

## **Economic Impact of Private Sector Investment**

The County of Santa Cruz and a local land owner, developer and contractor, Green Valley Corporation, have been working closely with the Aptos Community to design and implement a new mixed-use development that will address many unmet demands within the underserved market in and around the Aptos Community. As a result, the developer is prepared to proceed with the proposed development almost immediately to construct the private sector improvements that are dependent upon the awarding of TIGER III funding.

TIGER III funding would then have the added benefit of stimulating economic growth within the community through creating real property assets, permanent and short term employment, the infusion of material purchases and the opportunity to reduce retail and service leakage from the local economy. The potential for the development was first identified in a market study performed by Keyser Marston Associates, Inc. in 2003 concluded that 235,000 Square feet of comparison retail, 89,000 square feet of convenience retail and 51,000 square feet of eating and drinking space was supportable within the Aptos Trade Area.

In addition, a September 2011 City of Santa Cruz Retail Market Analysis, prepared by The Gibbs Planning Group, reinforces the conclusion that substantial new retail space is supportable within the Aptos Trade Area. The Analysis indicates that despite the recent economic downturn and higher levels of unemployment that unmet retail demand remains high, supporting upper range square foot retail sales projections and demonstrating the financial feasibility of the commercial elements of the Aptos Village Development. The only missing element of the development plan is funding for public infrastructure improvements, in the form of streets to support the development, which cannot be funded by the developer while insuring a reasonable rate of return necessary to induce private sector investment. As a result, this TIGER III Grant request has the opportunity to close the financial gap in the project while stimulating overall economic growth.

The following discussion will demonstrate the economic benefit projected to be generated by private sector investment upon full build-out of the Aptos Village Development, provided that TIGER III funding is made available. Direct, indirect and induced economic impacts of the development from job creation, increased local retail sales, and increased public revenues will be demonstrated to prove significant positive cost benefit as a result of TIGER III investment into the infrastructure necessary to support the Aptos Village Development Project.

### **Job Creation**

- **Short Term (construction) Job Creation**
  - Building and On-site Improvements
    - 90 Full-Time Equivalent (FTE) Jobs
    - \$15 million Payroll
  - TIGER III Transportation Improvements

- 12 FTE Jobs
  - \$1 million Payroll
- Total Short Term Employment
  - 102 FTE Jobs
  - \$16 million payroll
- The infusion of 102 FTE construction jobs generating \$16 million in payroll into the economy over a 20 month period is estimated to have an even greater impact when a multiplier accounting for indirect and induced impacts of labor cost is applied. In this case, recent multiplier data for construction in the State of California indicates that an appropriate multiplier would be 2.5113. Application of the multiplier to the total Short Term Employment Payroll of \$16 million yields an additional economic impact of \$24.18 million, which supports an estimated additional 212 indirect or induced jobs within the economy.

- **Long Term Permanent Job Creation**

- Retail – 38,000 square feet
  - 204 Jobs
  - \$3.2 Million Annual Payroll
- Eating and Drinking – 18,000 square feet
  - 22 Jobs
  - \$0.5 million Annual Payroll
- General Office – 14,000 square feet
  - 47 Jobs
  - \$2.3 million Annual Payroll
- Medical Office – 9000 square feet
  - 30 Jobs
  - \$1.9 million Annual Payroll
- Total Permanent Job Creation
  - 303 Jobs
  - \$7.9 million Annual Payroll
- The addition of 303 permanent jobs that generate annual payroll of \$7.9 million has a larger overall impact on the economy when a multiplier, accounting for the pass through,

leakage and subsequent is applied to the direct payroll generated. In this case the U.S. Department of Commerce indicates that an appropriate multiplier would be 1.65, which yields an additional \$5.1 million in economic impact and supports an additional 197 indirect and induced jobs.

### **Construction Materials**

- **Aptos Village Development**

- Discussions with local contractors indicate that approximately 50% of building and on-site construction costs are attributable to the purchase of materials. When applied to a total projected private sector development cost of \$30 million, material costs for the Aptos Village Development are projected to be \$15 million.
- Application of the State of California construction multiplier of 2.5113 to the \$15 million direct materials total yields an additional \$22.7 million in economic impact from the private sector development activity.
- Total direct, indirect and induced economic impact of this element equals \$37.7 million.

- **TIGER III Improvements**

- \$4.0 million of the anticipated costs associated with the street improvements proposed to be constructed with the TIGER III funds have been attributed to materials costs.
- Application of State of California construction multiplier of 2.5113 to the \$4.0 million direct materials estimate yields an additional economic impact of \$6.0 million.
- Total direct, indirect and induced economic impact of this element equals \$10 million

- **Total Construction Materials Impact**

- \$47.7 million direct, indirect and induced

## Tax Revenue Generation

- **Sales Tax Generation**

- Construction Generated (One Time)
  - Direct combined public and private construction materials purchases are estimated to be \$41.7 million, 40% or \$16.4 million of which are estimated to be taxable sales.
  - Applying the Santa Cruz County Sales Tax Rate of 8.50 % yields \$1.4 million in sales tax revenue that would be made available to state and local government on a one time basis.
- Business Generated (On Going Annual)
  - Retail – 38,000 square feet
    - \$475 sales/sq. ft.
    - \$11.5 million taxable sales
    - 8.50 % Tax Rate
    - \$.98 million
  - Eating and Drinking
    - \$525 sales/sq. ft.
    - \$2.7 million
    - 8.50%
    - \$.23 million
  - Total Annual Sales Tax
    - \$1.2 Million

- **Real Property Tax Generation (On Going Annual)**

- Estimated Assessed Value On Completion
  - \$36.6 million
  - 1.065745 Tax Rate
  - \$.39 million

- **Total Tax Generation**

- One Time
  - \$1.4 million
- On Going
  - \$1.59 million

## Agregated Benefit

- **Jobs Created/Induced**

- Short Term Jobs - 102
- Short Term Indirect/Induced Jobs - 212
- Long Term Jobs - 303
- Long Term Indirect/Induced Jobs - 197
- **Total Jobs - 814**

- **Payroll Generation**

- One Time - \$17,000,000
- Annual - 7,900,000

- **Indirect/Induced Economic Impact**

- One Time - 76,098,000
- Annual - 5,100,000

- **Tax Generation**

- One Time - 1,400,000
- Annual - 1,590,000

- **Total Impact One Time + One Year - \$109,088,000**