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Revenue		**$15,318,907**	**$0**	**$13,243,454**	**$233,398**	**$240,400**	**$247,612**	**$255,040**	**$262,692**	**$270,572**	**$278,689**	**$287,050**
Net Present Value (2014$)	3.00%											
Key County GF Revenues		$1,708,738										
Development Impact Fees		$12,483,226										
Total Revenue		$14,191,963										

Source: The Spanos Corporation; EPS.

[1] Scenario 1 includes the following assumptions:
1) the Hotel Project, based on current occupancy levels, would be constructed in 2019, with revenues accruing to the El Dorado County General Fund the following year (2020);
2) the Multifamily Res. Project, based on demand for multifamily housing units, would be constructed in 2015, with revenues accruing to the county the following year (2016); and
3) the construction duration of each project would be one year or less with all uses under each project constructed at the same time.
[2] Based on 2014$ General Fund revenues shown in Table 4 and development impact fees shown in Table 5 and Table 6, escalated annually to the year in which revenues are estimated to be generated for the county.

Table 3
El Dorado Hills Town Center East
Revenue Impact Analysis
General Fund Revenue Cash Flow Analysis: Scenario 2 [1]

Land Use	Assumption	Total (2014-2023)	2014 1	2015 2	2016 3	2017 4	2018 5	2019 6	2020 7	2021 8	2022 9	2023 10
Revenue Escalation [2]	3.00%		1.000	1.030	1.061	1.093	1.126	1.159	1.194	1.230	1.267	1.305
Hotel Project												
Key County General Fund Revenues												
Property Tax		$185,151	$0	$0	$0	$0	$0	$0	$0	$0	$91,207	$93,944
Sales and Use Tax		$136,292	$0	$0	$0	$0	$0	$0	$0	$0	$67,139	$69,153
Prop. 172 Public Safety Sales Tax		$84,861	$0	$0	$0	$0	$0	$0	$0	$0	$41,803	$43,058
Transient Occupancy Tax		$671,109	$0	$0	$0	$0	$0	$0	$0	$0	$330,595	$340,513
Total Hotel Project		**$1,077,412**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$530,745**	**$546,667**
Development Impact Fees		**$2,015,782**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,015,782**	**$0**	**$0**
Total Revenue		**$3,093,194**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,015,782**	**$530,745**	**$546,667**
Net Present Value (2014$)	3.00%											
Key County GF Revenues		$1,077,412										
Development Impact Fees		$2,015,782										
Total Revenue		$3,093,194										
Net Present Value (2014$)	3.00%	**$813,544**										

"sf2"

Source: The Spanos Corporation; EPS.

[1] Scenario 2 includes the following assumptions:
1) the Hotel Project, assuming further delay based on occupancy levels, would be constructed in 2021, with revenues accruing to the El Dorado County General Fund the following year (2022);
2) the Multifamily Res. Project, based on demand for multifamily housing units, would be constructed in 2015, with revenues accruing to the county the following year (2016) (see Table 2); and
3) the construction duration of each project would be one year or less with all uses under each project constructed at the same time.
[2] Based on 2014$ General Fund revenues shown in Table 4 and development impact fees shown in Table 5 and Table 6, escalated annually to the year in which revenues are estimated to be generated for the county.

Table 4
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Annual Key Revenues by Project (2014$)

		Annual Revenues at Buildout by Project		
Revenues	**Source**	Hotel	Multifamily Res.	Difference
Formula		*a*	*b*	*c = b - a*
Key General Fund Revenues [1]				
Property Tax [2]	Table B-1	$72,000	$191,000	$119,000
Sales and Use Tax	Table B-2	$53,000	$18,000	($35,000)
Prop. 172 Public Safety Sales Tax	Table B-2	$33,000	$11,000	($22,000)
Transient Occupancy Tax	Table B-3	$260,975	$0	($260,975)
Total General Fund Revenues		**$418,975**	**$220,000**	**($198,975)**

"revenues"

Source: El Dorado County FY 2013-14 BOS Adopted Budget; El Dorado County CAO; EPS.

Note: Values are rounded to the nearest $1,000.

[1] This analysis is not intended to be a complete fiscal impact analysis and only includes top revenue sources estimated to be generated by development to the El Dorado County General Fund. This analysis does not estimate General Fund costs to serve development.
[2] Includes Property Tax in Lieu of Vehicle License Fees and Property Tax in Lieu of Sales Tax revenue.

Table 5
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Development Impact Fees: Hotel Project

Hotel Project

Fee Category	Amount	Comments
Development Assumptions	65,000	hotel square feet
	33,000	office/retail square feet
	8,750	conference room/restaurant square feet
	106,750	**total gross square feet**
	100	**rooms**
	$9,158,500	hotel building valuation
	$4,426,620	office/retail building valuation
	$1,237,250	conference room/restaurant building valuation
	$264,740	fire sprinklers valuation (based on total square feet)
	$15,087,110	**total building valuation**
Building Permit Fees		
Existing City/County Fees		
Building Permit	$159,923	based upon valuation shown above
Plan Review	$1,800	$600 review fee for three buildings
Strong Motion Instrumentation Fee	$4,224	0.028% of building valuation
California Building Standards Commission Fee	$604	$1.00 per $25,000 building valuation
Traffic (Zone 8)	$918,050	$8.60 per square foot
El Dorado Hills Safety Zone	$3,416	$.032 per gross square feet
Surveyors Office Addressing Fee	$25	$25 fee
Rare Plant Mitigation	$29,890	$.28 per gross square feet
Subtotal City/County Fees	**$1,117,933**	
Other Agency/Special District Fees		
School Mitigation Fee	$54,443	$0.51 per commercial sq. ft.
El Dorado Hills Fire Fee	$123,830	$1.16 per gross square feet
Sewer - EID	$128,620	Two 2-inch meters
Sewer Inspection Fee - EID	$70	$70 for wastewater inspection fee
Water - EID	$214,120	Two 2-inch meters
Subtotal Other Fees	**$521,083**	
Total Building Permit Fees	**$1,639,015**	
Estimated Fees Per Building Sq. Ft.	*$15.35*	

"hotel_fees"

Source: El Dorado County; County special districts; EPS.

Table 6
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Development Impact Fees: Multifamily Res. Project

Multifamily Res. Project

Fee Category	Amount	Comments
Development Assumptions	238,476	living area square feet
	18,320	patio square feet
	11,000	clubhouse square feet (treated as commercial sq. ft.)
	142,600	parking garage square feet
	410,396	total gross square feet
	4.5	gross acres
	250	units
	$34,221,057	**building valuation**
Building Permit Fees		
Existing City/County Fees		
Building Permit	$362,743	based upon valuation shown above
Plan Review	$600	$600 review fee
Strong Motion Instrumentation Fee	$9,582	0.021% of building valuation
California Building Standards Commission Fee	$1,369	$1.00 per $25,000 building valuation
Traffic (Zone 8)	$4,687,210	$18,370 per unit, $8.60 per commercial square feet
El Dorado Hills Safety Zone	$13,133	$.032 per gross square feet
Surveyors Office Addressing Fee	$25	$25 fee
El Dorado Hills CSD Park Fee	$2,025,750	$8,103 per unit
Rare Plant Mitigation	$114,911	$.28 per gross square feet
Subtotal City/County Fees	**$7,215,323**	
Other Agency/Special District Fees		
School Mitigation Fee	$747,270	$3.11 per residential sq. ft., $0.51 per commercial sq. ft.
El Dorado Hills Fire Fee	$476,059	$1.16 per gross square feet
Sewer - EID	$2,411,625	0.75 EDUs, $12,862 per unit
Sewer Inspection Fee - EID	$70	$70 for wastewater inspection fee
Water - EID	$2,007,375	0.375 EDUs, $18,366 and $3,046 (recycled) per unit
Subtotal Other Fees	**$5,642,400**	
Total Building Permit Fees	**$12,857,722**	
Estimated Fees Per Unit	*$51,431*	
Estimated Fees Per Building Sq. Ft.	*$31.33*	

"fees2"

Source: El Dorado County; County special districts; EPS.

APPENDICES:

Appendix A:	Project Assumptions
Appendix B:	County General Fund Revenue Calculations
Appendix C:	County General Fund Revenue Supporting Assumptions

APPENDIX A:

Project Assumptions

Table A-1
El Dorado Hills Town Center East
Revenue Impact Analysis
Land Use Summary: Hotel Project

Hotel Project

Land Use	Acreage	Average Density	Commercial Bldg. Sq. Ft.	Hotel Rooms
Commercial Land Uses		*Floor Area Ratio*		
Hotel Uses				
Hotel Lobby/Rooms [1]	-	-	65,000	100
Restaurant	-	-	4,500	-
Conference Facility	-	-	4,250	-
General Commercial/Retail	-	-	33,000	-
Total Commercial Land Uses	**4.5**	0.54	**106,750**	**100**

"lu_appr"

Source: The Spanos Corporation; ParcelQuest; EPS.

[1] Square footage of hotel lobby and rooms based on an average of 650 square feet per room. Average square feet per room is based on the proximate Holiday Inn Express & Suites, located in EDH, square footage (approx. 59,000) and number of rooms (93). This square footage takes into account common areas and other areas of the building used for maintenance and operations.

Table A-2
El Dorado Hills Town Center East
Revenue Impact Analysis
Land Use Summary: Multifamily Res. Project

Multifamily Res. Project

Land Use	Acreage	Average Density	Dwelling Units
Residential Land Uses		*Units/Acre*	
Studio	-	-	24
1 Bed/1 Bath	-	-	131
2 Bed/2 Bath	-	-	95
Total Residential Land Uses	**4.5**	55.6	**250**

"lu_prop"

Source: The Spanos Corporation; ParcelQuest; EPS.

A-2

Prepared by EPS 7/22/2014

Table A-3
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Population: Hotel Project

Hotel Project

Land Use	Buildout Employee Pop.
Employee Population [1]	
Hotel Lobby/Rooms	10
Restaurant	6
Conference Facility	2
General Commercial/Retail	66
Total Employee Population	**84**

"popemp_appr"

Source: EPS.

[1] Based on employees per hotel room and square feet per employee as shown in Table A-5.

Table A-4
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Population: Multifamily Res. Project

Multifamily Res. Project

Land Use	Buildout Residential Pop.
Residential Population [1]	
Studio	24
1 Bed/1 Bath	196
2 Bed/2 Bath	194
Total Residential Population	**414**

"popemp_prop"

Source: EPS.

[1] Based on persons per residential unit type as shown in Table A-5.

Table A-5
El Dorado Hills Town Center East
Revenue Impact Analysis
Land Use Assumptions

Land Use	Estimated Assessed Value [1] [2]	Persons per Dwelling Unit [3]	Employees [4]
Residential Land Uses	*Per Unit*		
Studio	$190,000	1.00	-
1 Bed/1 Bath	$260,000	1.50	-
2 Bed/2 Bath	$370,000	2.04	-
			Employees per Room or Sq. Ft. per Emp.
Commercial Land Uses	*per Sq. Ft.*		
Hotel Lobby/Rooms	$180	-	0.1
Restaurant	$180	-	800
Conference Facility	$180	-	2,000
General Commercial/Retail	$250	-	500

"lu_assumps"

Source: 2005-09 American Community Survey; ULI; ParcelQuest; LoopNet; David Taussig & Associates; The Spanos Corporation; EPS.

[1] Residential values based on a weighted average of lease rates and average square footages per residential type as provided by The Spanos Corporation.
[2] The assessed value per square foot for the hotel uses is based on data for the proximate Holiday Inn Express, located in El Dorado Hills, obtained from ParcelQuest. General Commercial/Retail values based on recently-constructed uses in El Dorado Hills derived from LoopNet.
[3] Persons per dwelling unit based on a weighted average of persons per household per residential type as provided by The Spanos Corporation.
[4] Hotel Lobby/Room employees estimated using an assumption of 0.1 employees per room; all other land uses estimated using square feet per employee values. All assumptions based on the following sources:
- ULI Office Development Handbook (1998)
- Sacramento Transportation Authority Development Impact Fee Study (Taussig, 2006)

APPENDIX B:

County General Fund Revenue Calculations

Table B-1
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Annual Property Tax Revenues (2014$)

Item	Assumptions/ Source	Formula	Annual Revenue at Buildout by Project: Hotel	Multifamily Res.
Property Tax Revenue (1% of Assessed Value)				
Assessed Value (2013$) [1]	Table C-2	*a*	$21,525,000	$73,770,000
Property Tax Revenue (1% of Assessed Value)	1.00%	*b = a * 1.00%*	$215,250	$737,700
Estimated Property Tax Allocation [2]				
County General Fund	**18.82%**	*c = b * 18.82%*	**$40,511**	**$138,838**
County Road District Tax	2.44%	*d = b * 2.44%*	$5,254	$18,007
CSA #7	1.31%	*e = b * 1.31%*	$2,812	$9,637
EID	5.71%	*f = b * 5.71%*	$12,299	$42,151
EDH County Water/Fire	17.54%	*g = b * 17.54%*	$37,756	$129,396
El Dorado Hills CSD	8.14%	*h = b * 8.14%*	$17,524	$60,057
Other Agencies/ERAF	46.04%	*i = b * 46.04%*	$99,095	$339,615
Property Tax In-Lieu of Motor Vehicle In-Lieu Fee Revenue (VLF)				
Total Countywide Assessed Value [3]		*j*	$25,751,970,432	$25,751,970,432
Total Assessed Value of Project		*a*	$21,525,000	$73,770,000
Total Assessed Value		*k = a + j*	**$25,773,495,432**	**$25,825,740,432**
Percent Change in AV		*l = a / j*	0.08%	0.29%
Property Tax In-Lieu of VLF [4]	**$16,000,000**	*m = l * $16,000,000*	**$13,374**	**$45,834**

"prop_tax"

Source: El Dorado County Auditor-Controller; The Spanos Corporation; EPS.

[1] For assumptions and calculation of assessed value, see Table C-2.
[2] For assumptions and calculation of the estimated property tax allocation, refer to Table C-1.
[3] Reflects Final July 22, 2013 R&T 2052 Assessed Valuation for FY 2013-14. Includes Countywide secured, unsecured, homeowner exemption, and public utility roll.
[4] Property tax in-lieu of VLF amount of $16.0 million taken from FY 2013-14 BOS Approved County Budget. See Table B-1.

Table B-2
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Annual Taxable Sales and Use Tax Revenue (2014$)

Item	Formula	Source/ Assumptions	Annual Revenue at Buildout by Project Hotel	Multifamily Res.
Estimated Annual Taxable Sales				
Annual County Taxable Sales from New HH/Employee Expenditures	*a*	**Table B-2A**	$50,250	$2,439,500
Net Annual Taxable Sales from Onsite Commercial Uses [1]	*b*	**Table B-2B**	$7,029,900	$0
Annual Taxable Sales from Total County Net New Development	*c = a + b*		**$7,080,150**	**$2,439,500**
Annual Sales Tax Revenue				
Bradley Burns Sales Tax Rate		1.0000%		
Less Property Tax in Lieu of Sales Tax Rate [2]		(0.2500%)		
Total Bradley Burns Sales Tax Revenue	*d = b * .75%*	**0.7500%**	**$53,101**	**$18,296**
Annual Property Tax in Lieu of Sales Tax Revenue [2]	*e = b * .25%*	**0.2500%**	**$17,700**	**$6,099**
Gross Prop 172 Public Safety Sales Tax Revenue	*f = c * 0.5000%*	**0.5000%**	$35,401	$12,198
El Dorado County Allocation [3]	*g = f * 93.5100%*	**93.5100%**	**$33,103**	**$11,406**

"sales_tax"

Source: El Dorado County; California State Board of Equalization; EPS.

[1] Net annual taxable sales from onsite commercial uses in the Base scenario are estimated to be zero because there are no nonresidential commercial uses that are estimated to generate sales tax revenues directly.
[2] Based on Senate Bill 1096 as amended by Assembly Bill 2115 which states 1/4 of the 1 percent sales tax revenue (.2500 percent) will be exchanged for an equal dollar amount of property tax revenue
[3] According to El Dorado County, the County receives 93.5 percent of all Prop. 172 Sales Tax revenues generated in the County.

Eable B-2A
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Annual Taxable Sales from Proposed Development, Hybrid Market Support Method (2014$)

Annual Taxable Sales from Market Support	Assumption	Annual Revenue at Buildout by Project Hotel	Multifamily Res.
Annual Taxable Sales from New Households			
Residential Development (Units)	Table A-2		
Studio		-	24
1 Bed/1 Bath		-	131
2 Bed/2 Bath		-	95
Total Residential Development		-	**250**
Retail Expenditures [1]			
Studio	$14,000	-	$336,000
1 Bed/1 Bath	$18,000	-	$2,358,000
2 Bed/2 Bath	$23,000	-	$2,185,000
Total Retail Expenditures		-	**$4,879,000**
Taxable Sales from New Households			
Est. Retail Capture Rate within Unincorp. El Dorado Co. [2]		-	50%
Total Taxable Sales from New Households		-	**$2,439,500**
Annual Taxable Sales from New Employees			
Taxable Sales from New Employment			
New Employees	Table A-3	84	-
Average Daily Taxable Sales per New Employee	$10.00		
Work Days per Year	240		
Taxable Sales from New Employees [3]	50% of total		
Est. Retail Capture Rate within Unincorp. El Dorado Co. [2]		50%	-
Total Taxable Sales from New Employees		**$50,250**	-
Total Annual Taxable Sales from Market Support		**$50,250**	**$2,439,500**
Estimated Total Annual Taxable Sales Onsite (within the Project) [4]	40%	$20,100	$0
Estimated Total Annual Taxable Sales Offsite (within the County) [4]	60%	$30,150	$2,439,500

"sales_a"

Source: U.S. Department of Labor, Bureau of Labor Statistics; EPS.

[1] Refer to Table D-3 for assumptions related to average household retail expenditures by residential unit.
[2] Estimated retail capture rate within unincorporated El Dorado County is based on EPS's qualitative appraisal of retail establishments within and outside of unincorporated El Dorado County.
[3] Discounted by 50% to avoid double-counting employees who are also residents within the unincorporated county.
[4] This analysis assumes that 40% of total taxable sales from new employees (under the Hotel Project) will occur at retail outlets within the project, with the remainder occurring outside of the project within the unincorporated county. All taxable sales generated by new residents (under the Multifamily Res. Project) are assumed to occur outside of the project and within the unincorporated county.

Table B-2B
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Incorporated Annual Taxable Sales, Adjusted Retail Space Method (2014$)

		Annual Revenue at Buildout by Project			
		Hotel		Multifamily Res.	
Item	Annual Taxable Sales per Sq. Ft. [1]	Commercial Sq. Ft.	Total Annual Taxable Sales	Commercial Sq. Ft.	Total Annual Taxable Sales
Annual Taxable Sales from Onsite Commercial Development					
Nonresidential					
Hotel Lobby/Rooms [2]	$0	65,000	$0	-	-
Restaurant	$320	4,500	$1,440,000	-	-
Conference Facility [2]	$0	4,250	$0	-	-
General Commercial/Retail	$170	33,000	$5,610,000	-	-
Total Nonresidential		**106,750**	**$7,050,000**	**0**	**$0**
Less Total Annual Taxable Sales Onsite (within the Project) [3]		-	($20,100)	-	-
Total Annual Taxable Sales from Onsite Commercial Development		-	**$7,029,900**	-	**$0**

"sales_b"

Source: U.S. Department of Labor, Bureau of Labor Statistics; Urban Land Institute; and EPS.

[1] Based on an analysis of data from ULI's Dollars & Cents of Shopping Centers: 2008. Annual sales per square foot figures in 2008 dollars were inflated to 2014 dollars using the Consumer Price Index for the West Urban region, All Urban Consumers. To arrive at the taxable retail factors, EPS excluded Food and Personal Service tenants which mostly sell non-taxable goods and/or services.

Assumptions	**Annual Sales per Sq. Ft. (2008$)**	**Annual Sales per Sq. Ft. (Inflated 2014$)**	**Taxable Retail Sales Factor**	**Annual Taxable Sales per Sq. Ft. (Rounded)**
Restaurant	$300	$322	100%	$320
General Commercial/Retail	$395	$424	40%	$170

[2] Sales tax revenue is not assumed to be generated for these land uses; transient occupancy tax revenue is generated from occupied rooms, as shown in Table B-3.
[3] Derived in Table B-2A. Deducted to avoid double-counting.

Prepared by EPS 7/22/2014

Table B-3
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Annual Transient Occupancy Tax (TOT) Revenue (2014$)

Item	Formula	Assumption	Annual Revenue at Buildout by Project: Hotel	Annual Revenue at Buildout by Project: Multifamily Res.
Hotel Rooms	a		100	-
Annual Rooms Available	b = a * 365		36,500	-
Occupancy Rate [1]	c	65.0%		
Average Daily Room Rate [1]	d	$110.00		
El Dorado Co. TOT Rate	e	10.0%		
Annual Transient Occupancy Tax (Rounded)	f = b * c * d * e		**$260,975**	**$0**

"tot"

Source: Smith Travel Research; EPS.

[1] Assumptions based on upper midscale hotels in El Dorado Hills and surrounding area along Highway 50 (Folsom and Placerville), as obtained from Smith Travel Research in July 2014.

APPENDIX C:

County General Fund Revenue Supporting Assumptions

Table C-1
El Dorado Hills Town Center East
Revenue Impact Analysis
Preliminary Property Tax Allocations

Fund/Agency	Pre-ERAF Distribution by Tax Rate Area [1] TRA 054-007	Percent Shift to ERAF [2]	Post-ERAF Distribution Factors
Taxing Entities for Analysis			
County General Fund	26.2963%	28.4297%	18.8203%
Other Taxing Entities			
Road District Tax	2.6320%	7.26018%	2.4409%
Accum Capital Outlay	0.5453%	25.31728%	0.4072%
County Water Agency	0.8610%	9.69617%	0.7775%
CSA #7	1.7659%	26.02532%	1.3063%
EID	5.7139%	0.00000%	5.7139%
EDH County Water/Fire	17.5405%	0.00000%	17.5405%
El Dorado Hills CSD	10.4657%	22.21212%	8.1410%
Buckeye Elementary	14.8908%	0.00000%	14.8908%
El Dorado High	12.4167%	0.00000%	12.4167%
Los Rios Community	4.4369%	0.00000%	4.4369%
County School Services	2.4350%	0.00000%	2.4350%
Subtotal Property Tax Pre-ERAF	**100.0000%**		**89.3272%**
Educational Revenue Relief Fund (ERAF)			10.6728%
Total Gross Property Tax			**100.0000%**

"tax_alloc"

Source: El Dorado County Auditor-Controller; EPS.

[1] Represents the percentage allocation of the 1% ad valorem property tax by Tax Rate Area (TRA).
[2] Estimated by EPS based on information provided by the El Dorado County Auditor-Controller.

Table C-2
El Dorado Hills Town Center East
Revenue Impact Analysis
Estimated Assessed Valuation at Buildout (2014$)

		Total Assessed Value by Project (Rounded)			
		Hotel		Multifamily Res.	
Item	**Rounded Value per Unit/Sq. Ft. [1]**	Units/ Sq. Ft.	Assessed Value [2]	Units/ Sq. Ft.	Assessed Value [2]
Residential Land Uses	*Per Unit*	*Units*		*Units*	
Studio	$190,000	-	-	24	$4,560,000
1 Bed/1 Bath	$260,000	-	-	131	$34,060,000
2 Bed/2 Bath	$370,000	-	-	95	$35,150,000
Total Residential Land Uses		**0**	**$0**	**250**	**$73,770,000**
Nonresidential Land Uses	*Per Sq. Ft.*	*Sq. Ft.*		*Sq. Ft.*	
Hotel Lobby/Rooms	$180	65,000	$11,700,000	-	-
Restaurant	$180	4,500	$810,000	-	-
Conference Facility	$180	4,250	$765,000	-	-
General Commercial/Retail	$250	33,000	$8,250,000	-	-
Total Nonresidential		**106,750**	**$21,525,000**	**0**	**$0**

"av"

Source: The Spanos Corporation; ParcelQuest; EPS.

[1] See Table A-5 for detail.
[2] Note that assessed values (AV)s are expressed in 2014$ and include no real AV growth.

Prepared by EPS 7/22/2014

Table C-3
El Dorado Hills Town Center East
Revenue Impact Analysis
Average Income and Retail Expenditures for Residential Units (2014$)

		Household Income and Retail Expenditures	
Residential Land Use	**Assumption [1]**	Total Annual Rent	Est. Household Income [2]
Average Household Income	*Avg Monthly Rent*		
Studio	$1,100	$13,200	$44,000
1 Bed/1 Bath	$1,500	$18,000	$60,000
2 Bed/2 Bath	$2,100	$25,200	$84,000
Total Households			
Average Retail Expenditures [3]	*Taxable Exp. as % of Income*		*Average Retail Expenditures*
Studio	31%	-	$14,000
1 Bed/1 Bath	30%	-	$18,000
2 Bed/2 Bath	27%	-	$23,000

"income"

Source: The Spanos Corporation; Bureau of Labor Statistics (BLS), Consumer Expenditure Survey, 2012; EPS.

[1] Average monthly rent provided by The Spanos Corporation. Taxable expenditures as a percentage of income derived from the BLS Consumer Expenditure Survey.
[2] Assumes estimated household income is 3 times total annual rent.
[3] Average retail expenditures per household used to estimate annual sales tax revenues, as shown in Table B-2A.