MEMORANDUM

To: Point Molate Alliance

From: Sujata Srivastava, Principal

Derek W. Braun, Senior Associate

Date: September 8, 2020

Project: Peer Review of the “Richmond Point Molate Fiscal and Economic Impact Analysis”

Subject: Summary of Research and Findings

Executive Summary

Strategic Economics conducted market research to determine appropriate and reasonable home sales price, home sales pace, and sales tax capture rate assumptions for the “Proposed Project” in developer SunCal’s “Richmond Point Molate Fiscal and Economic Impact Analysis.”

Strategic Economics concludes that the Proposed Project would generate an annual loss of $4.4 million for the City of Richmond General Fund upon completion of the fourth year of project construction. Full buildout of the project will require twenty years based on the pace of sales at comparable development projects, instead of the nine years assumed in the previous SunCal analysis.

The Proposed Project is likely to generate annual losses for the General Fund throughout much of the project’s construction. While the losses are likely to gradually become smaller as additional housing units can be built and sold, the total net losses to the City’s General Fund over the twenty years of project construction are likely to be in the tens of millions of dollars.

Upon completion of the Proposed Project in twenty years, the project will generate an essentially break-even annual impact on the General Fund. As a result, the Proposed Project is unlikely to significantly compensate for annual General Fund losses generated by the project during its construction.

These conclusions are based on applying reasonable, market-based assumptions for the Proposed Project regarding home sales prices, the pace of home sales, and the City of Richmond’s capture of sales tax revenues to estimate the project’s impact on General Fund revenues and service costs.

As a result, Strategic Economics finds that specific assumptions used by the project developer SunCal in its fiscal impact analysis were unreasonable. Use of these assumptions in the SunCal analysis therefore resulted in inaccurate estimates of annual General Fund fiscal impacts described in SunCal's "Richmond Point Molate Fiscal and Economic Impact Analysis,” dated June 17, 2020, for the “Proposed Project” based on SunCal’s preferred land use plan for the site.

Supporting materials recently issued by the City of Richmond for Agenda Item G-2 of the Richmond City Council’s September 8, 2020 meeting indicate that the final count of housing units by type in the

City's Disposition and Development Agreement with Winehaven Legacy LLC could potentially vary slightly from those analyzed in both Strategic Economics' and SunCal's analyses. However, those changes are unlikely to significantly impact Strategic Economics' overall finding that the project will generate annual General Fund losses throughout much of the project's buildout. The DDA's change in housing unit counts and mix also does not alter Strategic Economics' findings regarding reasonable and appropriate assumptions applicable to home sales prices, the pace of home sales, and sales tax capture rates.

EXECUTIVE SUMMARY OF BASIS FOR FINDINGS BY STRATEGIC ECONOMICS:

1. After incorporating adjustments to the SunCal Winehaven Analysis based on the findings below, Strategic Economics found that the Proposed Project is likely to generate a net negative annual fiscal impact to the City of Richmond General Fund at the end of the four-year "Initial Development" period, negative annual fiscal impacts throughout much of the project's construction, and a neutral impact upon full buildout of the project. Table 1 shows annual net negative revenue of $4.4 million after completion of the fourth year of construction, and of approximately $150,000 upon full project completion. $150,000 is essentially a neutral impact, and it is therefore likely that annual General Fund revenues would be negative throughout much of the project's construction.

2. The SunCal Winehaven Analysis' use of a "static" approach to fiscal impact analysis provides limited information about fiscal impacts to the City of Richmond during construction of the project, and about the impacts of municipal service cost increases over time. A static approach to fiscal impact analysis only examines revenues and expenditures at a specific point in time. Although the static approach is a commonly used and accepted means of conducting a fiscal impact analysis, it is not useful for fully illustrating potential fiscal risks to the City of Richmond. Unlike a "dynamic" approach, a static analysis cannot readily incorporate variations in absorption over time and increases in municipal service costs and appreciation of property values.

3. Sales of ownership housing units at Point Molate are likely to occur more slowly than assumed in the SunCal Winehaven Analysis; slower housing unit sales will increase the risk of negative fiscal impacts to the City of Richmond's General Fund. Based on review of recently completed housing development projects, Strategic Economics found that absorption of the Proposed Project's condominium, townhome, and single family housing units is likely to occur at approximately half the pace assumed in the SunCal Winehaven Analysis. As a result, completion of the project would occur over 20 years instead of nine, and negative annual General Fund impacts would also occur for a longer period of time since the City would still be responsible for providing a baseline level of municipal services to the area.

4. Home sales prices are likely to be lower than assumed in the SunCal Winehaven Analysis due to several site-specific factors and high cost burdens for local infrastructure and operations. Strategic Economics determined that sales prices of single family homes, condominiums, and townhomes at Point Molate are likely to be substantially lower than assumed in the SunCal Winehaven Analysis due to: proximity to the Chevron Richmond Refinery, likely high assessments or special taxes to fund area infrastructure and operations, the area's limited access, limited and uncertain on-site amenities, and fire risk and related insurance costs/access.

5. **As a result of these lower home sales prices, Strategic Economics estimates that property tax and related revenues will be substantially lower than was estimated by the SunCal Winehaven Analysis.** As shown in Table 1, property taxes, property tax pension obligation revenue, property taxes in lieu of vehicle license fees, and property transfer taxes are all estimated to be 43 percent to 63 percent lower than in the SunCal Winehaven Analysis upon full buildout of the project.

6. **Lower housing sale prices also increase the risk that the City of Richmond will be responsible for funding a greater share of infrastructure and operations at Point Molate.** Given the reduced housing values, Strategic Economics found that total taxes, fees, and assessments would exceed two percent of housing unit values. At this level, homes would be unlikely to sell, and infrastructure bond financing capacity would be reduced. As a result, the City of Richmond is at risk of bearing higher than anticipated operations and maintenance costs and infrastructure construction costs. Strategic Economics accounted for this risk by assuming the "Project Services Community Facilities District" annual expense from the SunCal Winehaven Analysis was borne by the City of Richmond rather than future property owners, as shown in Table 1.

7. **Sales tax revenues are likely to be lower than estimated in the SunCal Winehaven Analysis because the City of Richmond is likely to capture a lower than assumed share of household spending.** Based on analysis of retail supply in Richmond and surrounding communities, Strategic Economics found that the City of Richmond is likely to capture 20 percent of taxable sales generated by new households at Point Molate, rather than the 45 percent assumption used in the SunCal Winehaven Analysis.

TABLE 1: COMPARISON OF RICHMOND GENERAL FUND ANNUAL REVENUES AND EXPENDITURES, STRATEGIC ECONOMICS (SE) ANALYSIS VERSUS SUNCAL WINEHAVEN ANALYSIS

	SE Analysis		SunCal Winehaven Analysis		Change (Number)		Change (Percent)	
	Initial Development (year 4)	Buildout (20 years)	Initial Development (year 4)	Buildout (9 years)	Initial Development (year 4)	Buildout	Initial Development (year 4)	Buildout
General Fund Revenue								
Property Tax	$804,400	$2,796,100	$2,725,700	$4,885,100	($1,921,300)	($2,089,000)	-70%	-43%
Total Property Tax Pension Obligation Revenue	$395,000	$1,373,000	$1,338,400	$2,398,800	($943,400)	($1,025,800)	-70%	-43%
Property Tax In-Lieu of VLF	$167,600	$582,600	$567,900	$1,017,900	($400,300)	($435,300)	-70%	-43%
Property Transfer Tax	$330,000	$1,007,800	$1,623,200	$2,734,900	($1,293,200)	($1,727,100)	-80%	-63%
Sales Tax	$54,900	$417,200	$301,400	$679,600	($246,500)	($262,400)	-82%	-39%
Other Revenue	$565,000	$1,067,600	$565,000	$1,067,600	$0	$0	0%	0%
Total Annual GF Revenue	**$2,316,900**	**$7,244,300**	**$7,121,600**	**$12,783,900**	**($4,804,700)**	**($5,539,600)**	**-67%**	**-43%**
General Fund Expenditures								
Infrastructure and Maintenance Operations	$186,700	$352,900	$186,700	$352,900	$0	$0	0%	0%
Fire Department	$3,200,000	$3,200,000	$3,200,000	$3,200,000	$0	$0	0%	0%
Library & Cultural Services	$115,400	$182,100	$115,400	$182,100	$0	$0	0%	0%
Community Services	$121,600	$191,800	$121,600	$191,800	$0	$0	0%	0%
Police Department	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$0	$0	0%	0%
General Government	$48,300	$91,400	$48,300	$91,400	$0	$0	0%	0%
Project Services CFD Transfer to City	$1,076,400	$1,076,400	$0	$0	$1,076,400	$1,076,400	n/a	n/a
Total Annual GF Expenditures	**$6,748,400**	**$7,094,600**	**$5,672,000**	**$6,018,200**	**$1,076,400**	**$1,076,400**	**19%**	**18%**
Net Annual General Fund Revenue	**($4,431,500)**	**$149,700**	**$1,449,600**	**$6,765,700**	**($5,881,100)**	**($6,616,000)**	**-406%**	**-98%**

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.
Note: The "SE Analysis" results reflect revised revenue estimates that incorporate revised assumptions described in this memo, including: slower pace of absorption of ownership housing units, reduced ownership housing values, and reduced sales tax capture rates for spending by new households.

Introduction

This memorandum describes the conclusions of Strategic Economics' peer review of the fiscal impact analysis described in the report "Richmond Point Molate Fiscal and Economic Impact Analysis," hereafter referred to as the "SunCal Winehaven Analysis." That report was prepared by Economic & Planning Systems, Inc. (EPS) for Winehaven Legacy LLC (a subsidiary of SunCal), and dated June 17, 2020.[1]

The SunCal Winehaven Analysis estimated changes in the City of Richmond's annual General Fund revenues and expenditures associated with three development scenarios at Point Molate.[2] The scenarios included a "Proposed Project" based on Winehaven Legacy LLC's preferred land use plan for the Point Molate site, per their entitlement application to the City of Richmond. The SunCal Winehaven Analysis estimated annual fiscal impacts at the end of an "Initial Development" period covering the first four years of development, and for full "Buildout" of the project within a total development period of seven to nine years.

Point Molate Alliance (PMA) and Citizens for East Shore Parks (CESP) retained Strategic Economics to review specific assumptions and approaches used in the SunCal Winehaven Analysis for the Proposed Project, and to provide a revised estimate of revenues and net revenues based on any adjustments deemed necessary by Strategic Economics based on market research. The assumptions and approaches reviewed or revised by Strategic Economics included:

1. Use of a "static" approach to the analysis
2. Valuation assumptions for the housing units
3. Absorption assumptions for the housing units
4. Sales tax capture rate assumptions

PMA and CESP also requested that Strategic Economics render an opinion as to the appropriateness of sources used by Hatch Associates Consultants to develop hotel performance and valuation estimates as part of a separate fiscal impact analysis completed for PMA and CESP. The results of that analysis were described in original and revised reports titled "Point Molate Fiscal Impact Analysis" (dated July 2019) and "Point Molate Updated Fiscal Impact Analysis" (dated May 1st, 2020). That analysis estimated changes in City of Richmond General Fund revenues and expenditures associated with development based on a "Community Proposal" and two versions of the SunCal / Winehaven Legacy LLC proposal.

Table 2 shows the housing units and commercial square feet of the "Proposed Project" analyzed by both the SunCal Winehaven Analysis and Strategic Economics.

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[1] That report and its findings are referred to throughout this memo as the "SunCal Winehaven Analysis," while the revised analysis and findings completed by Strategic Economics are attributed to Strategic Economics or described as the "SE Analysis" results.

[2] The SunCal Winehaven Analysis also estimated the economic impacts of construction for each of the three development scenarios.

TABLE 2: DESCRIPTION OF THE "PROPOSED PROJECT" ANALYZED BY THE SUNCAL WINEHAVEN ANALYSIS AND STRATEGIC ECONOMICS

	Buildout (Units/Sf.)
Residential	
For Sale	**Units**
Single Family /Low Density	185
Low-Rise Apartments & Townhomes	173
Mid-Rise Apartments & Condominiums	802
Subtotal, For Sale	*1,160*
For Rent	
Low-Rise Apartments	68
Mid-Rise Apartments	157
Affordable Housing	67
Subtotal, For Rent	*292*
Total Housing Units	**1,452**
Nonresidential	**Square Feet**
Restaurant/Retail	55,000
Commercial (office)	383,774
Public Use	15,000
Total Square Feet	**453,774**

Source: SunCal Winehaven Analysis, 2020.

The City of Richmond recently released a draft Disposition and Development Agreement (DDA) with Winehaven Legacy LLC as part of the supporting documents for agenda item G-2 of the September 8, 2020 City Council meeting. The DDA refers to a housing unit mix and count comparable to that shown in Table 2 in the DDA's reference to the "Final Point Molate Mixed-Use Development Plan Subsequent Environmental Impact Report."[3] However, Exhibit 2.5.1 of the DDA also includes a variation of the housing unit count and mix in its documentation of the development impact fee analysis and "Estimated Effective Tax Rate" analysis. As shown on page 28 of that exhibit, the number of single family homes was increased to 251, with decreases of multi-family ownership units to 387 low-rise housing units and 521 mid-rise units.

These changes to the housing unit count and mix are unlikely to significantly impact Strategic Economics' finding that the Point Molate development project will generate annual General Fund losses throughout much of the project's buildout. The change in housing unit counts and mix also do not alter Strategic Economics' basic findings regarding limitations of a "static" fiscal impact analysis, reasonable valuation and absorption assumptions for ownership housing units, and reasonable sales tax capture rate assumptions.

The remainder of this memo describes Strategic Economics' findings.

[3] Appendix page A-3 of the "Disposition and Development Agreement for Point Molate Mixed-Use Development by and between the City of Richmond and Winehaven Legacy LLC," accessed at http://sireweb.ci.richmond.ca.us/sirepub/cache/2/ps2kcooixhd45fpm35of3vhh/59917309072020002031037.PDF

Limitations of Using a Static Approach to the Analysis

The SunCal Winehaven Analysis used a ‘static’ approach to estimate future annual Richmond General Fund revenues and expenses associated with the Proposed Project. A static approach allows for comparison of revenues and expenses at a single point in time; in the SunCal Winehaven Analysis, annual revenues and expenses were compared for an “Initial Development” period and for full “Buildout” of the project.

Although this approach is one of two widely used and accepted approaches to fiscal impact analysis, the static approach cannot readily incorporate assumptions regarding increases in municipal service costs or appreciation in assessed values over time. As a result, the SunCal Winehaven Analysis held current municipal service costs and assessed values constant rather than analyzing likely cost escalation and appreciation in assessed values over time.

Due to its use of the static approach to fiscal impact analysis, the SunCal Winehaven Analysis is limited in its ability to provide useful information about financial risks during buildout of the Proposed Project. These limitations include:

- The analysis does not provide information regarding whether and for how long the project will generate negative fiscal impacts to the General Fund during the development period;
- The analysis does not estimate the potential outcome of different growth rates in municipal expenditures (such as police and fire salary increases) to serve the project versus revenues generated by the project;
- The analysis does not illustrate potential negative fiscal impacts associated with slower buildout and absorption of residential and commercial space.

Use of an alternative ‘dynamic’ approach to fiscal impact analysis—in which project buildout and associated costs, assessed valuations, and revenues are estimated on a year-by-year basis—could have addressed these limitations and provided more useful and actionable findings for the City of Richmond.

Housing Unit Absorption

The pace of housing unit completion and absorption assumed in the SunCal Winehaven Analysis is optimistic relative to the performance of recently built projects. Strategic Economics examined the pace of sales at several recently completed condominium projects in Oakland, Emeryville, and Richmond, shown in Table 3. As shown, typical average monthly absorption of condominium units ranged between 1.7 and nine units per month, with an overall average of 3.15 sales per month. The SunCal Winehaven Analysis assumed that 516 condominium housing units would be completed and absorbed within four years, and another 459 by the conclusion of the total seven- to nine-year development period. This translates to average monthly sales of 11 units in the first four years, and nearly eight units per month in the following five years.

Based on recently completed condominium projects, Strategic Economics estimates that absorption of condominium units in the Proposed Project is more likely to occur at an average pace of approximately four units per month. At that pace, the Proposed Project’s 975 condominium units would require approximately 20 years to sell, and only 192 units would have sold within the first four years of project construction (see Table 4).

Based on review of home sales data in Richmond, Strategic Economics also found that the area is an unproven market for absorption of large numbers of newly built large, single family luxury homes. After consideration of this issue as well as the condominium absorption data and Point Molate site's drawbacks described in the "Valuation of Housing Units" section of this memo, Strategic Economics estimated that Point Molate is likely to absorb single family homes at a pace of approximately two per month, requiring eight years for these homes to fully sell.

A slower pace of absorption of housing units would substantially increase the risk that the Proposed Project would generate lower or negative General Fund revenues for the City of Richmond for a longer period of time. The SunCal Winehaven Analysis estimated that approximately 85 percent of revenues generated by the Proposed Project were associated with property tax or property-tax related sources; slower absorption would slow the growth of the assessed values on which these revenues are based. Meanwhile, the City of Richmond would still incur annual costs for providing a baseline level of municipal services to Point Molate, including fixed costs for operating the new fire substation referenced on page 39 and Table C-4 on page 3-C-4 of the SunCal Winehaven Analysis.

TABLE 3: ABSORPTION OF REPRESENTATIVE RECENTLY COMPLETED CONDOMINIUM PROJECTS IN OAKLAND AND RICHMOND

Property Name	Property Address	City	Unit Type	Avg Monthly Absorption	# of Homes	Date on Market
Ice House	850 West Grand Ave	Oakland	Condominium	4	126	May 2018
Station House	1401 Wood St	Oakland	Condominium	9	171	May 2016
The Emerson Oakland	6465 San Pablo Ave	Oakland	Condominium	1.7	33	November 2016
Station House South	1818 14th St	Oakland	Condominium	2.4	47	May 2018
Element	989 41st St	Oakland	Condominium	1.6	44	February 2018
Waterline (a)	101 Seacliff Dr	Richmond	Condo/ Townhome	2.5	60	April 2019

Source: Polaris Pacific, July 2020; Waterline sales website (https://www.sheahomes.com/new-homes/california/bay-area/point-richmond/waterline/), August 26, 2020; Strategic Economics, 2020.

(a) Insufficient data was available to definitively determine absorption of units at Waterline. As of August 26, 19 homes were still available, suggesting absorption-to-date of 41 homes. Depending on when sales began, the average pace of sales at Waterline likely ranges between 1.1 and 2.5 per month.

TABLE 4: COMPARISON OF YEARS TO FULL BUILDOUT OF OWNERSHIP HOUSING PRODUCT TYPES BASED ON STRATEGIC ECONOMICS (SE) AND SUNCAL WINEHAVEN ANALYSIS ABSORPTION ASSUMPTIONS

		SE Analysis		SunCal Winehaven Analysis	
	Total Units at Buildout	Units Per Month	Years to Buildout	Units Per Month	Years to Buildout
Single Family /Low Density	185	2	8	4	4
Ownership Condo/Townhome	975	4	20	9	9

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.

Valuation of Housing Units

Strategic Economics analyzed comparable housing sales and site-specific factors that will impact housing values at Point Molate in order to determine an appropriate valuation of the Proposed Project's ownership housing units. The following sub-sections detail the factors and calculations applied by Strategic Economics. Ultimately, Strategic Economics arrived at housing unit valuations that were 78 percent, 56 percent, and 42 percent of those applied in the SunCal Winehaven Analysis for single family/ low density homes, low-rise apartments/ townhomes, and mid-rise apartments/ condominiums, respectively.

The Strategic Economics analysis also found that these lower property valuations are likely to result in total taxes and assessments exceeding two percent of the home sales prices. As a result, home sales prices are likely to further decline due to buyers being reluctant to pay high tax rates. High tax and fee burdens also increase the risk that the City of Richmond will need to bear many of the costs expected to be covered through a community facilities district or other funding and financing mechanism.

FACTORS IMPACTING VALUATION OF OWNERSHIP HOUSING UNITS

Strategic Economics determined that several factors are likely to reduce attainable home sales prices at Point Molate. Although the site's unique waterfront setting and access to natural and recreation amenities will positively impact the homes' desirability, interviews with realtors and Strategic Economics' review of the site and Proposed Project characteristics found the following issues are likely to negatively impact home values:

- Limited access: Access will remain limited to a single road in and out of Point Molate, creating buyer concerns regarding traffic congestion, limited public transportation options, and evacuation capacity.

- Limited and uncertain amenities: Although the Proposed Project incorporates retail and other commercial uses, uncertainty exists as to whether and when adequate amenities would be built both for day-to-day household shopping needs and for other retail, dining, and entertainment.

- Fire risk and insurance costs/access: The Proposed Project's isolation and proximity to a natural hillside will create buyer perceptions of risk from wildfire, particularly given recent well-publicized losses of homes in fires such as in Santa Rosa during the Tubbs Fire of 2017. Home insurers are also rapidly increasing premiums and wildfire surcharges or denying insurance coverage entirely for homeowners in locations at risk of wildfire.[4]

- Proximity to the Chevron Richmond Refinery: The Proposed Project is located less than two thousand feet from portions of the Chevron Richmond Refinery. The implications of this proximity on property values are described in detail below.

- Likely high special taxes or assessments: The Proposed Project will require construction and maintenance of significant infrastructure improvements, with the SunCal Winehaven Analysis

[4] See, for example, the breakdown of State of California insurance data described in the Sacramento Bee article "Insurers dropped nearly 350,000 California homeowners with wildfire risk," authored by Dale Kasler and Ryan Sablow, August 20, 2019. https://www.sacbee.com/news/politics-government/capitol-alert/article234161407.html.

assuming that homeowners will pay much of these costs. The impacts of these special taxes or assessments on property values—and potentially municipal costs—are described in detail below.

DETERMINATION OF AVERAGE BASELINE PROPERTY VALUES FOR OWNERSHIP HOUSING PRODUCTS

Strategic Economics reviewed comparable sales transactions to develop “baseline” property values for the single family homes and the condominiums/townhomes included in the Proposed Project.

Table 5 shows comparable sales transactions reviewed to inform an appropriate average baseline single family home value prior to reductions to account for Point Molate’s refinery proximity and special taxes or assessments. The transactions were selected as the best available comparable sales for future Point Richmond homes because they reflect homes that were recently built (2005 onward), are located near the Richmond waterfront, include three to four bedrooms, and were sold in the last five years. The average sales price of these homes was $1.17 million, and the average price per square foot was $447. The homes range from the two highest priced sales for homes surrounded by water in the “Richmond Riviera” area of Brickyard Cove, to premium Point Richmond homes, to relatively lower-priced homes in Seacliff at Brickyard Cove and Places at NOMA in Marina Bay.

Given the access, amenity, and fire and insurability risks of Point Molate, Strategic Economics determined that a single family home in Point Molate is likely to sell at a discount relative to premium products with direct private water access, and relative to homes located closer to jobs and amenities such as the Richmond Ferry Terminal. Strategic Economics assumed a likely average baseline sales price of $1.3 million for these homes ($371 per square foot), versus $1.4 million in the SunCal Winehaven Analysis ($400 per square foot), as shown in Table 7.

Table 6 shows comparable sales transactions reviewed to inform appropriate average baseline condominium/townhome values prior to reductions to account for Point Molate’s refinery proximity and special taxes or assessments. Based on the advice of area realtors and review of recent condominium development projects near the Richmond waterfront, Strategic Economics determined appropriate recent comparable sales and current sale listings were located in the Point Richmond and Marina Bay areas, and at the Waterline project by Shea Homes that is currently under construction in the Brickyard Cove area. The sales shown in Table 6 represent condominiums built from 2015 to 2020 and sold in the last five years or currently listed for sale. The average sales or listing price of these homes is $959,000, and the average price per square foot is $439.

Given the access, amenity, and fire and insurability risks of Point Molate, Strategic Economics determined that a condominium or townhome in Point Molate is likely to sell at a discount compared to the high prices commanded at the Waterline project. Strategic Economics therefore assumed a likely average baseline sales price of $450 per square foot for condominiums and townhomes at Point Molate. As shown in Table 7, this price per square foot translates to an average baseline price of $810,000 for the “low-rise apartments and townhomes” and $675,000 for the “mid-rise apartments and condominiums” in the Proposed Project.

REDUCTION OF BASELINE PROPERTY VALUES TO ACCOUNT FOR PROXIMITY TO REFINERY

Strategic Economics subsequently reduced these average baseline sales price assumptions to account for Point Molate’s proximity to the Chevron Richmond Refinery. Studies have found strong evidence of reductions in home prices due to proximity to a refinery or its emissions. For example, a 2015 study found that air pollution associated with a major refinery in Houston, Texas resulted in a

"6% to 8% percent loss on house prices," with the effect diminishing "with distance up to about two miles from the refinery."[5] A previous 1994 study found losses of five percent and 1.5 percent within a half mile of two refineries.[6] Local East Bay realtors noted that the refinery does limit the desirability of homes in Richmond and that buyers are aware of its potential negative effects. Awareness of the refinery is further reinforced by regular news coverage of flaring incidents.[7] Based on these factors, Strategic Economics reduced the baseline ownership homes values for the Proposed Project by a further eight percent, as shown in Table 7.

REDUCTION OF VALUES TO ACCOUNT FOR COST OF TAXES AND ASSESSMENTS

Strategic Economics also applied a discount to the average ownership housing values to account for the additional special taxes charged to future homeowners to pay for Point Molate's infrastructure and maintenance costs. Strategic Economics analyzed property value discounts based on the preliminary funding and financing assumptions used in the SunCal Winehaven Analysis.

Per page 43 and Table E-2 on page 3-E-2 of the SunCal Winehaven Analysis, total infrastructure needs are likely to cost $170.6 million. As shown in Table 9, the SunCal Winehaven Analysis assumed that a Project Infrastructure Community Facilities District (CFD) would result in an ongoing annual special tax of between $5,500 and $6,500 annually per housing unit, varying by housing product type. An additional $513 charge per housing unit would cover costs for a "Project Services CFD," which would pay for maintenance of public spaces that are not maintained by the Proposed Project's homeowner's association. Note that homeowner's association fees would be separate from these CFD special taxes.

A generally accepted rule is that homebuyers are only willing to accept total taxes, fees, and special taxes on a property at or below two percent of the home's value. This "two percent rule" is referenced in the SunCal Winehaven Analysis as well as in a peer review of the SunCal Winehaven Analysis conducted by BAE Urban Economics.[8] If these costs exceed two percent, then the value of the housing unit is expected to decline, and obtaining bond financing for a CFD also becomes more difficult. Strategic Economics' assumed baseline prices, coupled with the discount for refinery proximity, would reasonably result in taxes, fees, and assessments exceeding two percent of the housing units' values.

Strategic Economics therefore examined the impact of the combined Project Services and Infrastructure CFD special taxes on reducing the average values of the ownership housing products. Payment of the CFD special taxes will increase the overall ownership costs for future households at Point Molate and therefore reduce the total supportable mortgage payments for these households. As shown in Table 7, this reduction results in a decline in supportable sales prices of between $92,000 and $108,000 per housing unit, depending on type. Table 7 shows the final average values for all ownership housing units by type, after accounting for the new baseline values and reductions for proximity to the refinery and CFD special taxes.

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[5] Robert A. Simons, Youngme Seo, and Paul Rosenfeld, "Modeling the Effects of Refinery Emissions on Residential Property Values," *The Journal of Real Estate Research*, 2015, Vol. 37, No. 3, pp. 321-342.
[6] Patrick C. Flower and Wade R. Ragas, "The Effects of Refineries on Neighborhood Property Values," *The Journal of Real Estate,* Summer 1994, Vol. 9, No. 3, pp. 319-338.
[7] See, for example, "Smoke from Flaring at Chevron's Richmond Refinery Seen from Across the Bay," by Ted Golberg for KQED News, August 14, 2020. https://www.kqed.org/news/11833406/smoke-from-flaring-at-chevrons-richmond-refinery-seen-from-across-the-bay
[8] "Peer Review of Winehaven Prepared Fiscal Impact Analysis for Proposed Point Molate Mixed-Use Development Project," by BAE Urban Economics, June 29, 2020.

FURTHER RISKS ASSOCIATED WITH SERVICES AND INFRASTRUCTURE SPECIAL TAXES

Using more appropriate, lower sales prices than those assumed in the SunCal Winehaven Analysis substantially increases the risk that the City of Richmond will be responsible for a higher than anticipated share of the costs for operations and infrastructure at Point Molate. As noted, lower sales prices for homes at Point Molate will reduce the amount these homeowners can contribute toward service costs and toward infrastructure through an assessment or special tax. If this occurs, the City of Richmond would need to contribute toward infrastructure costs in order for the project to proceed, and would likely be required to at least pay for ongoing operations and maintenance of public facilities in the area which would otherwise be funded by the Project Services CFD.

Strategic Economics analyzed the additional expenditures to the City of Richmond General Fund resulting from the City of Richmond needing to provide the operations and maintenance services that would otherwise be funded by the Services CFD assumed in the SunCal Winehaven Analysis. This change was incorporated into the overall summary of results shown in Table 14. It is important to note that the Project Services CFD cost is relatively low compared to the Project Infrastructure CFD, which could potentially result in a much greater impact on additional funding required by the City of Richmond.

TABLE 5: COMPARABLE SALES ANALYZED TO ESTIMATE SINGLE FAMILY / LOW DENSITY BASELINE VALUE

Address	Richmond Location	Price	Square Feet	Price/Sq. Ft.	Bedrooms	Year Built	Year Sold
1405 Sandpiper Spit	Brickyard Cove	$1,814,000	4,033	$450	3	2005	2018
1328 Pelican Way	Brickyard Cove	$1,775,000	3,416	$520	4	2006	2020
500 Tremont Ave	Point Richmond	$1,250,000	2,300	$543	3	2016	2017
208 Flagship Ct	Point Richmond	$900,000	2,578	$349	3	2006	2017
105 Seapoint Ct	Brickyard Cove	$885,000	2,382	$372	3	2006	2018
856 Seawind Drive	Marina Bay	$809,990	1,851	$438	3	2019	2019
1390 Mast Cove Way	Marina Bay	$783,990	1,705	$460	3	2019	2019

Source: Redfin, August 2020; MLS, August 2020; Strategic Economics, 2020.
Note: Criteria included: Single family homes, built 2005-2020, Richmond waterfront area, 3-4 bedrooms, sold in last 5 years

TABLE 6: COMPARABLE SALES AND LISTINGS ANALYZED TO ESTIMATE OWNERSHIP CONDO / TOWNHOME BASELINE VALUE

Address	Richmond Location	Price	Square Feet	Price/Sq. Ft.	Bedrooms	Year Built	Year Sold
Sold Homes							
72 Waterline Pl	Waterline	$1,039,581	2,116	$491	3	2019	2019
1702 Maritime Way	Marina Bay	$690,000	1,556	$443	3	2015	2020
1103 Maritime Way	Marina Bay	$675,000	1,556	$434	3	2016	2018
804 Jetty Dr	Marina Bay	$625,000	1,946	$321	3	2015	2020
1105 Maritime Way	Marina Bay	$610,790	1,975	$309	3	2016	2016
902 Jetty Dr	Marina Bay	$603,000	1,311	$460	2	2017	2018
Current Listings							
38 Waterline Pl	Waterline	$1,554,275	2,911	$534	3	2019	N/A
26 Sunset Ln	Waterline	$1,346,348	2,625	$513	2	2019	N/A
11 Waterline Pl	Waterline	$1,001,660	2,391	$419	2	2020	N/A
3 Waterline Pl	Waterline	$912,225	2,076	$439	2	2020	N/A
27 Waterline Pl	Waterline	$899,000	2,076	$433	2	2019	N/A
1705 Maritime Way	Marina Bay	$758,000	1,946	$390	3	2015	N/A
Plan 2B	Waterline	$1,479,580	2,911	$508	3	N/A	N/A
Plan 4E	Waterline	$1,220,219	2,625	$465	3	N/A	N/A
Plan 4D	Waterline	$999,761	2,296	$435	3	N/A	N/A
Plan 4G	Waterline	$970,391	2,107	$461	3	N/A	N/A
Plan 4A	Waterline	$966,375	2,391	$404	2	N/A	N/A
Plan 4F	Waterline	$912,225	2,076	$439	2	N/A	N/A

Source: Redfin, August 2020; newhomesource.com, August 2020; MLS, August 2020; Strategic Economics, 2020.
Note: Criteria included: Condominiums, built 2015-2020, sold in last five years or currently listed for sale, located in Point Richmond, Marina Bay, Waterline.

TABLE 7: DISCOUNTS APPLIED TO BASELINE HOUSING UNIT SALES PRICES, AND RESULTING FINAL SALES PRICE ASSUMPTIONS

	Single-Family Low Density	Low-Rise Apartments / Townhomes	Mid-Rise Apartments / Condominiums
Baseline Anticipated Avg. Sales Price per Unit (a)	$1,300,000	$810,000	$675,000
% Price Discount Based on Refinery Proximity (b)	-8%	-8%	-8%
Discounted Avg. Sales Prices per Unit	$1,196,000	$745,200	$621,000
Total Potential Annual CFD Special Tax per Unit (c)	$7,013	$6,013	$6,513
Reduction in Sales Price Due to CFD Special Tax (d)	($107,785)	($92,462)	($100,042)
Discounted Avg. Sales Prices per Unit (rounded)	$1,088,200	$652,700	$521,000

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.
(a) Based on review of recent comparable sales
(b) Based on literature citing a potential 6 to 8 percent loss on house prices in location adjacent to oil refineries (see reference in narrative)
(c) As shown on page 1-F-3 of the SunCal Winehaven Analysis
(d) Calculated based on reduction in supportable mortgage payment, assuming 20% down payment, 30 year repayment, 4.75% mortgage interest rate, and 1.5% annual costs for insurance and other taxes

TABLE 8: COMPARISON OF HOME SALES PRICE ASSUMPTIONS

	Square Feet	SE Value	SunCal Winehaven Analysis Value	Difference in Value Assumption
Residential Valuations				
For Sale				
Single Family /Low Density	3,500	$1,088,200	$1,400,000	($311,800)
Low-Rise Apts & Townhomes	1,800	$652,700	$1,175,000	($522,300)
Mid-Rise Apts & Condos	1,500	$521,000	$1,250,000	($729,000)
For Rent				
Low-Rise Apartments	1,800	$400,000	$400,000	$0
Mid-Rise Apartments	1,500	$450,000	$450,000	$0

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.

TABLE 9: COMPARISON OF ESTIMATED EFFECTIVE TAX RATE

	Single Family/ Low Density	Low-Rise Apartments & Townhomes	Mid-Rise Apartments & Condos
SunCal Winehaven Analysis			
Avg. Unit Value (a)	$1,400,000	$1,175,000	$1,250,000
Ad Valorem Taxes (1.4181%) (b)	$19,853	$16,663	$17,726
Special Taxes and Assessments (c)	$413	$291	$269
Point Molate Special Taxes			
Project Services CFD (d)	$513	$513	$513
Project Infrastructure CFD (e)	$6,500	$5,500	$6,000
Total Annual Taxes & Assessments	**$27,279**	**$22,967**	**$24,508**
Taxes & Assessments as % of Sales Price	**1.95%**	**1.95%**	**1.96%**
Strategic Economics Analysis			
Avg. Unit Value (f)	$1,088,200	$652,700	$521,000
Ad Valorem Taxes (1.4181%)	$15,432	$9,256	$7,388
Special Taxes and Assessments	$413	$291	$269
Point Molate Special Taxes			
Project Services CFD	$513	$513	$513
Project Infrastructure CFD	$6,500	$5,500	$6,000
Total Annual Taxes & Assessments	**$22,858**	**$15,560**	**$14,170**
Taxes & Assessments as % of Sales Price	**2.10%**	**2.38%**	**2.72%**
Strategic Economics Illustrative Analysis with "Project Services CFD" Cost Transferred to City of Richmond			
Avg. Unit Value	$1,088,200	$652,700	$521,000
Ad Valorem Taxes (1.4181%)	$15,432	$9,256	$7,388
Special Taxes and Assessments	$413	$291	$269
Point Molate Special Taxes			
Project Services CFD (g)	$0	$0	$0
Project Infrastructure CFD	$6,500	$5,500	$6,000
Total Annual Taxes & Assessments	**$22,345**	**$15,047**	**$13,657**
Taxes & Assessments as % of Sales Price	**2.05%**	**2.31%**	**2.62%**

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.
(a) These are the average sales price / assessed valuations assumed in the SunCal Winehaven Analysis.
(b) The 1.4181% rate is based on calculations in Table F-3 on page 1-F-3 of the SunCal Winehaven Analysis.
(c) See Table F-3 on page 1-F-3 of the SunCal Winehaven Analysis.
(d) Reflects distribution of a potential Project Services CFD across the housing units in the Proposed Project. See Tables F-1 and F-3 of the SunCal Winehaven Analysis.
(e) Based on Table F-3 on page 1-F-3 of the SunCal Winehaven Analysis.
(f) Reflects Strategic Economics' unit values after revisions based on comparable sales analysis and discounts for refinery proximity and increased ownership costs due to CFD special taxes.
(g) Assumes that the project services CFD cost burden is assumed by the City of Richmond due to the inability of housing units to fund the assessment given high taxes, fees, and special taxes relative to sales prices.

City's Capture of Sales Tax from New Residents

Strategic Economics found that sales tax revenues are likely to be lower than estimated in the SunCal Winehaven Analysis because the City of Richmond will capture a lower than assumed share of household spending. Strategic Economics found that the City of Richmond is likely to capture 20 percent of taxable sales generated by new households at Point Molate, rather than the 45 percent assumption used in the SunCal Winehaven Analysis. As a result, Strategic Economics found that the sales tax revenue collected by the City would be 82 percent lower than the SunCal Winehaven Analysis in the initial development period, and 39 percent lower if the project were fully built out.

Strategic Economics arrived at these conclusions by analyzing the retail supply in Richmond relative to the wider trade area (defined as a 20-minute drive from the site). As shown in the map in Figure 1, and summarized below in Table 10, there are approximately 8.9 million square feet of shopping centers within an approximate 20 minute drive time of the site. The City of Richmond holds about 1.8 million square feet of shopping center retail inventory, or a 20 percent share.

TABLE 10: RICHMOND'S SQUARE OF SHOPPING CENTER SQUARE FOOTAGE WITHIN 20 MINUTE DRIVE OF POINT MOLATE

Square Feet of Shopping Centers in Richmond	1,820,352
Square Feet of Shopping Centers within 20 Minute Drive Time	8,921,548
Richmond Share of 20 Minute Shopping Center Inventory	20%

Source: Costar Group, August 2020; Strategic Economics, September 2020.
Note: Drive times are approximate.

As shown in Table 11, the majority of the Richmond's regional retail space is located at the Shops at Hilltop, a 1.1 million square foot mall. The shopping center is reportedly struggling to maintain its tenants. Macy's recently closed, and the current occupancy rate is estimated at 16 percent, with Walmart as its only major tenant. The existing owner has recently rebranded it as a Science and Technology Center and plans to sell the property.[9]

Given the likely high incomes of future residents of SunCal's Proposed Project at Point Molate, it is highly likely these residents will shop in other shopping centers with a stronger tenant mix that are also within the same drive time as Hilltop, including Northgate Mall in San Rafael, or the Village at Corte Madera.

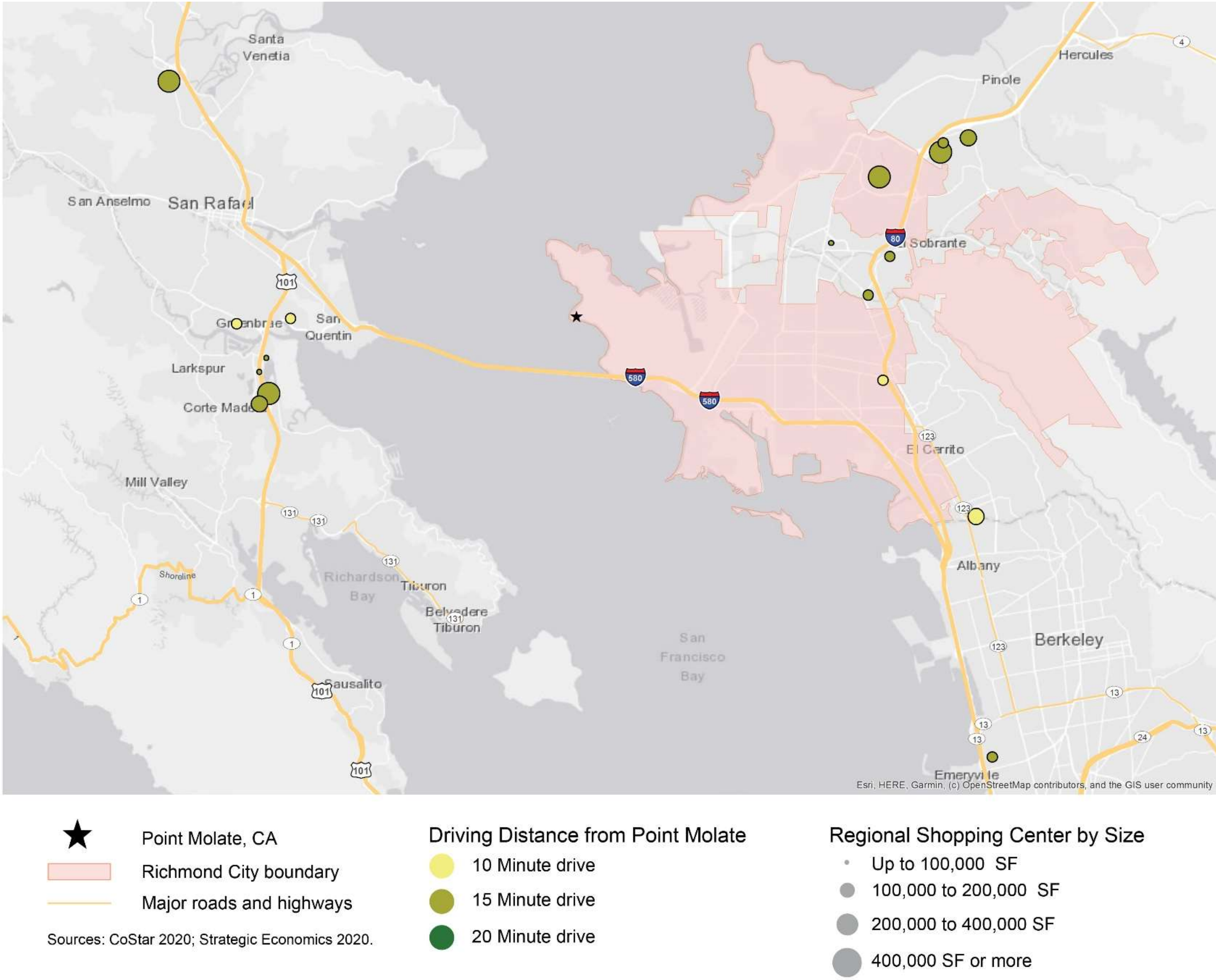
[9]Laura Waxman for the San Francisco Business Times, "Richmond's Hilltop Mall rebranded as potential life sciences space as owner seeks to sell," August 21, 2020. https://www.bizjournals.com/sanfrancisco/news/2020/08/21/richmonds-hilltop-mall-on-the-market-again.html

TABLE 11: SUMMARY OF MAJOR SHOPPING CENTERS WITHIN A 20-MINUTE DRIVE OF POINT MOLATE

Shopping Center Name	Drive Time (Min)	City	Total SF Leasable Space	Anchor Tenants
Shops at Hilltop	15	Richmond	1,110,882	Walmart
Northgate Mall	15	San Rafael	799,920	Macy's, Restoration Hardware, Kohl's, Century Theatres
Pinole Vista Crossing	15	Pinole	433,582	FoodMaxx, Target
The Marketplace	15	Corte Madera	51,761	Any Mountain
The Village At Corte Madera	15	Corte Madera	482,778	Macy's, Nordstrom

Source: Costar Group, August 2020; Strategic Economics, September 2020.
Note: Drive times are approximate.

FIGURE 1: REGIONAL SHOPPING CENTERS WITHIN AN APPROXIMATE 20 MINUTE DRIVE OF POINT MOLATE

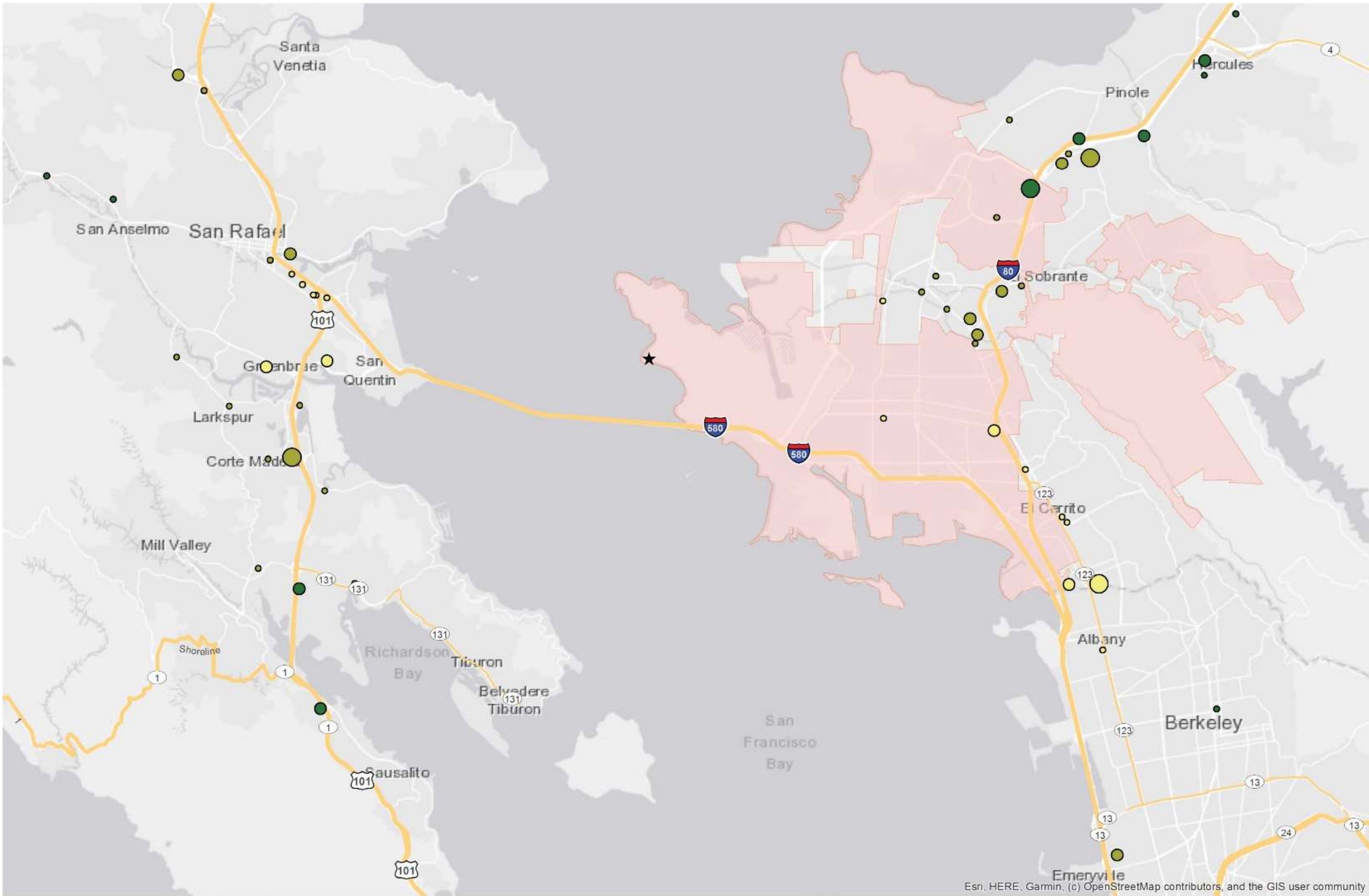


For day-to-day convenience retail, there are 16 smaller community and neighborhood shopping centers within a 10 minute drive of Point Molate that are anchored by grocery stores or general merchandise stores. As shown in the map on Figure 2 and summarized below in Table 12, the total space in community and neighborhood shopping centers within a 10-minute drive is estimated at 1.6 million square feet, and only 21 percent of this inventory is located within Richmond. The residents of Point Molate can easily shop at other centers in San Rafael, Greenbrae, El Cerrito, Albany, and Larkspur, especially for higher end grocery stores and specialty goods (Trader Joe's, Sprouts, Marin Country Mart).

TABLE 12: NEIGHBORHOOD AND COMMUNITY SHOPPING CENTERS WITHIN A 10-MINUTE DRIVE

Shopping Center Name	Center Type	Drive Time	City	Total SF Leasable Space
MacDonald 80 Shopping Center	Community Center	10	Richmond	156,385
Pacific East Mall	Neighborhood Center	10	Richmond	108,029
Richmond City Center	Neighborhood Center	10	Richmond	77,392
580-620 Francisco Blvd W	Neighborhood Center	10	San Rafael	85,458
Bon Air Center	Community Center	10	Greenbrae	139,176
Del Norte Marketplace	Neighborhood Center	10	El Cerrito	64,270
El Cerrito Place	Neighborhood Center	10	El Cerrito	53,198
El Cerrito Plaza	Community Center	10	El Cerrito	349,274
Food Barn	Neighborhood Center	10	San Pablo	32,978
Graham Center	Neighborhood Center	10	San Rafael	62,001
Joseph B. Rice Center	Neighborhood Center	10	San Rafael	36,251
Marin Country Mart	Community Center	10	Larkspur	196,662
Marin Home Center	Neighborhood Center	10	San Rafael	30,000
Marin Square Shopping Center	Neighborhood Center	10	San Rafael	82,000
Moeser Lane	Neighborhood Center	10	El Cerrito	82,787
The Shops at University Village, Albany	Neighborhood Center	10	Albany	44,611
Total Square Feet				1,600,472
Share Located in Richmond				21%

FIGURE 2: NEIGHBORHOOD AND COMMUNITY SHOPPING CENTERS WITHIN AN APPROXIMATELY 20 MINUTE DRIVE OF POINT MOLATE



★ Point Molate, CA
Richmond City boundary
Major roads and highways

Sources: CoStar 2020; Strategic Economics 2020.

Driving Distance from Point Molate
- 10 Minute drive
- 15 Minute drive
- 20 Minute drive

Shopping Center by Size
- Up to 100,000 SF
- 100,000 to 200,000 SF
- 200,000 to 400,000 SF
- 400,000 SF or more

Strategic Economics' analysis of competitive retail supply does not support the assumption that 45 percent of future spending from households in Point Molate would be captured within the City of Richmond. A more reasonable assumption is that the City can capture about 20 percent of future resident retail spending. This estimate is still optimistic, given the continued struggles of The Shops at Hilltop and the lack of other regional retail centers in the City of Richmond.

As shown in Table 13 on the following page, the potential annual retail sales tax revenues associated with the Proposed Project are substantially lower after adjusting the household spending capture rate.[10] After incorporating the adjustment plus Strategic Economics' revised housing absorption assumptions (described earlier), the City of Richmond would receive annual sales tax revenue of $54,900 per year at initial development, compared to $301,400 in the SunCal Winehaven Analysis estimate.[11] The sales tax revenue collected by the City based on the Strategic Economics analysis would be 82 percent lower than the SunCal Winehaven Analysis in the initial development period, and 39 percent lower if the project were fully built out.

[10] Note that Strategic Economics only altered the household spending capture rate and housing unit absorption at Initial Development, and otherwise applied the same sales tax revenue methodology, approach, and assumptions as those used in the SunCal Winehaven Analysis.

[11] Includes the City's one percent sales tax share plus sales tax revenue from Measure Q, Measure U, and the Prop. 172 Public Safety sales tax.

TABLE 13: COMPARISON OF GENERAL FUND ANNUAL SALES TAX REVENUE ESTIMATES

	SE Analysis		Winehaven Analysis		Difference	
	Initial Development (year 4)	Buildout (20 years)	Initial Development (year 4)	Buildout (9 years)	Initial Development (year 4)	Buildout
Estimated Annual Taxable Sales						
Citywide Taxable Sales from New Market Support (a)	$2,649,000	$9,087,400	$14,543,100	$24,909,271	($11,894,100)	($15,821,871)
Net Taxable Sales from Onsite Commercial (b)	$0	$11,041,486	$0	$7,877,116	$0	$3,164,370
Total Annual Taxable Sales	**$2,649,000**	**$20,128,886**	**$14,543,100**	**$32,786,387**	**($11,894,100)**	**($12,657,501)**
1% Annual Sales Tax Revenue	**$26,490**	**$201,289**	**$145,431**	**$327,864**	**($118,941)**	**($126,575)**
Supplemental Annual Sales Tax Revenue						
Measure Q	$13,245	$100,644	$72,716	$163,932	($59,471)	($63,288)
Measure U	$13,245	$100,644	$72,716	$163,932	($59,471)	($63,288)
Gross Prop. 172 Public Safety Sales Tax Revenue	$13,245	$100,644	$72,716	$163,932	($59,471)	($63,288)
City of Richmond Allocation (c)	$1,930	$14,668	$10,597	$23,891	($8,667)	($9,223)
Total Sales Tax Revenue	**$54,910**	**$417,246**	**$301,459**	**$679,619**	**($246,549)**	**($262,373)**

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.
(a) Shows taxable sales generated by spending by new households and workers at Point Molate.
(b) Shows taxable sales associated with spending at new businesses at Point Molate.
(c) Based on estimated Citywide taxable sales, the City receives 14.5739% of Prop. 172 sales tax revenue.

Overview of Results

After incorporating adjustments to the SunCal Winehaven Analysis based on the findings above, Strategic Economics found that the Proposed Project would generate a net negative annual fiscal impact to the City of Richmond General Fund at the end of the four-year “Initial Development” period, is likely to generate net negative fiscal impacts throughout much of the project’s construction period, and would generate a neutral impact upon buildout of the project.

Table 14 shows revised annual General Fund revenues and expenditures estimated by Strategic Economics. Strategic Economics applied the same methodology, approach, and assumptions applied in the EPS analysis except for the changes described in this memorandum.[12] As shown, Strategic Economics estimates that total revenues will be 67 percent lower than in the SunCal Winehaven Analysis upon the fourth year of construction, and 43 percent lower upon buildout. Expenses are estimated to be 19 percent higher in year four and 18 percent higher upon buildout. As a result, Strategic Economics estimates that net revenue to the City of Richmond’s General Fund would be negative $4.4 million in year four, and approximately $150,000 upon buildout—essentially neutral. Full project buildout would require 20 years rather than the nine years in the SunCal Winehaven Analysis. Given the neutral fiscal outcome upon buildout and significantly negative revenues in the fourth year of construction, net revenues are likely to be negative throughout much of the 20 year construction period.

Strategic Economics also explored the additional impacts of single family home sales prices falling below $1 million in order to explore the sensitivity of property transfer tax revenues. The City of Richmond levies property transfer taxes (the “Real Estate Documentary Transfer Tax”) on a tiered basis. Transfer taxes are levied at the rate of .7 percent for properties sold for below $1 million dollars, and a rate of 1.25 percent for properties sold for between $1 million and $3 million. As shown in Table 14 versus Table 15, if sales prices for single family homes were actually $975,000 instead of $1,088,200, then total annual property tax revenues upon buildout would decline by two percent, but annual property transfer taxes would decline by 18 percent.

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[12] Strategic Economics did not recalculate expenses estimated on a per capita basis in the SunCal Winehaven Analysis to account for the revised absorption of housing units applied in the “Initial Development” period; however, any marginal difference in those expenses would be minimal compared to the fixed additional costs of providing additional police and fire services at Point Molate. Those services constituted 92 percent of costs upon conclusion of Initial Development period in the SunCal Winehaven Analysis.

TABLE 14: COMPARISON OF RICHMOND GENERAL FUND ANNUAL REVENUES AND EXPENDITURES, STRATEGIC ECONOMICS ANALYSIS VERSUS SUNCAL WINEHAVEN ANALYSIS

	SE Analysis		SunCal Winehaven Analysis		Change (Number)		Change (Percent)	
	Initial Development (year 4)	Buildout (20 years)	Initial Development (year 4)	Buildout (9 years)	Initial Development (year 4)	Buildout	Initial Development (year 4)	Buildout
General Fund Revenue								
Property Tax	$804,400	$2,796,100	$2,725,700	$4,885,100	($1,921,300)	($2,089,000)	-70%	-43%
Total Property Tax Pension Obligation Revenue	$395,000	$1,373,000	$1,338,400	$2,398,800	($943,400)	($1,025,800)	-70%	-43%
Property Tax In-Lieu of VLF	$167,600	$582,600	$567,900	$1,017,900	($400,300)	($435,300)	-70%	-43%
Property Transfer Tax	$330,000	$1,007,800	$1,623,200	$2,734,900	($1,293,200)	($1,727,100)	-80%	-63%
Sales Tax	$54,900	$417,200	$301,400	$679,600	($246,500)	($262,400)	-82%	-39%
Other Revenue	$565,000	$1,067,600	$565,000	$1,067,600	$0	$0	0%	0%
Total Annual GF Revenue	**$2,316,900**	**$7,244,300**	**$7,121,600**	**$12,783,900**	**($4,804,700)**	**($5,539,600)**	**-67%**	**-43%**
General Fund Expenditures								
Infrastructure and Maintenance Operations	$186,700	$352,900	$186,700	$352,900	$0	$0	0%	0%
Fire Department	$3,200,000	$3,200,000	$3,200,000	$3,200,000	$0	$0	0%	0%
Library & Cultural Services	$115,400	$182,100	$115,400	$182,100	$0	$0	0%	0%
Community Services	$121,600	$191,800	$121,600	$191,800	$0	$0	0%	0%
Police Department	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$0	$0	0%	0%
General Government	$48,300	$91,400	$48,300	$91,400	$0	$0	0%	0%
Project Services CFD Transfer to City	$1,076,400	$1,076,400	$0	$0	$1,076,400	$1,076,400	n/a	n/a
Total Annual GF Expenditures	**$6,748,400**	**$7,094,600**	**$5,672,000**	**$6,018,200**	**$1,076,400**	**$1,076,400**	**19%**	**18%**
Net Annual General Fund Revenue	**($4,431,500)**	**$149,700**	**$1,449,600**	**$6,765,700**	**($5,881,100)**	**($6,616,000)**	**-406%**	**-98%**

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.
Note: The "SE Analysis" results reflect revised revenue estimates that incorporate revised assumptions described in this memo, including: slower pace of absorption of housing units, reduced ownership housing values, and reduced sales tax capture rates for spending by new households.

TABLE 15: COMPARISON OF RESULTS IF AVERAGE SINGLE FAMILY HOMES ARE $975,000 (SENSITIVITY TEST FOR PRICES BELOW $1 MILLION)

	SE Analysis		SunCal Winehaven Analysis		Change (Number)		Change (Percent)	
	Initial Development (year 4)	Buildout (20 years)	Initial Development (year 4)	Buildout (9 years)	Initial Development (year 4)	Buildout	Initial Development (year 4)	Buildout
General Fund Revenue								
Property Tax	$773,400	$2,736,400	$2,725,700	$4,885,100	($1,952,300)	($2,148,700)	-72%	-44%
Total Property Tax Pension Obligation Revenue	$379,800	$1,343,700	$1,338,400	$2,398,800	($958,600)	($1,055,100)	-72%	-44%
Property Tax In-Lieu of VLF	$161,200	$570,200	$567,900	$1,017,900	($406,700)	($447,700)	-72%	-44%
Property Transfer Tax	$237,000	$828,500	$1,623,200	$2,734,900	($1,386,200)	($1,906,400)	-85%	-70%
Sales Tax	$53,800	$415,500	$301,400	$679,600	($247,600)	($264,100)	-82%	-39%
Other Revenue	$565,000	$1,067,600	$565,000	$1,067,600	$0	$0	0%	0%
Total Annual GF Revenue	**$2,170,200**	**$6,961,900**	**$7,121,600**	**$12,783,900**	**($4,951,400)**	**($5,822,000)**	**-70%**	**-46%**
General Fund Expenditures								
Infrastructure and Maintenance Operations	$186,700	$352,900	$186,700	$352,900	$0	$0	0%	0%
Fire Department	$3,200,000	$3,200,000	$3,200,000	$3,200,000	$0	$0	0%	0%
Library & Cultural Services	$115,400	$182,100	$115,400	$182,100	$0	$0	0%	0%
Community Services	$121,600	$191,800	$121,600	$191,800	$0	$0	0%	0%
Police Department	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$0	$0	0%	0%
General Government	$48,300	$91,400	$48,300	$91,400	$0	$0	0%	0%
Project Services CFD Transfer to City	$1,076,400	$1,076,400	$0	$0	$1,076,400	$1,076,400	n/a	n/a
Total Annual GF Expenditures	**$6,748,400**	**$7,094,600**	**$5,672,000**	**$6,018,200**	$1,076,400	$1,076,400	19%	18%
Net Annual General Fund Revenue	**($4,578,200)**	**($132,700)**	**$1,449,600**	**$6,765,700**	**($6,027,800)**	**($6,898,400)**	**-416%**	**-102%**

Source: SunCal Winehaven Analysis, 2020; Strategic Economics, 2020.
Note: The “SE Analysis” results incorporate the same assumptions as the preceding table, except average single family home values were assumed to be $975,000; this assumption allows for an examination of the impact of all home sales falling within the lower property tax rate tier for sales below one million dollars.

Hotel Data Sources in the "Community Proposal" Analysis

Strategic Economics reviewed sources and assumptions used by Hatch Associates Consultants to develop hotel performance and valuation estimates as part of a separate fiscal impact analysis of the "Community Proposal" for Point Molate. Strategic Economics found overall that the Hatch analysis applied reasonable industry-standard assumptions to its hotel performance and valuation estimates, and that its related property tax and transient occupancy tax revenue conclusions were based upon sound reasoning and sound assumptions. Specifically, Strategic Economics found the following:

- The Hatch analysis used an industry-standard approach to valuation of the hotel property. The approach used a construction cost estimate developed based on data available from RSMeans, a commonly used source for this purpose.

- The Hatch analysis applied an occupancy rate assumption that fell within typical market conditions at the time of the analysis. Strategic Economics was not able to find documentation of the Hatch assumptions, but did determine that the assumptions included $270 per night room rates, and 82 percent occupancy rates. Strategic Economics is not able to comment on the room rate without in-depth analysis. However, the occupancy rate does reflect typical market conditions throughout Bay Area communities in which Strategic Economics completed market studies in 2018 and 2019.