

KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: Richard Warne, City Manager
City of Calexico

From: KEYSER MARSTON ASSOCIATES, INC.

Date: May 15, 2015

Subject: Economic Impact Analysis
Gran Plaza Power Center

I. INTRODUCTION

A. Background

Per our agreement dated February 17, 2015, Keyser Marston Associates, Inc. (KMA) has completed an economic impact analysis for the proposed Gran Plaza Power Center (Project) in the City of Calexico (City).

The Project has been proposed for development by Gran Plaza LP (Applicant) on behalf of the owner Bordertown Investments LP. The Project is part of a larger commercial development known as the Calexico Gran Plaza. The Project will feature 1,069,400 square feet (SF) of retail space and will be located west of the existing Gran Plaza Outlet Center, completed by the Applicant in 2013.

The Project site (Site) is located along the U.S.-Mexico border in the southwest portion of the City. It is bounded by the Calexico International Airport to the north, Downtown Calexico to the east, the All American Canal to the west, and the international border/Mexicali to the south.

The objective of this assignment was to determine the economic impact resulting from the proposed Project.

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B. KMA Approach

In completing the economic impact analysis, KMA undertook the following tasks:

- Reviewed available background on the Project including development plans, market studies, economic data, and tenant roster.
- Collected and reviewed demographic and market trends data for the City of Calexico, Imperial County, and Mexicali, Baja California, Mexico.
- Prepared estimates of annual spending by incoming border crossing passengers.
- Prepared estimates for economic benefits resulting from the Project including:
 - a. Annual property tax revenues to the City
 - b. Annual sales tax revenues to the City
 - c. Construction employment
 - d. Permanent employment

II. KEY FINDINGS

The principal KMA conclusions are summarized as follows:

Existing Market Conditions

- KMA determined a 5-mile ring as the primary trade ring for the Project, and a 10-mile ring as the secondary trade ring for the Project. Both the 5-mile trade ring and the 10-mile trade ring currently experience significant retail spending surplus, an indication of the large number of consumers drawn into the trade rings from Mexicali.
- Strong retail spending surpluses occur in the General Merchandise Stores; Clothing and Clothing Accessories; Sporting Goods, Hobby, Music Stores; and Food Services and Drinking Places categories.
- KMA estimates current U.S. retail expenditures by Mexicali shoppers total nearly \$2.0 billion.

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- Annual spending by incoming northbound passengers from Mexicali is projected to increase steadily over the next 20 years reaching more than \$2.9 billion spent in the U.S. by 2035, an increase of 48% from the 2014 estimate. KMA estimates that the portion of this increase in retail expenditures captured by Calexico could support over 1.5 million SF of new retail development by 2035.
- Several major retail developments are planned in Calexico, including: the 197,505-SF Phase II of the Gran Plaza Outlet Center immediately east of the Project; and the 497,310-SF Calexico Mega Park.

Economic Benefits

- The Project is projected to generate property taxes of \$573,000 annually to the City's General Fund.
- Annual sales tax revenues to the City from the Project are estimated to total \$3.7 million.
- During construction, the Project will employ an average of 820 full-time equivalent workers.
- The Project is estimated to create 2,895 permanent jobs.

Table II-1 below summarizes the KMA findings of economic benefits from the Project.

Table II-1: Economic Benefits from Project	
I. Property Tax Revenues	\$573,000/year
II. Sales Tax Revenues	\$3.7 million/year
III. Average Annual Employment During Construction Assuming 1.5-year construction period	820 full-time workers
IV. Permanent Employment	2,895 employees

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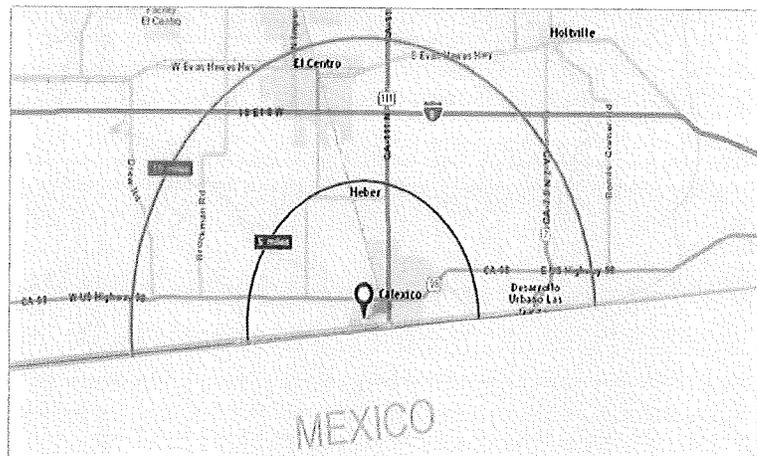
III. EXISTING MARKET CONDITIONS

A. Demographic Trends

The Project is designated as a power center and will be situated west of the existing Gran Plaza Outlet Center. KMA evaluated existing land use patterns, competitive retail locations, and data published by the International Council of Shopping Centers (ICSC) Research and CoStar Realty Information, Inc. regarding the traditional capture rates for power centers. Based on this review, KMA determined a 5-mile ring as the primary trade ring for the Project, and a 10-mile ring as the secondary trade ring for the Project.

KMA compiled and reviewed current demographic factors for the primary and secondary trade rings from ESRI, a supplier of Geographic Information System (GIS) software and geo-database applications. It is important to note that data provided by ESRI is only available for the areas of the trade rings north of the United States/Mexico border. As such, the demographic statistics described below represent trends only for those areas within the U.S. As shown in Exhibit III-1, the 10-mile ring includes the entire City of Calexico and a small portion of the City of El Centro.

Exhibit III-1: 5-Mile and 10-Mile Trade Rings



note

Key demographic factors within the 5- and 10- mile trade rings are detailed in Appendix A and discussed below.

- As presented in Table III-1, residents within the 5-mile trade ring have larger households, lower incomes, and are about the same age as residents within the 10-mile trade ring.

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Table III-1: Demographic Factors, 2014		
<i>Estimated Population / Income Characteristics</i>	<i>5-Mile Trade Ring</i>	<i>10-Mile Trade Ring</i>
Population	44,900	92,169
Number of Households	11,723	25,939
Average Household Size	3.81	3.50
Median Age	31.4	31.6
Median Household Income	\$36,581	\$39,176
Per Capita Income	\$12,698	\$15,382
Aggregate Personal Income	\$0.6 Billion	\$1.4 Billion
Source: Esri		

- As shown in Table III-2, between 2000 and 2014, the 5-mile trade ring grew at a faster pace than the 10-mile trade ring. Over the next five years, it is projected that both the 5- and 10-mile trade rings will grow at a much slower pace.

Table III-2: Historic and Projected Population Growth, 2000-2019					
	<i>2000</i>	<i>2014</i>	<i>Average Annual Growth (2000-2014)</i>	<i>2019</i>	<i>Average Annual Growth (2014-2019)</i>
5-Mile Trade Ring	31,184	44,900	2.6%	46,453	0.7%
10-Mile Trade Ring	70,585	92,169	1.9%	95,350	0.7%
Source: Esri					

- As shown in Table III-3, over the next five years, median incomes in both trade rings are projected to grow at about the same pace.

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Table III-3: Projected Income Growth, 2014-2019			
	2014	2019	Average Annual Growth (2014-2019)
5-Mile Trade Ring	\$36,581	\$40,953	2.3%
10-Mile Trade Ring	\$39,176	\$44,056	2.4%
Source: Esri			

B. Retail Sales

Retail Sales Surplus/(Leakage)

Using ESRI data on existing household expenditures and retail outlet sales volumes, KMA prepared current retail sales surplus/(leakage) models for the trade rings and the City. These models are presented in Appendix B and summarized below.

- Table III-4 presents a comparison of retail demand and supply, and resulting surplus/(leakage) within each trade ring. As shown, ESRI estimates that in 2014, total retail sales (supply) significantly exceeded expenditure potential (demand) in both trade rings. As a result, the 5-mile trade ring experienced a retail surplus of \$52 million and the 10-mile trade ring experienced a retail surplus of \$224 million. Notable surpluses occur in the General Merchandise Stores; Clothing and Clothing Accessories Stores; Sporting Goods, Hobby, Music Stores; and Food Services and Drinking Places categories.

Table III-4: Retail Sales Surplus			
	5-Mile Trade Ring	10-Mile Trade Ring	City of Calexico
Total Retail Expenditure Potential (Demand)	\$154,288,000	\$376,390,000	\$134,385,000
Total Retail Sales (Supply)	<u>\$205,909,000</u>	<u>\$600,469,000</u>	<u>\$206,199,000</u>
Total Retail Sales Surplus	\$51,621,000	\$224,079,000	\$71,814,000
Percent of Total Expenditure Potential	33.5%	59.5%	53.4%
Source: Esri			

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- A retail surplus indicates a market where consumers are drawn in from outside the trade ring. This is evident in both trade rings where a primary driver of retail sales is generated by northbound border passengers crossing from Mexicali by way of Calexico West and East Ports of Entry (POEs), seeking businesses that provide goods and services that cater specifically to the Mexican shopper.

Taxable Sales

KMA also analyzed historic taxable retail sales generated in the City of Calexico using data provided by the California State Board of Equalization. As shown in Table III-5, the City experienced a small growth in retail sales and a slight decline in food services sales between 2003 and 2013.

During this 10-year period, the retail category showing the highest annual growth rate was Clothing and Clothing Accessories (4.0% average annual growth rate). In particular, the City experienced a 44% increase in Clothing and Clothing Accessories sales between 2009 and 2013, which can be attributed to the development of new retail projects in the City, most recently the addition of the Gran Plaza Outlet Center in November 2013.

The retail category showing the greatest decline in annual sales between 2003 and 2013 was Building Materials and Supplies, which experienced an average annual decrease of -14.3%.

Table III-5: Taxable Sales, 2003-2013			
	2003	2013	Average Annual Growth (2003-2013)
Retail Sales (1)	\$184,385,000	\$198,660,000	0.7%
Food Services Sales (2)	<u>\$56,565,000</u>	<u>\$54,393,000</u>	<u>-0.4%</u>
Total Taxable Sales	\$240,950,000	\$253,053,000	0.5%
(1) Includes Other Retail Stores (e.g., Pharmacies and Drug Stores, Sporting Goods Stores, Office Supplies, General Merchandise, etc.), Clothing and Accessories, Home Furnishings and Appliances, and Building Materials and Supplies. (2) Includes Food and Beverage Stores and Food Services and Drinking Places. Source: California State Board of Equalization			

C. Retail Demand from Mexicali Visitors

As indicated above, due to the Project's proximity to the U.S.-Mexico Border, it is anticipated that much of its sales revenue will be generated by northbound border passengers crossing from

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Mexicali by way of the Calexico East and West POEs. Visitors from Mexico cross directly into downtown Calexico seeking the goods and services provided by businesses in the area. As such, many of the businesses along the border cater to the Mexican shopper, as seen in the growing supply of retailers along the U.S.-Mexico Border.

The Site is directly adjacent to the Calexico West POE, one of the nation's busiest crossings along the southern border. This POE is set for expansion and reconfiguration, with the first phase expected to be fully funded by January 2018. Upon its completion, the expansion will reduce border wait times and increase the amount of northbound border crossing passengers entering the U.S. by way of Calexico.

KMA prepared a retail demand model to estimate the future expenditures of northbound incoming passengers captured by the City through 2035. The KMA analysis relied heavily upon data provided by two studies prepared in 2007: (1) the Imperial County Cross-Border Survey, and (2) the Economic Impacts of Cross-Border Wait Times in the California-Baja California Border Region Survey. These studies are the most recent comprehensive studies available regarding the shopping patterns of border crossers. The Imperial County Cross-Border Survey assessed the travel characteristics of cross-border visitors including: trip purpose, origin/destination, trip frequency, and major roads used. The Economic Impacts of Cross-Border Wait Times Survey analyzed the economic impacts of border wait times. In order to estimate 2015 expenditure patterns for border crossers, KMA has used various inputs and assumptions from these 2007 studies, with appropriate adjustments for current passenger volumes and cost inflation since 2007. The detailed KMA analysis is presented in Appendix C; the major assumptions are presented below.

- An annual growth rate of 2.4% for annual incoming vehicles and an annual growth rate of 1.9% for annual incoming passengers from the Calexico East and West POEs.
- Approximately 72.4% of northbound passengers are assumed to cross the border with a primary purpose of shopping/errands.
- Average expenditures of \$146 per U.S. trip (2015 dollars)
- An estimated 65% capture of border crossers' retail sales within the City of Calexico.
- An estimated \$400 in retail sales per SF for new retail developments in the City of Calexico.

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Based on the assumptions stated above, the KMA analysis estimates that annual retail expenditures in the U.S. by incoming northbound passengers is projected to increase steadily over the next 20 years, reaching over \$2.9 billion by 2035, an increase of 48% from 2014. Over this same time period, KMA estimates that the anticipated increase in northbound passengers can support an addition of more than 1.5 million SF of retail in Calexico.

IV. ECONOMIC BENEFITS

This section provides an evaluation of the economic benefits to the City of Calexico as a result of development of the Project. These benefits include annual property tax and sales tax to the City and the number of jobs created by the Project. The detailed KMA methodology is presented in Appendix D.

A. Annual Property Tax

- For the purposes of this analysis, KMA has assumed that the Project will consist of 1,069,400 SF of gross retail space.
- KMA conservatively assumed a 5.0% reduction for non-sales area dedicated to storage and/or support functions, resulting in net building area of 1,016,000 SF.
- KMA prepared an estimate of development costs for the Project, estimated to total \$279,037,000, or \$261 per SF of gross building area (GBA). The KMA estimate of total development costs consists of the following:
 - Land costs, costs associated with acquisition of the Project site; estimated by KMA at \$5 per SF of land, or \$21.8 million.
 - Direct construction costs, such as off-site infrastructure improvements; on-site improvements/landscaping; shell construction; tenant improvements; furniture, fixtures, & equipment; and contingency. The total direct costs are estimated to be \$198 million, or \$185 per SF GBA.
 - Indirect/soft costs which include costs such as architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer fee, marketing/lease-up, financing costs, and contingency. These are estimated to be \$59 million, or 30.0% of direct costs.

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- Table IV-1 summarizes the methodology used by KMA to estimate annual property tax to the City. As shown, total assessed value for the Project was estimated at \$222 million, calculated as the sum of: (1) land costs and (2) 85% of total development costs excluding off-site improvements. County assessors determine the assessed value of new construction developments based on review of third party industry data on typical construction costs. In KMA's experience, this approach results in an assessed value less than the total development budget, particularly since non-depreciable costs are excluded. KMA has conservatively estimated non-depreciable costs as 15% of the budget excluding land acquisition and off-site improvements. Off-site improvements have been excluded since they represent public improvements in the public right-of-way and therefore will not be counted toward assessed value.
- Assuming a property tax rate of 1.0% and the City portion of the tax rate at 25.85%, KMA estimates annual property tax revenues to the City's General Fund at \$573,000.

Table IV-1: Estimate of Property Tax		
Development Costs – Direct and Indirect Costs (excluding off-site infrastructure improvements)		\$235,257,000
Valuation Factor		<u>85%</u>
Assessed Value – Improvements		\$199,968,000
Add: Land Value		<u>\$21,780,000</u>
Total Assessed Value		\$221,748,000
Annual Property Tax @	1.0%	\$2,217,000
Total Property Tax to City(1) @	25.85%	\$573,000
(1) City's share of 1% property tax for the Tax Rate Areas 02-032 and 02-034, per Imperial County Auditor-Controller Department, March 23, 2015.		

B. Annual Direct Sales and Use Tax

- KMA calculated the annual revenues to the City resulting from retail sales at the Project, as summarized below in Table IV-2.

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Table IV-2: Estimate of Sales Tax		
Occupied Space (1)		965,000 SF
Sales Productivity		\$400/SF/Year
Total Sales		\$386,000,000
Annual Taxable Sales @	95% Taxable	\$366,700,000
Total Direct Sales Tax to City @	1.0%	\$3,667,000

(1) Total building area adjusted to reflect non-sales area of 5.0% and a vacancy rate of 5.0%.

- Based on proprietary sales projection data provided by the Applicant and KMA's review of sales productivity figures published by the Urban Land Institute (ULI) and ICSC, KMA estimates that the Project will achieve sales productivity of \$400 per SF per year.
- Of the total sales amount generated by the Project, 95% is assumed to be taxable. As a result, KMA estimates annual direct sales tax to the City at \$3.7 million based on the 1.0% sales tax rate received by the City.

C. Construction Employment

- KMA calculated construction employment based on a multi-step approach involving:
 - 1) Determining the indirect and induced impacts of the Project based on regional multipliers for Imperial County;
 - 2) Estimating the portion of economic output that is paid out in wages; and
 - 3) Using the average wage by type of employment to estimate total employment (expressed in person-years).
- In undertaking this analysis, KMA relied on Federal and State data sources, including:
 - Bureau of Economic Analysis RIMS II multipliers for Imperial County (U.S.)
 - The 2012 Economic Census (U.S.)
 - California Employment Development Department (EDD) average pay levels for the Imperial County (El Centro MSA)

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- The construction and indirect spending associated with development of the Project is anticipated to generate additional indirect/induced impacts within the County, resulting in a total economic output of \$292 million. KMA estimates that the payroll portion of this total economic output comprises approximately \$65 million. Dividing the projected annual payroll figure by the average wages for construction (\$49,000) and professional services (\$74,000) indicates that construction of the Project will generate a total of 1,220 person-years of employment.
- KMA translated the projected construction-related employment from person-years to an average annual number of jobs. Assuming a one and one-half year build-out for the Project, KMA estimates that construction of the Project will support an average of 820 full-time equivalent workers per year during the construction period (i.e., 1,220 person-years divided by 1.5 years).
- Table IV-3 below provides a summary of the KMA estimate of construction employment.

Table IV-3: Construction Employment	
Economic Output from Construction	
Direct Impacts	\$257,000,000
Indirect & Induced Impacts	<u>\$35,000,000</u>
Total	\$292,000,000
Construction Payroll	
Direct Impacts	\$58,000,000
Indirect & Induced Impacts	<u>\$7,000,000</u>
Total	\$65,000,000
Construction Employment (person-years)	
Direct Impacts	1,060 person-years
Indirect & Induced Impacts	<u>160 person-years</u>
Total	1,220 person-years
Estimated Construction Period (years)	1.5 years
Average Annual Employment (person-years divided by # years of construction)	820 full-time workers

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D. Permanent Employment

KMA estimated the number of permanent employees likely to be employed within the Project upon completion. As shown in Table IV-4 below, occupied space in the Project is estimated as 965,000 SF. KMA assumed a typical retail employment ratio of 3.0 employees per 1,000 SF. Based on these standards, the Project is estimated to employ 2,895 permanent full-time equivalent workers at stabilization.

Table IV-4: Permanent Employment		
Occupied Space (1)	965,000	SF
Retail Employment Ratio	3.0	/1,000 SF
Estimated Permanent Employees	2,895	employees
(1) Total building area adjusted to reflect a net building efficient factor of 95.0% and a vacancy rate of 5.0%.		

V. LIMITING CONDITIONS

1. The KMA analysis is based, in part, on data provided by secondary sources such as state and local governments, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. A projection of economic impacts is inherently based on judgment. The projections contained herein are based on the best information available at the time that this document was prepared. However, the actual impacts may vary.
3. The accompanying projections and analyses are based on estimates and assumptions which were developed using currently available economic data, Project area-specific data, and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.
4. Any estimates of revenue or cost projections are based on the best Project area-specific and fiscal data available at this time as well as experience with comparable projects. They are not intended to be projections of actual future performance of any specific project.

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5. Revenue estimates are based on the assumption that sufficient market support exists for the proposed uses and that the Project will achieve industry standard productivity levels.
6. KMA assumes that all applicable laws and governmental regulations in place as of the date of this document will remain unchanged throughout the projection period of our analysis. In the event that this does not hold true, i.e., if any tax rates change, the analysis would need to be revised.
7. It has been assumed that the property valuation will not be impacted by the presence of any soils, toxic, or hazardous conditions that require remediation to allow development.
8. Value estimates assume that any necessary entitlements or zoning changes for development can be obtained in a reasonable time frame.
9. Value estimates assume that property titles are good and marketable; no title search has been made, nor has KMA attempted to determine property ownership. The value estimates are given without regard to any questions of boundaries, encumbrances, liens or encroachments.
10. Property tax projections reflect KMA's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.
11. No assurances are provided by KMA as to the certainty of the projected tax revenues shown in this document. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

attachments

APPENDIX A

Demographic Overview

TABLE A-1

**OVERVIEW OF DEMOGRAPHIC FACTORS, 2014
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

	Trade Area 5-Mile Ring (1)	Trade Area 10-Mile Ring (1)	City of Calexico
I. Population	44,900	92,169	39,363 (2)
II. Per Capita Income	\$12,698	\$15,382	\$12,606
III. Aggregate Personal Income	\$0.6 Billion	\$1.4 Billion	\$0.5 Billion
IV. Households	11,723	25,939	10,317
V. Average Household Size	3.81	3.50	3.81
VI. Median Household Income	\$36,581	\$39,176	\$35,782
VII. Median Age	31.4	31.6	31.8

(1) Excludes areas beyond the U.S. border.

(2) Differs from State of California Department of Finance estimate of 41,033. January 1, 2015.

Source: Esri

Prepared by: Keyser Marston Associates, Inc.

Filename: i:\Final - Economic Impact Analysis - Gran Plaza Power Center;5/18/2015;mdt

TABLE A-2

COMPARATIVE POPULATION AND HOUSEHOLD TRENDS, 2000-2019
 GRAN PLAZA POWER CENTER
 CITY OF CALEXICO

	2000	2014		Average Annual Growth 2000 - 2014		2019	Average Annual Growth 2014 - 2019	
		2014	Number	Percent (2)	Number		Percent (2)	
I. Trade Area - 5-Mile Ring (1)								
Population	31,184	44,900	980	2.6%	46,453	311	0.7%	
Households	7,797	11,723	280	3.0%	12,156	87	0.7%	
II. Trade Area - 10-Mile Ring (1)								
Population	70,585	92,169	1,542	1.9%	95,350	636	0.7%	
Households	19,477	25,939	462	2.1%	26,878	188	0.7%	
III. City of Calexico								
Population	27,455	39,363 (3)	851	2.6%	40,639	255	0.6%	
Households	6,917	10,317	243	2.9%	10,677	72	0.7%	

(1) Excludes areas beyond the U.S. border.

(2) Reflects compounded average annual growth rate.

(3) Differs from State of California Department of Finance estimate of 41,033. January 1, 2015.

Source: Esri

Prepared by: Keyser Marston Associates, Inc.

Filename: i:\Final - Economic Impact Analysis - Gran Plaza Power Center\5/18/2015.mdt

TABLE A-3

**COMPARATIVE INCOME TRENDS, 2014-2019
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

	2014		2019		Average Annual Growth 2014 - 2019	
	Number	Percent (2)	Number	Percent (2)	Number	Percent (2)
I. Trade Area - 5-Mile Ring (1)						
Median Household Income	\$36,581		\$40,953		\$874	2.3%
Per Capita Income	\$12,698		\$14,625		\$385	2.9%
II. Trade Area - 10-Mile Ring (1)						
Median Household Income	\$39,176		\$44,056		\$976	2.4%
Per Capita Income	\$15,382		\$17,668		\$457	2.8%
III. City of Calexico						
Median Household Income	\$35,782		\$39,866		\$817	2.2%
Per Capita Income	\$12,606		\$14,517		\$382	2.9%

(1) Excludes areas beyond the U.S. border.

(2) Reflects compounded average annual growth rate.

Source: Esri

Prepared by: Keyser Marston Associates, Inc.

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APPENDIX B

Retail Sales Analysis

TABLE B-1

**RETAIL SURPLUS/(LEAKAGE) - TRADE AREA - 5-MILE RING
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

Trade Area - 5-Mile Ring ⁽¹⁾			
Industry	Demand ⁽²⁾ (Retail Expenditure)	Supply ⁽³⁾ (Retail Sales)	Retail Surplus/(Leakage) ⁽⁴⁾
General Merchandise Stores	\$31,666,000	\$93,585,000	\$61,919,000
Clothing & Clothing Accessories Stores	\$14,463,000	\$23,513,000	\$9,050,000
Food Services & Drinking Places	\$23,926,000	\$28,806,000	\$4,880,000
Sporting Goods, Hobby, Music Stores	\$4,808,000	\$8,646,000	\$3,838,000
Furniture & Home Furnishing Stores	\$4,921,000	\$4,447,000	(\$474,000)
Miscellaneous Store Retailers	\$6,492,000	\$4,526,000	(\$1,966,000)
Electronics & Appliance Stores	\$5,236,000	\$2,004,000	(\$3,232,000)
Building Materials, Garden Equipment & Supply Stores	\$7,015,000	\$2,387,000	(\$4,628,000)
Food & Beverage Stores	\$38,906,000	\$33,915,000	(\$4,991,000)
Health & Personal Care Stores	\$16,855,000	\$4,080,000	(\$12,775,000)
Total ⁽⁵⁾	\$154,288,000	\$205,909,000	\$51,621,000
Per Capita	\$3,436	\$4,586	\$1,150

(1) Excludes areas beyond the U.S. border.

(2) "Demand" estimates the anticipated retail spending at retail establishments by trade ring residents. Sales to businesses are excluded.

(3) "Supply" estimates actual sales to consumers by trade ring establishments.

(4) A positive value indicates retail "surplus", i.e., a market where customers are drawn in from outside the trade ring. A negative value indicates retail "leakage", i.e., a market where residents' retail expenditures are leaking to other areas outside the trade ring.

(5) Excludes Motor Vehicle & Parts Dealers, Gasoline Stations, and Nonstore Retailers.

Source: Esri

Prepared by: Keyser Marston Associates, Inc.

Filename: i:\Final - Economic Impact Analysis - Gran Plaza Power Center;5/18/2015.mdt

TABLE B-2

RETAIL SURPLUS/(LEAKAGE) - TRADE AREA - 10-MILE RING
 GRAN PLAZA POWER CENTER
 CITY OF CALEXICO

Industry	Trade Area - 10-Mile Ring ⁽¹⁾		
	Demand ⁽²⁾ (Retail Expenditure)	Supply ⁽³⁾ (Retail Sales)	Retail Surplus/(Leakage) ⁽⁴⁾
General Merchandise Stores	\$77,492,000	\$200,265,000	\$122,773,000
Clothing & Clothing Accessories Stores	\$35,600,000	\$103,209,000	\$67,609,000
Electronics & Appliance Stores	\$12,774,000	\$35,744,000	\$22,970,000
Food Services & Drinking Places	\$58,580,000	\$80,402,000	\$21,822,000
Building Materials, Garden Equipment & Supply Stores	\$16,532,000	\$25,345,000	\$8,813,000
Furniture & Home Furnishing Stores	\$12,256,000	\$19,663,000	\$7,407,000
Sporting Goods, Hobby, Music Stores	\$11,805,000	\$14,128,000	\$2,323,000
Miscellaneous Store Retailers	\$15,906,000	\$15,709,000	(\$197,000)
Food & Beverage Stores	\$94,308,000	\$79,993,000	(\$14,315,000)
Health & Personal Care Stores	\$41,137,000	\$26,011,000	(\$15,126,000)
Total ⁽⁵⁾	\$376,390,000	\$600,469,000	\$224,079,000
Per Capita	\$4,084	\$6,515	\$2,431

(1) Excludes areas beyond the U.S. border.

(2) "Demand" estimates the anticipated retail spending at retail establishments by trade ring residents. Sales to businesses are excluded.

(3) "Supply" estimates actual sales to consumers by trade ring establishments.

(4) A positive value indicates retail "surplus", i.e., a market where customers are drawn in from outside the trade ring. A negative value indicates retail "leakage", i.e., a market where residents' retail expenditures are leaking to other areas outside the trade ring.

(5) Excludes Motor Vehicle & Parts Dealers, Gasoline Stations, and Nonstore Retailers.

Source: Esri

Prepared by: Keyser Marston Associates, Inc.

Filename: i:\Final - Economic Impact Analysis - Gran Plaza Power Center\5/18/2015.mdt

TABLE B-3

**RETAIL SURPLUS/(LEAKAGE) - CITY OF CALEXICO
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

	City of Calexico		
Industry	Demand (1) (Retail Expenditure)	Supply (2) (Retail Sales)	Retail Surplus/(Leakage) (3)
General Merchandise Stores	\$27,513,000	\$96,448,000	\$68,935,000
Clothing & Clothing Accessories Stores	\$12,617,000	\$23,977,000	\$11,360,000
Food Services & Drinking Places	\$20,866,000	\$27,276,000	\$6,410,000
Sporting Goods, Hobby, Music Stores	\$4,206,000	\$8,803,000	\$4,597,000
Furniture & Home Furnishing Stores	\$4,287,000	\$4,417,000	\$130,000
Miscellaneous Store Retailers	\$5,646,000	\$4,489,000	(\$1,157,000)
Food & Beverage Stores	\$33,842,000	\$32,106,000	(\$1,736,000)
Electronics & Appliance Stores	\$4,573,000	\$2,058,000	(\$2,515,000)
Building Materials, Garden Equipment & Supply Stores	\$6,186,000	\$2,498,000	(\$3,688,000)
Health & Personal Care Stores	<u>\$14,649,000</u>	<u>\$4,127,000</u>	<u>(\$10,522,000)</u>
Total (4)	\$134,385,000	\$206,199,000	\$71,814,000
Per Capita	\$3,414	\$5,238	\$1,824
			53.4% Surplus

(1) "Demand" estimates the anticipated retail spending at retail establishments by City residents. Sales to businesses are excluded.

(2) "Supply" estimates actual sales to consumers by City establishments.

(3) A positive value indicates retail "surplus", i.e., a market where customers are drawn in from outside the City. A negative value indicates retail "leakage", i.e., a market where residents' retail expenditures are leaking to other areas outside the City.

(4) Excludes Motor Vehicle & Parts Dealers, Gasoline Stations, and Nonstore Retailers.

Source: Esri

Prepared by: Keyser Marston Associates, Inc.

Filename: i:\Final - Economic Impact Analysis - Gran Plaza Power Center;5/18/2015;mdt

APPENDIX C

Retail Demand Analysis

TABLE C-1

BORDER CROSSINGS BY PORT OF ENTRY, CALEXICO, 2010 - 2014
GRAN PLAZA POWER CENTER
CITY OF CALEXICO

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
I. Calexico West Port of Entry					
A. Means of Transportation					
Trucks	0	0	0	0	0
Trains	0	0	0	0	0
Buses	0	0	0	0	0
Personal Vehicles	4,150,569	4,095,450	4,070,090	4,112,348	4,071,666
Total Vehicles	4,150,569	4,095,450	4,070,090	4,112,348	4,071,666
B. Number of Passengers					
Train Passengers	0	0	0	0	0
Bus Passengers	0	0	0	0	0
Personal Vehicle Passengers	7,474,182	7,099,725	6,981,401	7,132,134	7,221,528
Pedestrians	4,586,846	4,451,119	4,885,868	4,794,339	4,567,333
Total Passengers	12,061,028	11,550,844	11,867,269	11,926,473	11,788,861
II. Calexico East Port of Entry					
A. Means of Transportation					
Trucks	303,552	312,973	322,424	325,690	325,243
Trains	243	252	252	250	252
Buses	1,897	3,193	2,564	2,571	2,785
Personal Vehicles	2,626,731	2,784,769	3,016,974	3,198,849	3,399,697
Total Vehicles	2,932,423	3,101,187	3,342,214	3,527,360	3,727,977
B. Number of Passengers					
Train Passengers	423	329	261	259	1,162
Bus Passengers	52,184	88,064	92,630	103,690	111,400
Personal Vehicle Passengers	5,152,282	5,082,318	5,530,414	5,915,717	6,437,937
Pedestrians	58,771	117,624	318,599	321,586	310,344
Total Passengers	5,263,660	5,288,335	5,941,904	6,341,252	6,860,843

Source: U.S. Department of Transportation, Research and Innovative Technology Administration (RITA)
 Prepared by: Keyser Marston Associates, Inc.
 Filename: i:\Final - Economic Impact Analysis - Gran Plaza Power Center\5/18/2015;mdt

TABLE C-2

BORDER CROSSINGS BY PORT OF ENTRY, CALEXICO, 2010 - 2035
 GRAN PLAZA POWER CENTER
 CITY OF CALEXICO

	2010	2011	2012	2013	2014	Average Annual Growth Rate (1)	2015 (2)	2020	2025	2030	2035
I. Total - Calexico West and East POEs											
A. Means of Transportation											
Trucks	303,552	312,973	322,424	325,690	325,243	1.7%	333,049	374,980	422,190	475,343	535,189
Trains	243	252	252	250	252	0.9%	258	291	327	368	415
Buses	1,897	3,193	2,564	2,571	2,785	10.1%	2,852	3,211	3,615	4,070	4,583
Personal Vehicles	6,777,300	6,880,219	7,087,064	7,311,197	7,471,363	2.5%	7,650,676	8,613,895	9,698,384	10,919,409	12,294,162
Total Vehicles	7,082,992	7,196,637	7,412,304	7,639,708	7,799,643	2.4%	7,986,834	8,992,376	10,124,515	11,399,191	12,834,348
B. Number of Passengers											
Train Passengers	423	329	261	259	1,162	28.7%	1,184	1,301	1,429	1,570	1,725
Bus Passengers	52,184	88,064	92,630	103,690	111,400	20.9%	113,517	124,718	137,025	150,547	165,403
Personal Vehicle Passengers	12,626,464	12,182,043	12,511,815	13,047,851	13,659,465	2.0%	13,918,995	15,292,511	16,801,564	18,459,530	20,281,102
Pedestrians	4,645,617	4,568,743	5,204,467	5,115,925	4,877,677	1.2%	4,970,353	5,460,824	5,899,693	6,591,739	7,242,206
Total Passengers	17,324,688	16,839,179	17,809,173	18,267,725	18,649,704	1.9%	19,004,048	20,879,354	22,939,712	25,209,386	27,690,437

(1) Reflects compounded average annual growth rate.

(2) KMA projection based on the average escalation rates for northbound vehicles and passengers between 2010 and 2014.

TABLE C-3

ESTIMATE OF RETAIL SPACE DEMAND BY INCOMING PASSENGERS
GRAN PLAZA POWER CENTER
CITY OF CALEXICO

	2014	2015	2020	2025	2030	2035
Annual Incoming Passengers - Calexico West POE	11,788,861	12,012,849	13,198,268	14,500,663	15,931,578	17,503,694
Annual Incoming Passengers - Calexico East POE	<u>6,860,843</u>	<u>6,991,199</u>	<u>7,681,085</u>	<u>8,439,049</u>	<u>9,271,808</u>	<u>10,186,743</u>
Total Annual Incoming Passengers	18,649,704	19,004,048	20,879,354	22,939,712	25,203,386	27,690,437
Percentage of Passengers with Shopping/Errands as Primary Purpose (1)	72.4%	72.4%	72.4%	72.4%	72.4%	72.4%
Estimated Passengers Entering for Shopping/Errands	13,502,386	13,758,931	15,116,652	16,608,352	18,247,251	20,047,876
Average Spending Per Trip on Shopping/Errands (1) (2)	\$146.46	\$146.46	\$146.46	\$146.46	\$146.46	\$146.46
Estimated Annual Spending by Incoming Passengers	\$1,978,000,000	\$2,015,000,000	\$2,214,000,000	\$2,432,000,000	\$2,672,000,000	\$2,936,000,000

Estimate of Retail Space Demand at 2035

Estimated Annual Spending by Incoming Passengers in 2035	\$2,936,000,000
Estimated Annual Spending by Incoming Passengers in 2014	<u>\$1,978,000,000</u>
Increase in Spending by Incoming Passengers (2014-2035)	\$958,000,000
Amount Captured by City of Calexico @ (3)	65%
Estimated Sales per SF per Year	\$400
Supportable Retail Space Demand in Calexico from Passenger Crossings	1,557,000 SF

(1) Source: HDR | HLB Decision Economics, "Economic Impacts of Cross-Border Wait Times in the California-Baja California Border Region" 2007 Survey.

(2) Based on average shopping / errand expenditures per crossing by cross-border visitors in California in 2007 (\$129.40), adjusted to 2014 dollars based on Consumer Price Index (CPI) escalation factors.

(3) Source: Rea & Parker Research, 2007 Imperial County Cross-Border Survey Report prepared for the Southern California Association of Governments. Reflects percentage of incoming passengers at Calexico POEs whose final destination is the City of Calexico.

APPENDIX D

Economic Impact Analysis

TABLE D-1

**PROJECT DESCRIPTION
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

I. Site Area	100 Acres	
II. Gross Building Area		
A. Phase I ⁽¹⁾		
Net Building Area	263,150 SF	25%
Non-sales/Support Functions ⁽²⁾	<u>13,850</u> SF	<u>1%</u>
Total Phase I	277,000 SF	26%
B. Phase II		
Net Building Area	752,780 SF	70%
Non-sales/Support Functions ⁽²⁾	<u>39,620</u> SF	<u>4%</u>
Total Phase II	792,400 SF	74%
C. Total Gross Building Area	1,069,400 SF	100%

(1) Includes gross building area associated with retail pads.

(2) KMA assumption. Assumes a 5% reduction for non-sales area such as storage and support functions.

TABLE D-2

ESTIMATE OF PROPERTY TAX
 GRAN PLAZA POWER CENTER
 CITY OF CALEXICO

I. Development Costs

	<u>Totals</u>	<u>Per SF GBA</u>	<u>Comments</u>
A. Direct Costs			
Off-Site Infrastructure Improvements	\$22,000,000	\$21	\$5 Per SF Land
On-Site Improvements / Landscaping	\$17,424,000	\$16	\$4 Per SF Land
Shell Construction - Phase I	\$24,930,000	\$23	\$90 Per SF GBA - Phase I
Shell Construction - Phase II	\$71,316,000	\$67	\$90 Per SF GBA - Phase II
Tenant Improvements	\$50,797,000	\$48	\$50 Per SF Net Building Area
Furniture, Fixtures, & Equipment	\$2,000,000	\$2	Allowance
Contingency	<u>\$9,423,000</u>	<u>\$9</u>	5.0% of Directs
Total Direct Costs	\$197,890,000	\$185	\$185 Per SF GBA
B. Indirect / Soft Costs (1)	<u>\$59,367,000</u>	<u>\$56</u>	30% of Directs
C. Total Development Costs	\$257,257,000	\$241	\$241 Per SF GBA
D. Land Costs	<u>\$21,780,000</u>	<u>\$20</u>	\$5 Per SF Land
E. Total Development Costs with Land	<u>\$279,037,000</u>	<u>\$261</u>	<u>\$261 Per SF GBA</u>

II. Property Tax Estimate

A. Estimated Assessed Value

Total Development Costs (excluding Land and Off-Sites)	\$235,257,000
Valuation Factor	85.0% (2)
Assessed Value - Direct and Indirect / Soft Costs	\$199,968,000
Add: Land	<u>\$21,780,000</u>
Total Assessed Value	<u>\$221,748,000</u>

B. Property Tax Estimate

Estimated Assessed Value	\$221,748,000
Property Tax Rate	1.0%
Estimated Annual Property Tax	\$2,217,000
City Portion of 1.0% of Property Tax	25.85% (3)

Annual Property Tax to City	<u>\$573,000</u>
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(1) Includes architecture / engineering, legal services, insurance, and financing costs.

(2) Assumes that certain indirects and financing costs are not considered by Assessor in determining Assessed Value upon completion.

(3) Source: Imperial County - Auditor-Controller Department, March 23, 2015.

TABLE D-3

**ESTIMATE OF ANNUAL DIRECT SALES AND USE TAX
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

I. Commercial/Retail

Commercial/Retail		1,069,400 SF
(Less) Non-sales/Support Functions	5%	1,016,000 SF
Occupied Space	95%	965,000 SF
Sales Productivity/SF/Year ⁽¹⁾		\$400 /SF/Year
Annual Taxable Sales	95%	\$366,700,000
City Portion of Sales Tax	1.00%	\$3,667,000 /Year

II. Total Annual Direct Sales Tax to City		\$3,667,000 /Year
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(1) Based on review of proprietary sales projection data from Applicant; industry sales productivity figures from the Urban Land Institute, International Council of Shopping Centers, and KMA comparable experience.

TABLE D-4

**ECONOMIC IMPACTS OF CONSTRUCTION
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

	Direct Impacts	Regional Multiplier ⁽²⁾	Indirect & Induced Impacts	Total Direct, Indirect, and Induced Impacts
I. Economic Output from Construction				
From Direct Construction	\$198,000,000 ⁽¹⁾	1.159	\$31,000,000	\$229,000,000
From Indirects / Soft Costs	\$59,000,000 ⁽¹⁾	1.075	\$4,000,000	\$63,000,000
Total Project	\$257,000,000⁽¹⁾		\$35,000,000	\$292,000,000
II. Construction Payroll				
From Direct Construction	20% of cost ⁽³⁾	1.125	\$5,000,000	\$45,000,000
From Indirects / Soft Costs	30% of cost ⁽³⁾	1.071	\$2,000,000	\$20,000,000
Total Project	\$58,000,000		\$7,000,000	\$65,000,000
III. Construction Employment				
From Direct Construction	\$49,000 average pay ⁽⁴⁾	1.158	130 person-years ⁽⁵⁾	950 person-years ⁽⁵⁾
From Indirects / Soft Costs	\$74,000 average pay ⁽⁴⁾	1.128	30 person-years ⁽⁵⁾	270 person-years ⁽⁵⁾
Total Project	1,060 person-years⁽⁵⁾		160 person-years⁽⁵⁾	1,220 person-years⁽⁵⁾

Notes:

⁽¹⁾ Based on estimated cost of Project inclusive of direct construction and soft costs.

⁽²⁾ Bureau of Economic Analysis RIMS II multipliers for the region defined as Imperial County. Multiplier for direct construction based on North American Industrial Classification System (NAICS) Code 230000 which corresponds to the construction industry. Multipliers for soft costs based on average for representative NAICS codes: 541300 (architecture, engineering, and related), 524100 (insurance carriers), 541100 (legal).

⁽³⁾ Based on the 2012 Economic Census. Percentage for construction based on ratio of net value of construction to gross payroll for new commercial and institutional building construction contractors. Ratio for soft costs based on ratio of gross receipts to payroll for architecture / engineering firms, legal services, and insurance.

⁽⁴⁾ Based on California Employment Development Department (EDD) data on average annual pay levels for Imperial County (El Centro MSA) in 2014. For construction, estimate based on construction and extraction occupations. For soft costs, average pay represents an approximation based on EDD averages for relevant occupation categories including A&E, insurance, and legal.

⁽⁵⁾ A person-year of employment is equivalent to full time employment of one person for one year.

Sources: Bureau of Economic Analysis, California Employment Development Department, 2012 Economic Census.

TABLE D-5

**AVERAGE ANNUAL CONSTRUCTION EMPLOYMENT
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

	<u>Direct Impacts</u>	<u>Indirect & Induced Impacts</u>	<u>Total Direct, Indirect and Induced Impacts</u>
Construction Employment - Total Project	1,060 person-years	160 person-years	1,220 person-years
Number of Years to Construct	<u>1.5 years</u>	<u>1.5 years</u>	<u>1.5 years</u>
Average Annual Employment During Construction Period (rounded)	710 workers	110 workers	820 workers

TABLE D-6

**ESTIMATE OF PERMANENT EMPLOYMENT
GRAN PLAZA POWER CENTER
CITY OF CALEXICO**

I. Estimated Permanent Employment

Phase I - Net Building Area		263,000 SF
Phase II - Net Building Area		<u>753,000</u> SF
Total Project Building Area		1,016,000 SF
(Less) Vacancy @	5.0%	<u>(51,000)</u> SF
Effective Building Area		965,000 SF

II. Retail Employment Ratio (Full-Time Equivalents) 3.0 /1,000 SF

III. Estimated Permanent Employees	2,895 Employees
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