

**Hanna Ranch Fiscal and  
Economic Impact Analyses**

**Prepared for:**

**Hanna Novato, LLC**

**Prepared by:**

**ALH | ECON**

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**November 2016**

November 3, 2016

Brett Wood  
Hanna Novato, LLC  
1318 Broadway, 2<sup>nd</sup> Floor  
Santa Monica, CA 90404

**Re: Hanna Ranch Fiscal and Economic Impact Analysis - Updated**

Dear Mr. Wood;

ALH Urban & Regional Economics (ALH Economics) is pleased to present this fiscal and economic impact analysis of the Hanna Ranch project planned in the City of Novato. This analysis was prepared to provide an overview of the project's prospective fiscal impacts on the City of Novato's General Fund and economic impacts relative to the economies of the City of Novato and Marin County. This report is an update to an earlier report prepared on an earlier version of the project in September 2011.

It has been a pleasure working with you on this interesting project. Please let me know if there are any questions or comments on the analysis included herein.

Sincerely,



Amy L. Herman  
Principal

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## I. INTRODUCTION AND SUMMARY OF FINDINGS

### INTRODUCTION

ALH Urban & Regional Economics (“ALH Economics”) prepared fiscal and economic impact analyses of the planned Hanna Ranch project in Novato, California. The proposed project is located at the southern terminus of Rowland Boulevard, east of Highway 101 and north of State Route 37, in central Novato. The current plan for the project is modified from the plan first presented in 2011. The current plan includes one building with 13,200 square feet of retail space, three buildings with a total of 13,100 square feet of restaurant space, a 125-room hotel, and a Costco gasoline station (the “Project”). The plan presented in 2011, for which ALH Economics also prepared a fiscal and economic impact analysis, included a different mix of land uses, including 34,700 square feet of retail, 10,000 square feet of restaurants, 21,200 square feet of office space, and a 116-room business class hotel on a 19.7-acre site. A summary of the two development programs is presented below in Table 1.

**Table 1. Comparative Hanna Ranch Development Programs  
2011 and 2016**

Program	Square Feet or Hotel Rooms					
	Year	Retail	Restaurant	Office	Hotel	Gas Station
2011		34,700	10,000	21,200	116	No
2016		13,200	13,100	0	125	Yes

Source: Exhibit 2; and "Hanna Ranch Fiscal and Economic Impact Analysis," Prepared for Hanna Novato, LLC, Prepared by ALH Urban & Regional Economics, September 2011, Exhibit 2.

The fiscal and economic impact analyses for the current Project plan are based on key Project information and select assumptions developed by ALH Economics. All relevant information and assumptions are cited in the report or the back up documentation. All dollar figures cited are in 2016 dollars. For informational purposes, the summary fiscal impact findings for the current plan are compared to findings for the 2011 development plan, updated to reflect the assumptions relevant to 2016.

Due to the nature of the development planning process, assumptions relevant to the fiscal and economic impact analyses may change over time. This dynamic nature suggests that study findings should be considered general rather than detailed indications of the Project’s forecasted performance.

### SUMMARY OF FINDINGS

#### Fiscal Impact Analysis

The Hanna Ranch net fiscal impact findings for the current development program are presented in Exhibit 1 (see following page). When fully developed, the Hanna Ranch retail, restaurant, hotel, and gas station uses are projected to generate 201 jobs. The fiscal impact findings indicate that on an annual basis, Hanna Ranch is estimated to generate an estimated \$1,417,400 in gross revenue to the City of Novato General Fund. The largest revenue components include retail sales taxes estimated at \$770,100 per year and transient occupancy taxes estimated at \$615,900 per year. There are likely to be yet additional General Fund revenues generated by Hanna Ranch, but the most substantial revenue sources are reflected in the \$1,417,400 estimate, which also includes property taxes, property taxes in lieu of VLF, business license fees, and franchise fees.

**Exhibit 1  
Hanna Ranch  
Annual Net Fiscal Impact Analysis of Incremental New Development (1)  
City of Novato General Fund  
FY 2016-17 Dollars**

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<u>General Fund Revenues and Appropriations Categories</u>	<u>Revenue/ (Appropriation)</u>
<b>Revenues</b>	
Property Taxes, Secured and Unsecured	\$14,800
Property Tax in Lieu of VLF	\$13,000
Business License Fees	\$1,100
Retail and Restaurant Sales Taxes	\$140,500
Gasoline Sales Taxes	\$503,600
Costco Store Sales Increment	\$126,000
Sub-total Retail Sales Taxes	<u>\$770,100</u>
Transient Occupancy Taxes	\$615,900
Franchise Fees	\$2,500
Sub-total	<u>\$1,417,400</u>
<b>Appropriations</b>	
Central Administration	(\$3,000)
Administrative Services	(\$8,200)
Police	(\$21,300)
Community Development	(\$3,700)
Public Works	(\$10,500)
Sub-total	<u>(\$46,700)</u>
<b>Net Annual Impact</b>	<b>\$1,370,700</b>

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Source: ALH Urban & Regional Economics.

Notes:

(1) Includes revenues above the existing revenue base generated by the property in its current state. All figures are rounded to the nearest \$100. See Exhibit 11.

The average cost General Fund appropriations estimated to be attributable to Hanna Ranch total \$46,700. As an infill project, Hanna Ranch is unlikely to incur new appropriations equal to the amount estimated on an average cost basis. Thus, the cited \$46,700 figure is presented as a maximum General Fund appropriations estimate. Police services are estimated to comprise the largest share of these costs, totaling \$21,300, or just under one-half the total estimated costs. Other departments included in this cost estimate include Public Works, Administrative Services, Community Development, and Central Administration. These are the costs attributable to the Project’s estimated employment base of 201. Only the City’s Parks, Recreation & Community Services department is not factored into the analysis, as ALH Economics assumes this department primarily serves the City of Novato’s residential base and not existing businesses or other non-residential uses. In addition, fire services are not included in the fiscal costs analysis as fire services are not provided directly by the City. Instead, fire services to Novato residents and businesses are provided by the Novato Fire Protection District and are funded by a property tax allocation separate from the City of Novato.

The net result of Hanna Ranch’s fiscal impact at stabilized operations is a projected \$1,370,700 annual contribution to the City of Novato’s General Fund. This represents an annual contribution net of estimated City costs to service the Project. This figure comprises a strong boost to the City of Novato General Fund, which in Fiscal Year 2016/17 totals \$33.0 million in General Fund Appropriations.<sup>1</sup> Therefore, the net fiscal revenues contributed by Hanna Ranch will help the City maintain the provision of important services to City residents and other important components of the economic base.

The \$1,370,700 annual net fiscal impact for the current Hanna Ranch development program is substantially higher than the estimated net fiscal impact of the prior 2011 development program. Applying all the fiscal assumptions for the current analysis to the 2011 development program results in the comparative net fiscal impact analysis presented in Table 2, below. This table demonstrates that the 2011 development program is estimated to result in a net fiscal impact of \$783,300. While substantial, the annual amount is \$587,400 higher for the 2016 development program.

**Table 2. Net Annual City of Novato Fiscal Impact  
Comparative Findings, 2011 and 2016 Analyses  
in 2016 Dollars**

	<b>2011</b>	<b>2016</b>	<b>Difference</b>
Revenues	\$853,100	\$1,417,400	\$564,300
Expenditures	(\$69,800)	(\$46,700)	\$23,100
<b>Total</b>	<b>\$783,300</b>	<b>\$1,370,700</b>	<b>\$587,400</b>

Source: Exhibit 12.

There are many factors accounting for the higher net fiscal impact of the current development program. The foremost factor includes the Costco gas station and a slightly higher room count for the hotel with the associated greater transient occupancy taxes. In addition, the presence of the Costco gas station is anticipated to boost the sales at the existing adjacent Costco store. These factors outweigh the retail and restaurant sales taxes generated by the 2011 development program’s greater amount of retail and restaurant space, as summarized in Table 3.

<sup>1</sup> See “City of Novato, Proposed Budget, Fiscal Year 2016/17,” pages 20 and 21.

**Table 3. Select Annual General Fund Revenue Estimates  
Comparative Findings, 2011 and 2016 Analyses  
in 2016 Dollars**

	<u>2011</u>	<u>2016</u>	<u>Difference</u>
Gasoline Sales Tax	\$0	\$503,600	\$503,600
Costco Store Sales Tax Increment	\$0	\$126,000	\$126,000
Retail Sales Tax (exc. Gas Station)	\$224,200	\$140,500	(\$83,700)
Transient Occupancy Tax	\$577,300	\$622,100	\$44,800
<b>Total</b>	<b>\$801,500</b>	<b>\$1,392,200</b>	<b>\$590,700</b>

Source: Exhibit 12.

As noted in Table 3, the Costco gas station sales tax is the greatest contributor to the substantially greater estimate in General Fund revenues generated by the Hanna Ranch project.

### **Economic Impact Analysis**

The planned development of Hanna Ranch would provide beneficial economic impacts to the City of Novato and Marin County. Economic impacts measure the effects of economic stimuli or new demand for goods and services in the local economy. New demand in this case is created by construction activity as well as new permanent business activity. The secondary impacts, or multiplier effects, include supply chain expenditures by businesses in the development as well as local spending by employees. Multiplier effects are a way of representing the larger effects on the local economy of an initial increase in demand.

The beneficial economic impacts generated by Hanna Ranch, all estimated in 2016 dollars, include the following:

- The Project will generate significant non-recurring **construction impacts**. Development costs excluding land are estimated at \$31.2 million, including hard and soft construction costs and financing. Of this amount, about \$14.6 million in expenditures is projected to occur locally and create local economic impacts. This construction activity, which is anticipated to occur over a one-year timeframe, would result in a total increase in economic activity of about \$20.0 million, approximately 136 direct and indirect jobs, and result in nearly \$8.4 million in personal income generated in the City of Novato during the construction period. There would be a small amount of additional impacts in other parts of Marin County, estimated at about \$808,000 in additional economic activity or output.
- On average, the output multiplier for the **construction impacts** is 1.37. This means that for every \$1 million of construction expenditures, an additional \$370,000 in economic activity is generated in Novato's economy. Similarly, for every direct construction job created an additional 0.4 jobs are supported at other businesses in Novato.
- Once the Project is developed and achieves **stabilized operations**, it will employ an estimated 201 people. The annual wages associated with these 201 jobs are estimated to total \$6.8 million, or approximately \$33,685 per job.

- Hanna Ranch's **stabilized operations** are projected to create direct annual impacts of \$17.8 million in Novato and additional indirect and induced impacts of \$7.3 million. Through the multiplier effect created by local supplier and employee spending, the Project operations would indirectly support an additional 52 jobs and \$2.9 million in annual payroll throughout the City of Novato. Countywide, the project would create an annual economic impact of \$26.2 million, supporting about 261 total jobs and \$10.2 million in payroll.
- On average, the output multiplier for Hanna Ranch's **stabilized operations** is 1.41. This means that for every \$1 million of output created by the Project's components an additional \$410,000 in economic activity, and for every one direct job, 0.26 additional jobs are supported at other businesses in Novato. On average, the income from these indirect jobs will be about \$56,200 per employee. Additional indirect jobs and payroll would be supported outside Marin County.

Overall, the Project would have a significant positive impact throughout the City of Novato and Marin County. It would generate new jobs and support local business activity in the community and represent a sizeable increase in economic activity in the region.

### **Limitations of Findings**

The foregoing findings are intended to give a general sense of the net fiscal and economic impacts of Hanna Ranch. The figures are not precise estimates and changes will occur if the City of Novato fiscal revenue and appropriation factors or other assumptions are developed with more precision or change, such as construction costs. Moreover, there may be additional service costs incurred by the City of Novato that are not accounted for and could reduce the estimated net fiscal impacts. Nonetheless, the findings suggest a strong likelihood that the Hanna Ranch Project will result in a significant net positive fiscal impact to the City's General Fund and a beneficial economic impact to the economic base in Novato and Marin County.



## II. METHODOLOGY AND DATA RESOURCES

### METHODOLOGY

#### Fiscal Impact Analysis

ALH Economics adopted an approach to the Hanna Ranch fiscal impact analysis designed to provide a general understanding of the Project's net fiscal impact on the City of Novato's General Fund without requiring extensive, in-depth analysis. As such, the analysis includes general findings that provide an indication of the nature of Hanna Ranch's fiscal impacts but not a detailed forecast of the Project's performance. Accordingly, a number of simplifying assumptions are included in the analysis, all of which are documented in the text and/or accompanying exhibits. For example, the analysis is structured to examine the Project's impacts upon full build out and assumed stabilization. The timing of this build out is at some unspecified point in time, but likely early 2018. In addition, in keeping with the simplifying approach to the analysis, the findings are presented in 2016 dollars.

The overall approach to the analysis is an average cost approach. This is the most expeditious approach for a fiscal impact analysis but is also one that can result in under or over estimation of both project-related costs and revenues. In this approach, costs are derived by determining an average cost to provide existing services on a per capita basis for the relevant population served, which is then applied to the comparable population base for the project under study. The average cost is based on the City of Novato's annual budget. A similar approach is used for select revenues. The City budget used for this purpose is the Proposed Budget for FY 2016-2017, as this was perceived to comprise the closest proxy to 2016 dollars, which matches the construction cost estimates and other available Project or City information.

The alternative fiscal impact approach, which comprises the case study or marginal cost approach, involves obtaining detailed estimates from City department representatives based on project specifics, such as new building area, number of hotel guests, and numbers of new employees. An example of relevant departmental information includes the number and cost of police department personnel and overhead required to provide police services to the new project. This approach was not pursued for this analysis because it would entail a lengthier time commitment than was available and access to a number of City of Novato department representatives, which poses a burden on City staff.

Hanna Ranch essentially comprises an infill development opportunity, with existing development nearby and City services already provided to the area. Projects of this nature that are already served by existing services and infrastructure often do not have substantial impacts on a marginal basis, especially relative to costs. Therefore, ALH Economics believes it is conservative to conduct the analysis on an average cost basis. This conservatism is reinforced throughout the fiscal impact analysis, wherein any assumptions or estimates required to further the analysis were developed in a conservative manner.

The analysis was conducted in a series of linked excel-based worksheets. Exhibits generated from these worksheets are included in the Appendix.

## Economic Impact Analysis

The impact of Hanna Ranch on the local economy is greater than the total of the spending on construction as well as the payroll and spending by the Project's retail, restaurant, office, and hotel components. This is because money spent by the developer or the Project's tenants is spent again by the employees and local businesses. Employees use their salaries and wages to purchase goods and services from other businesses. Businesses make their own purchases and hire employees, who also spend their salaries and wages throughout the local economy. A chain reaction of indirect and induced spending continues, with subsequent rounds of additional spending gradually diminished through savings, taxes, and expenditures made outside the immediate region. This economic ripple effect is measured by what is known as an "Input-Output" economic model, which uses a series of "multipliers" to provide estimates of the number of times each dollar of "input," or direct spending, cycles through the economy in terms of "indirect and induced output," or additional spending, personal income, and employment.

The secondary impacts of supplier expenditures - employee spending - are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (loosely defined for service industries as sales, less profits) into a corresponding increase in jobs and personal income. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

The types of economic impacts measured by multipliers included in this study are as follows: <sup>2</sup>

- **Direct impacts** refer to impacts from the economic activities associated with Hanna Ranch.
- **Indirect impacts** measure output (gross sales), jobs, and labor income associated with the business and organizations that support Hanna Ranch's activities.
- **Induced impacts** accrue when employees of Hanna Ranch businesses and indirect industry employees spend their wages on local goods and services. These expenditures in turn stimulate other sectors in the local economy.

There are several input-output models used by economists to estimate multiplier effects. ALH Economics used the IMPLAN input-output model to develop the estimates of the Project's output, jobs, and personal income impacts. The IMPLAN model examines inter-industry relationships in the local, regional, and national economies. ALH Economics relied on IMPLAN to provide estimates of indirect and induced output, employment, and income impacts based on multipliers for two study geographies – the City of Novato and Marin County.

IMPLAN multipliers indicate the ratio of direct impacts to indirect and induced impacts, or total impacts. For example, an output multiplier of 0.25 indicates that \$1.00 dollar of direct spending generates an additional \$0.25 in indirect and induced spending. Put differently, a spending multiplier of 0.25 can be interpreted as indicating that \$1.00 of direct spending generates total spending of \$1.25. In the case of employment impacts, the multipliers measure the number of full-time equivalent (FTE) jobs supported by \$1 million in direct spending, e.g., an employment multiplier of 10 indicates that \$1 million in spending generates 10 indirect and induced FTE jobs.

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<sup>2</sup> Indirect impacts are the changes in inter-industry purchases as they respond to new demands of directly affected industries. Induced impacts typically reflect changes in spending from households as income increases or decreases due to changes in production.

## DATA RESOURCES

The fiscal and economic impact analyses relied upon a number of key resources. These resources are all identified in the sources and notes to the exhibits developed to support the analyses and provide the results. These resources are as follows:

- **Materials provided by Hanna Novato, LLC.** These materials include the proposed development program, the Hanna Ranch property Assessor's Parcel Number (APN), estimated construction costs and timing, and other development-related parameters.
- **Materials provided by other Project Consultants.** Projected hotel performance data were extracted from a hotel market study prepared by CBRE Hotels, September 2016, as well as prior reports prepared for the project by ALH Urban & Regional Economics.
- **City of Novato resources.** These include the City's website, the City of Novato Proposed Budget for Fiscal Year 2016/17, the Finance Division of the Administrative Services Department, and the City of Novato Business License Fee schedule.
- **Market and valuation data.** Select data resources were referred to for market and valuation data relative to the Hanna Ranch land uses. These include DTZ Retail Terranomics, Loopnet.com, RealQuest, and PwC Real Estate Investor Survey, which especially provided information on real estate valuation parameters such as capitalization and lease rates and expense ratios.
- **Third party resources.** These sources include the Institute of Transportation Engineers; Association of Bay Area Governments; County of Marin, Office of the Assessor – Recorder-County Clerk; Property Tax Division, Department of Finance, County of Marin; Novato Patch; California Employment Development Department Quarterly Census Employment and Wage data; California State Board of Equalization; Retail MAXIM; Costco letter to the City of Novato; Costco SEC 10-K; U.S. Bureau of the Census County Business Patterns; the IMPLAN software, and a detailed IMPLAN dataset for Marin County including zip code detail for the City of Novato.

These resources are identified as warranted in the series of exhibits that document the fiscal impact analysis as well as the fiscal and economic impact text. The cited exhibits can be found in Appendix A.

### III. FISCAL ASSUMPTIONS AND REVENUE AND APPROPRIATION ESTIMATES

#### FISCAL ASSUMPTIONS

The assumptions and building blocks underlying the fiscal impact analysis are presented in Exhibits 2 through 10, which can be found in Appendix A. A summary of these exhibits and their primary purpose follows.

- **Exhibit 2, Project Description and Operational Jobs Estimates at Stabilization.** This exhibit summarizes Hanna Ranch’s development program. This information is based on information from Hanna Ranch, LLC. In addition, the exhibit includes industry standard assumptions for stabilized vacancy by Project component to support the derivation of occupied square feet. Employment density assumptions are applied to the occupied square feet to derive estimates of the number of operational employees by component. These estimates are relevant to both the fiscal and economic impact analyses. For the fiscal impact analysis, the employees provide a basis for estimating the Project’s “service population.” This service population estimate, which totals 100.4, comprises approximately one-half the 201.0 estimated employees (rounding differences), on the assumption that employees do not require the same level of service as residents. This is an industry-standard assumption. The employee count is also relevant to the economic impact analysis, which examines the earnings-related economic impacts of the Project’s 201 employees.
- **Exhibit 3, Retail and Restaurant Space Pro Forma for Valuation Purposes, Project Stabilization, 2016 Dollars.** This exhibit presents the assumptions and conclusions regarding the property valuation of the Project’s retail and restaurant components. This is relevant to property tax and property tax in lieu of vehicle license fee (VLF) revenues to the City of Novato General Fund. The valuation, which is a generalized estimate, is based on the income approach, with the value of both components estimated for purposes of the fiscal impact analysis at \$294 per square foot of building area. This value is inclusive of the underlying land value.
- **Exhibit 4, Hotel Room Rate and Valuation, 2016 Dollars.** This exhibit presents the assumptions and conclusions regarding the property valuation of the Project’s hotel component. This information is based on time-adjustments to the conclusions prepared for the Project’s hotel component by CBRE Hotels, including in a September 2016 report to Hanna Novato LLC. Pursuant to the conclusions prepared by CBRE Hotels, adjusted for time, the value per room is estimated at \$221,000. This is a generalized estimate, and is assumed to include an allocation for land value. ALH Urban & Regional Economics believes this to be a conservative estimate.
- **Exhibit 5, City of Novato Demographic, Employment, and Tax Characteristics.** This exhibit contains many of the baseline assumptions and information necessary to generate estimates of City of Novato revenues and expenses applicable to the Project. These include population and employment estimates used to generate the size of the City’s existing service population for the purpose of deriving existing average cost expenditures. These estimates include a population base of 52,640 and an employment base of 21,950. Other select City demographic estimates are included because of their relevancy to select revenue or appropriation factors, such as the estimated level of employment engaged in sectors that do

not pay property taxes (18%), which is relevant to a per employee calculation of unsecured property tax revenues to the City of Novato.

This exhibit also includes key tax-related information unique to Novato, such as tax rates, vehicle in lieu of property tax revenues, secured and unsecured property assessed valuation, and unsecured property tax revenues, all of which are germane to the fiscal impact analysis as noted where relevant in other exhibits. Most relevant is the City's approximately 5.1% share of the basic 1% property tax rate collected by the County and the City's 9% transient occupancy tax (to the General Fund) assessed on hotel room revenues. Exhibit 5 also includes calculations prepared by ALH Economics pertaining to per employee estimates of unsecured property tax revenues, which is also germane to other aspects of the fiscal impact analysis (see Exhibit 7).

- **Exhibit 6, Estimated Taxable Basis of Gasoline Sales.** When gas sales occur, they are fully loaded with all applicable taxes. Thus, ALH Economics assumes that the Project's estimated gasoline sales includes taxes. Therefore, analysis is presented in Exhibit 6 that estimates the portion of gasoline sales that is the taxable basis, to which the City's 1.0% sales tax rate would be applied to estimate sales tax. The exhibit also presents the assumed cost per gallon of gas included in the analysis, based upon historic average gasoline sales prices in California for the annual period ending in early August, 2016.

#### FISCAL REVENUE AND APPROPRIATION ESTIMATES

The revenue and appropriation calculations for the fiscal impact analysis are presented in Exhibits 7 through 10. Specifically, the revenues are summarized in Exhibits 7 through 9 and the expenditures are presented in Exhibit 10. A summary of these exhibits and their primary purpose follows.

- **Exhibit 7, Incremental Property Valuation and Taxes, Project Stabilization, FY 2016-17 Dollars.** This exhibit summarizes the property valuation estimates from Exhibits 3 and 4, includes an estimate for the Costco Gas Station, and nets out the existing property valuation to estimate a net incremental value attributable to Hanna Ranch. The gas station component is valued based upon the cost approach, with the estimated construction cost totaling \$3.2 million. The cumulative property valuation for the retail, restaurant, hotel, and gas station components total \$35.4 million. The incremental value, less the \$9.4 million in current property valuation attributable to the land pursuant to RealQuest, is \$25.9 million. Based upon study assumptions developed by ALH Economics and documented in this exhibit, the Project is projected to have an additional unsecured property value of \$3.0 million, bringing the total net property valuation to \$29.0 million. Unsecured property typically comprises furniture and fixtures.

The share of property taxes projected to accrue to the City of Novato General Fund associated with this net incremental value is approximately \$14,800 annually. This is inclusive of the estimated unsecured property tax revenues. For study purposes, a per capita figure was estimated based on City unsecured property revenues and the estimated City employment base likely to generate such revenues. The resulting figures attributable to Hanna Ranch total \$1,555 (the preceding unsecured property value of \$3.0 million was estimated based on this tax estimate). This figure is likely a conservative estimate, under an ALH Economics' assumption that the unsecured property tax revenues from the hotel are likely to be higher than the average citywide figure on a per employee basis because of the quantity of furniture and fixtures necessary to equip a hotel.

- **Exhibit 8, Property Tax in Lieu of VLF Estimates, Project Stabilization, Net New or Incremental Valuation Attributable to Hanna Ranch, City of Novato, FY 2016-17 Dollars.** This revenue component, Property Tax in Lieu of Vehicle License Fees (VLF), is derived from Hanna Ranch's anticipated contribution to increased property valuation throughout the City of Novato. This is the method by which such tax revenues are estimated by the State of California and redistributed to local jurisdictions. The results of these calculations indicate that the incremental value associated with Hanna Ranch is estimated to increase the City's assessed valuation by less than 1%, comprising a nominal increase. This will provide an estimated revenue increase of \$13,022 to the City of Novato.
- **Exhibit 9, Assorted City of Novato General Fund Revenues, Project Stabilization, FY 2016-17 Dollars.** There are six major revenue sources identified in this exhibit along with the corresponding revenues estimated to be generated by Hanna Ranch. These revenue sources include business license fees, retail and restaurant sales taxes, gasoline sales tax, retail sales tax from gas station impacts on Costco store sales Growth, transient occupancy taxes, and franchise taxes. There are yet other revenues that will be generated by Hanna Ranch that will accrue to the General Fund, but ALH Economics believes the four cited revenues are likely to comprise the most substantial revenue sources.

As presented in Exhibit 9, the Project is estimated to generate \$1,116 annually in recurring business license fee revenues. This assumes there will be three retail businesses located in the Project's 13,200 square feet of retail space, four restaurants in the 13,100 square feet of restaurant space, one gas station, and one hotel. There will be additional one-time registration fees, but these will not occur on a regular basis.

The retail sales taxes are derived from the estimated sales generated by the Project's occupied retail and restaurant space. ALH Economics prepared a generic sales per square foot estimate by type of space based upon reviewing sales performance data for a range of national retailers as reported by Retail Maxim, a retail industry research resource. The assumptions include \$500 per square foot for retail space and \$400 per square foot for restaurant space. All sales are assumed to be taxable, and thus the analysis assumes there will be no non-taxable food or pharmacy sales.

There is likely to be other taxable retail sales generated by the Project's employees and hotel guests. Some of these sales are likely to be captured by the Project retail while other sales are likely to benefit other retailers in Novato. The fiscal impact analysis conservatively does not include any retail sales spending estimates of these populations, although they are factored into the following economic impact analysis.

In an April 2013 letter to the City of Novato, Costco provided an estimate of gallons sold at a prospective Novato gas station. This included a high end estimate of 13.9 million gallons sold. Assuming this high end sales estimate, the City of Novato's share of sales taxes for these gallons sold is estimated at \$503,600, based upon the assumed per gallon taxable basis of \$2.90.

In the above-referenced letter to the City of Novato, Costco representatives indicate Costco's anticipation that the addition of a Costco-branded gasoline station in proximity to the existing Novato Costco store will result in a sales enhancement impact of 8%, i.e., existing store sales

are anticipated to increase by 8% following introduction of the gasoline station. These increased sales will generate some increment of sales tax. The calculation of this increment is based upon an estimate of the amount of total increased sales and the share of these sales anticipated to be taxable, as many Costco sales items include non-taxable food and pharmaceuticals. The current Costco store sales were provided by Hanna Ranch, LLC, as \$210.0 million, for a 150,261-square-foot store. This equates to almost \$1,400 per square foot. Analysis of Costco documents prepared for the SEC indicate that the average Costco store in 2015 had sales totaling approximately \$1,150 per square feet. Thus, the derived estimate for the Novato store is higher than average, but Costco reports this store achieves above average sales, which is not atypical for a store in California. An 8% increment over existing store sales due to the synergy generated by the Costco gas station totals \$16.8 million. Further analysis of the Costco SEC documents suggests that approximately 60% of Costco store sales are taxable. Thus, the resulting taxable increment totals \$10,080,000. Pursuant to the City of Novato's sales tax rate this results in \$126,000 estimated increase in retail sales tax for the existing Costco store, attributable to the gasoline station's synergistic impact.

Transient occupancy taxes will comprise one of the Project's greatest revenue contribution to the City of Novato. Based upon the ALH Urban & Regional Economics assumed room rate of \$200 and the stabilized occupancy rate estimated by CBRE Hotels, the Hanna Ranch hotel is estimated to generate \$615,938 annually in transient occupancy taxes to the City of Novato. While much smaller in comparison, the Project is also estimated to generate approximately \$2,500 annually in franchise taxes related to several services provided to Novato businesses as well as residents.

- **Exhibit 10, City of Novato General Fund Appropriations, FY 2016-2017 Projected Actual Budget, Fiscal Impact Factors.** In this exhibit the City of Novato's General Fund Appropriations are expressed as average costs relative to key populations, e.g., the City's service population or the City's resident population. There are six major City departments funded through the General Fund – Central Administration, Administrative Services, Police, Community Development, Public Works, and Parks, Recreation & Community Services. ALH Economics assumes that all but one of these departments serves both the City's resident population and the work force. The one category assumed to serve only the City's resident population is Parks, Recreation & Community Services. Fire services are not provided directly by the City, but instead are provided by the Novato Fire Protection District and funded by a property tax allocation separate from the City of Novato. For the five departments assumed to serve the City's workforce the average cost per employee is \$70.67.

Exhibit 10 is structured to facilitate analysis of the City's expenditures on a fixed and variable cost basis. Using this approach, some of the City's departmental expenditures are assumed to be fixed regardless of the size of the population served. The balance of the expenditures is then deemed to be variable, i.e., to change with the size of the population served. While Exhibit 10 is structured to accommodate a fixed versus variable analysis, the analysis conservatively assumes that all costs are variable. This means all the departmental expenditures are spread across the City's service population. As stated, this is a conservative approach, and serves to provide a maximum estimate of service costs associated with development of Hanna Ranch.

## IV. FISCAL IMPACT FINDINGS

### NET FISCAL IMPACT ANALYSIS

The results of the Hanna Ranch fiscal impact analysis are presented in Exhibit 11. These findings present the estimated annual revenues and appropriations accruing to the City of Novato's General Fund at build out of Hanna Ranch. This exhibit also compares these findings to the net fiscal impact analysis results from the earlier 2011 analysis based upon a Project description with more retail and restaurant space, office space, a smaller hotel component, and no gas station.

#### Summary of Revenues

The net fiscal impact findings in Exhibit 11 indicate that on an annual basis, Hanna Ranch is estimated to generate \$1,417,400 in revenue to the City of Novato General Fund. The two largest revenue components include retail sales tax estimated at \$770,100 per year and transient occupancy taxes estimated at \$615,900 per year. These two revenue sources account for more than 95% of the estimated General Fund revenues generated by Hanna Ranch. The remaining revenues included in Exhibit 11 total \$31,400, including \$14,800 in property taxes, \$13,000 in property tax in lieu of VLF, \$2,500 in franchise tax fees, and a modest \$1,100 in business license fees. There are likely to be yet additional General Fund revenues generated by Hanna Ranch but the cited revenues likely comprise the most substantial revenue sources.

#### Summary of Appropriations

The average cost General Fund appropriations estimated to be attributable to Hanna Ranch total \$46,700. Police services are estimated to comprise the largest share of these costs, totaling \$22,300, or just under one-half the total estimated costs. Two other departments are estimated to incur modest costs, comprising \$10,500 for Public Works and \$8,200 for Administrative Services. Only very low costs are estimated for Community Development and Central Administration. These are the costs attributable to the Project's 201 estimated employees, which comprise a service population of 100.4.

These costs are anticipated to comprise maximum estimates. As an infill project, Hanna Ranch is unlikely to incur new appropriations equal to the amount estimated on an average cost basis. Thus, the cited \$46,700 figure is presented as a maximum General Fund appropriations estimate.

#### Net Fiscal Impact Summary

The net result of Hanna Ranch's fiscal impact during stabilized operations is a projected \$1,370,700 annual contribution to the City of Novato's General Fund. This represents an annual contribution net of estimated City costs to service the Project. This figure comprises a strong boost to the City of Novato General Fund, which will help the City maintain the provision of important services to City residents and other important components of the economic base.

### FISCAL IMPACT COMPARISON TO 2011 DEVELOPMENT PROGRAM

The preceding analysis focused on a current 2016 development program for Hanna Ranch. In 2011 ALH Economics also performed a fiscal impact analysis for an earlier development program, referred to herein as the 2011 development program. To provide a paired comparative analysis, ALH Economics applied the current fiscal factors and assumptions to the 2011 development program to



identify the difference in the net fiscal impact of the two development programs. This analysis is summarized in Exhibit 12, with Appendix B including all the detailed worksheets for the 2011 development program with the updated, current fiscal assumptions. Because of the difference in time, significant changes in select assumptions, such as the City of Novato sales tax rate and hotel room rates, ALH Economics determined that a comparison of the original 2011 findings to the current 2016 development program findings would not be meaningful.

The results presented in Exhibit 12 indicate the \$1,370,700 annual net fiscal impact for the current Hanna Ranch development program is substantially higher than the estimated net fiscal impact of the prior 2011 development program. Applying all the fiscal assumptions for the current analysis to the 2011 development program results in the comparative net fiscal impact analysis of \$783,300. While substantial, this annual amount is \$587,400 lower than the amount projected for the 2016 development program.

There are many factors accounting for the higher net fiscal impact of the current development program. The foremost factor includes the Costco gas station and a higher room count for the hotel with the associated greater transient occupancy taxes. In addition, the presence of the Costco gas station is anticipated to boost the sales at the existing adjacent Costco store. These factors outweigh the retail and restaurant sales taxes generated by the 2011 development program's greater amount of retail and restaurant space, as summarized in Table 4.

**Table 4. Select Annual General Fund Revenue Estimates  
Comparative Findings, 2011 and 2016 Analyses  
in 2016 Dollars**

	<b>2011</b>	<b>2016</b>	<b>Difference</b>
Gasoline Sales Tax	\$0	\$503,600	\$503,600
Costco Store Sales Tax Increment	\$0	\$126,000	\$126,000
Retail Sales Tax (exc. Gas Station)	\$224,200	\$140,500	(\$83,700)
Transient Occupancy Tax	\$571,600	\$615,900	\$44,300
<b>Total</b>	<b>\$795,800</b>	<b>\$1,386,000</b>	<b>\$590,200</b>

Source: Exhibit 12.

As noted in Table 4, the Costco gas station sales tax is the greatest contributor to the substantially greater estimate in General Fund revenues generated by the Hanna Ranch project.

### **FISCAL IMPACT LIMITATIONS**

The foregoing fiscal impact analysis is intended to give a general sense of the net fiscal impact of Hanna Ranch. The figures are not precise estimates and changes will occur if the revenue and appropriation factors or other assumptions are developed with more precision. Nonetheless, the findings suggest a strong likelihood that Hanna Ranch will result in a significant net positive fiscal impact to the City's General Fund. However, some limitations to the analysis, listed below, may affect the degree of Hanna Ranch's estimated net benefit and change the net fiscal impact balance.

## **General Limitations**

- The analysis is benchmarked to estimated stabilized operations. The net impacts during the development period will vary from the stabilized operations estimate.
- The analysis may not be inclusive of all revenue and cost estimates. Major categories associated with ongoing revenues and costs are included, but there may be other less significant categories excluded from the analysis.

## **One-time Revenues and Appropriations**

- The fiscal impact analysis does not include one-time fees that may be assessed by the City of Novato. These fees are typically assessed on a cost recovery basis and are thus excluded from the analysis. Other potential fees, such as impact fees, are also excluded as they too are designed to provide a nexus with the services provided.
- The analysis does not include capital costs for new infrastructure or services, if any are required.
- Depending upon how construction contracts are structured, there may be the potential for the City of Novato to benefit from construction-related sales and use taxes associated with the construction effort. These revenues are excluded from the analysis but could comprise a strong source of one-time revenues.
- Another one-time revenue that could benefit the City of Novato during the construction period includes retail sales tax revenues resulting from construction worker spending in Novato. Given the scale of the construction effort these revenues could be substantial. More general impacts of this type of spending are included in the economic impact analysis.

## **Ongoing Revenue and Appropriation Factors**

- The analysis does not include any increase in valuation, such that would occur with the maximum 2% allowable increase pursuant to Proposition 13 or that would occur based upon increased valuation upon sale.
- The analysis does not take into account long-term service cost inflation, which may or may not be greater than the estimated rate of inflation.
- Hanna Ranch development may trigger the need for additional services not accounted for in this analysis. The costs associated with these services could be meaningful, both for amortized capital and operating expenditures, and could reduce the estimated net positive annual impacts.

In summary, the Hanna Ranch net fiscal impact findings estimated above are general in nature, and may change as more information and factors are considered. The results, however, indicate a generally positive, strong contribution to the fiscal wherewithal of the City of Novato, with the potential to generate a substantial net positive annual contribution to the City's General Fund.

## V. ECONOMIC IMPACT FINDINGS

### TYPE OF ECONOMIC IMPACTS

The economic benefits resulting from Hanna Ranch include one-time construction impacts and ongoing operations impacts associated with the retail, gas station, restaurant and hotel components. These impacts can be quantified in terms of direct and indirect jobs, personal income, and economic activity or output that would be generated by the Project. Economic impacts measure the effects of economic stimuli or expenditures in the local economy. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in Novato and Marin County that benefit from these economic stimuli.

The analysis presented here projects the economic impacts of Hanna Ranch on the City of Novato and Marin County during construction and for annual ongoing operations. The analysis includes impacts of the retail, restaurant, hotel, and gas station operations. There would be some additional visitor impacts that are not included here from spending by hotel guests at other local establishments. However, the majority of the visitor spending would likely be captured by the retail and restaurants within Hanna Ranch.

### PROJECT INFORMATION AND ASSUMPTIONS

#### Construction Costs

Hanna Novato, LLC provided information regarding anticipated construction costs for Hanna Ranch and the share of costs anticipated to be spent locally, defined for the purpose of this study as within the City of Novato and Marin County. As indicated in Table 5, a breakdown of Hanna Ranch construction costs by type (excluding land) is as follows:

**Table 5**  
**Hanna Ranch Construction Costs, 2016 Dollars**

<b>Cost Component</b>	<b>Total Cost (Excluding Land)</b>	<b>Percent Local</b>
Hard costs	\$24,200,000	50%
Soft Costs	\$5,000,000	50%
Financing	\$2,000,000	NA
<b>Total</b>	<b>\$31,200,000</b>	

Sources: Hanna Novato, LLC; and ALH Urban & Regional Economics.

These costs, which comprise direct impacts, are projected to occur during the Project's 12-month construction period, estimated to begin around March 2017. Of the \$31.2 million in construction costs (excluding land), about \$14.6 million of hard and soft cost expenditures is projected to occur locally and create local economic impacts.

## Ongoing Operations

Once the Project is developed and achieves stabilized operations, it will employ an estimated 201 people. Based upon wage data for key occupations in Marin County, the wages associated with these 201 jobs are estimated to total \$6.8 million in 2016 dollars, as follows:

- \$0.7 million for the retail and gas station employees
- \$0.5 million for the restaurant employees
- \$5.6 million for the hotel employees

The job counts are based upon estimates provided in Exhibit 2, while the wage data are based on County Business Patterns data for Marin County prepared by the U.S. Bureau of the Census. The average wage is estimated at \$33,685.

## ECONOMIC IMPACTS

### Construction Impacts

The multiplier effects resulting from construction of Hanna Ranch are presented in Table 6. A 12-month construction period is anticipated, beginning approximately March 2017.

**Table 6. Construction Impact of Hanna Ranch, 2017-2018**

Geographic Area	Direct			Total		
	Construction Expenditures	Jobs	Personal Income	Output	Jobs	Personal Income
City of Novato	\$14,600,000	100	\$6,312,844	\$20,011,611	136	\$8,382,459
Marin County	\$14,600,000	100	\$6,312,845	\$20,819,985	143	\$8,748,483

Source: ALH Urban & Regional Economics.

Table 6 indicates that the \$14.6 million in local construction spending in the City of Novato is projected to result in a total increase in economic activity of about \$20.0 million over the two-year construction period (see “output” estimates in Table 6). The construction project is projected to create approximately 136 direct and indirect jobs, which would result in almost \$8.4 million in personal income generated in the City of Novato during the construction period. These construction impacts include local supplier purchases as well as employee spending impacts. There would be a small amount of additional impacts in other parts of Marin County, estimated at about \$808,000 in additional economic activity or output.

The multipliers used in this analysis are from IMPLAN, a nationally recognized vendor of economic impact software, and are specific to the City of Novato and Marin County and the type of construction planned for Hanna Ranch. Hence, they only capture the impacts that are projected to occur in the local area, not the surrounding region. Industry-specific multipliers were used for each category of construction costs, including both hard costs as well as soft costs like architecture, engineering, and project management.

On average, the output multiplier for the construction impacts is 1.37. This means that for every \$1 million of construction expenditures, an additional \$370,000 in economic activity is generated in Novato's economy. Similarly, for every direct construction job, an additional 0.4 jobs are supported at other businesses in Novato.

## Operations Impacts

The operations analysis captures the impacts of operations for the retail, restaurant, hotel, and gas station planned for Hanna Ranch. The economic impact results are grouped into direct impacts and total impacts. Direct impacts include employment, payroll, and sales at the Hanna Ranch establishments. These businesses make some supplier purchases in the local area and their employees make local purchases that are captured in the total impact estimates. The total impact includes both the direct impacts and the secondary or indirect impacts created by other local businesses and their employees.

Industry-specific IMPLAN multipliers for the City of Novato and Marin County were used for Hanna Ranch's planned activities. The average output multiplier for the Project is 1.41. This means that for every \$1 million of output created by the retailers, restaurants and hotel an additional \$410,000 in economic activity and for every 1 direct job, 0.26 additional jobs are generated in the local economy. On average, the income from these indirect jobs will be about \$56,200 per employee. Additional indirect jobs and payroll would be supported outside Marin County. The economic impacts of the Hanna Ranch operations are presented below in Table 7.

**Table 7. Annual Operations Impact of Hanna Ranch, 2016 Dollars**

Geographic Area	Direct			Total		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income
<b>City of Novato</b>	<b>\$17,841,810</b>	<b>201</b>	<b>\$6,769,719</b>	<b>\$25,184,216</b>	<b>253</b>	<b>\$9,666,640</b>
Retail	\$1,702,118	25	\$679,844	\$2,302,539	29	\$908,288
Restaurant	\$872,906	25	\$507,930	\$1,259,377	27	\$650,202
Hotel	\$15,038,053	150	\$5,557,500	\$21,302,029	195	\$8,059,176
Gas Station	\$228,733	1	\$24,445	\$320,271	2	\$48,975
<b>Marin County</b>	<b>\$17,841,809</b>	<b>201</b>	<b>\$6,769,719</b>	<b>\$26,186,402</b>	<b>261</b>	<b>\$10,159,875</b>
Retail	\$1,702,118	25	\$679,844	\$2,407,072	30	\$959,111
Restaurant	\$872,906	25	\$507,930	\$1,313,012	28	\$677,587
Hotel	\$15,038,052	150	\$5,557,500	\$22,134,084	202	\$8,469,997
Gas Station	\$228,733	1	\$24,445	\$332,234	2	\$53,180

Source: ALH Urban & Regional Economics.

As shown in Table 7, Hanna Ranch's operations are projected to create average direct annual impacts of \$17.8 million in Novato and additional indirect and induced impacts of \$7.3 million. The operations impacts are projected to occur on an annual basis beginning in 2018. The Project will directly generate about 201 jobs and \$6.8 million in payroll, based on the assumptions in this analysis. Through the multiplier effect created by local supplier and employee spending, the operations of the retail, restaurant and hotel is projected to indirectly support an additional 52 jobs and \$2.9 million in annual payroll throughout the City of Novato. Countywide, the project is projected to create an annual economic impact of \$26.2 million, supporting about 261 jobs and \$10.2 million in payroll. This would represent a sizeable increase in economic activity in the region.

## **ASSUMPTIONS AND GENERAL LIMITING CONDITIONS**

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic 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. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

**APPENDIX A: 2016 DEVELOPMENT PROGRAM FISCAL ANALYSIS EXHIBITS**

**Exhibit 2  
Hanna Ranch  
Project Description and Operational Jobs Estimates at Stabilization**

Land Use	Occupied Square Feet (1)			Employment Density (2)		Estimated Stabilized Employment	Service Population (3)
	Planned Sq. Ft.	Vacancy Rate	Occupied Sq. Ft.	Amount	Measure		
Retail	13,200	5%	12,540	500	sq. ft./employee	25.1	12.5
Restaurant	13,100	5%	12,445	500	sq. ft./employee	24.9	12.4
Hotel (125 rooms)	75,000	NA	NA	1.2	per room	150.0	75.0
Gasoline Station	NA	NA	NA	1	per station (4)	<u>1.0</u>	<u>0.5</u>
Total						201.0	100.4

Sources: Novato Center Concept Scheme, July 21, 2016; Hanna Novato, LLC; "Trip Generation," 5th Edition, Institute of Transportation Engineers; and ALH Urban & Regional Economics.

Notes:

- (1) Vacancy rate allowance by land use based on industry norms. The retail and restaurant vacancy rates match assumptions in the Draft EIR.
- (2) Employment density assumptions based on industry norms. The hotel industry employment density is based upon reported data in the Institute of Transportation Engineers "Trip Generation" industry resource.
- (3) All employees are assumed to be equivalent to one-half a resident for City service purposes. This is a standard fiscal impact analysis assumption.
- (4) One gas station attendant is anticipated during gas station hours in the event of an emergency.



**Exhibit 3**  
**Hanna Ranch**  
**Retail and Restaurant Space Pro Forma for Valuation Purposes**  
**Project Stabilization**  
**2016 Dollars (1)**

<b>Stabilized Pro Forma</b>	<b>Retail</b>		<b>Restaurant</b>	
	<b>Parameter</b>	<b>Revenues and Expenses</b>	<b>Parameter</b>	<b>Revenues and Expenses</b>
Total Gross Revenue (2)	\$24.00	\$316,800	\$24.00	\$314,400
Less: Vacancy (3)	5%	<u>(\$15,800)</u>	5%	<u>(\$15,700)</u>
<b>Effective Gross Income (4)</b>		<b>\$301,000</b>		<b>\$298,700</b>
Total Operating Expenses (5)	3%	<u>(\$9,504)</u>	3%	<u>(\$9,432)</u>
<b>Net Operating Income (6)</b>		<b>\$291,496</b>		<b>\$289,268</b>
Market Capitalization Rate (7)		7.50%		7.50%
<b>Indicated Value (8)</b>		<b>\$3,886,600</b>		<b>\$3,856,900</b>
<b>Indicated Value per Square Foot</b>		<b>\$294</b>		<b>\$294</b>

Sources: "North Bay Retail Market Summary, First Quarter, 2015," DTZ Retail Terranomics; Loopnet.com; PwC Real Estate Investor Survey, 1st Quarter 2016; and ALH Urban & Regional Economics.

Notes:

- (1) Figures rounded to the nearest \$100.
- (2) The estimated retail yearly per square foot rents are based information in the DTZ Retail Terranomics North Bay Retail Market Summary Report for first quarter 2015, supplemented with an August 2016 search for asking retail rents in Novato on Loopnet.com.
- (3) Standard assumption.
- (4) Effective gross income is the gross revenue after accounting for vacancy.
- (5) Typical non-reimbursed operating expenses under a triple net expense format (typical range 3-5%).
- (6) Net operating income (NOI) is the effective gross income minus the total operating expenses.
- (7) Based on retail market capitalization rates from PwC Real Estate Investor.
- (8) Indicated value is the NOI divided by the capitalization rate.

**Exhibit 4  
Hanna Ranch  
Hotel Room Rate and Valuation  
2016 Dollars**

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<b>Stabilized Pro Forma</b>	<b>Figure</b>
Average Daily Room Rate (1)	\$200
Estimated price per room, 2019 (2)	\$284,000
Discount Rate (3)	10.5%
Estimated price per room, 2016 (mid-year) (4)	\$221,000
Number of rooms (5)	125
<b>Estimated Value (6)</b>	<b>\$27,625,000</b>

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Sources: "Market and Economic Analysis, Proposed Hotel, Novato, CA," Prepared by CBRE Hotels, Prepared for Mr. Brett Wood, Hanna Novato, LLC, September 14, 2016; Hanna Novato, LLC; and ALH Urban & Regional Economics.

Notes:

(1) The CBRE Hotels study includes historic market performance data. This includes average daily room rates for 2006 through 2015, and a projection for 2016. The 2016 projection is conservative, as it is based on annualized room rate changes during the Great Recession. Pursuant to data presented on page 13 of the CBRE study, ALH Urban & Regional Economics calculates that since the recession (2011 onward) the average daily room rate increased by 8.96% a year. Pursuant to this growth rate, a projection for 2016 would be equal to \$183.97. As a new product on the market, the Hanna Ranch hotel would be expected to achieve a room rate premium over the existing average hotel. Assuming a 10% premium, this would equate to a room rate of \$202.37. Thus, the analysis assumes a year 2016 equivalent room rate of \$200 (rounded).

(2) Estimated price per room of the hotel as of January 1, 2019. See page 25 of the CBRE Hotels study. ALH Urban & Regional Economics believes this may be a conservative figure given that CBRE Hotels assumes a lower average daily room rate for the Hanna Ranch hotel than reflected by ALH Urban & Regional Economics in this analysis. However, a conservative figure will result in a conservative estimate of value and property taxes, which is reasonable in the context of a fiscal impact analysis.

(3) Discount rate included in the CBRE Hotels study. See page 24 of the CBRE Hotels study.

(4) Estimated price per room discounted 2.5 years back to mid-2016.

(5) See Exhibit 2.

**Exhibit 5  
Hanna Ranch  
City of Novato Demographic, Employment, and Tax Characteristics**

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<b>Data Point</b>	<b>Value</b>	<b>Measurement</b>
<b>Population and Employment Base, 2016 estimates</b>		
City of Novato Population (1)	52,640	annual
City of Novato Employment Base (2)	21,950	annual
Estimated Service Population (3)	63,615	annual
Estimated Govt., Education, and Non-Profit Employment (4)	18%	percent of employment base
<b>Tax Rates and Select Tax Revenues</b>		
Transient Occupancy Tax Rate to General Fund (5)	9.00%	of room revenues
Property Tax Rate (6)	5.1%	of 1.0% of property value
Sales Tax Rate (7)	1.0%	of taxable sales amount
Measure C Sales Tax Rate (8)	0.25%	of taxable sales amount
Vehicle in Lieu of Property Tax Revenues (9) FY 2016-2017 Projected Actual	\$4,515,700	
Property Tax Revenues (9) Unsecured Property Tax Revenues, Projected Actual FY 2016/17	\$140,000	annual
<b>Assessed City of Novato Valuation, FY 2016/2017 (10)</b>		
Secured Property	\$9,809,009,824	
Unsecured Property	\$242,874,996	
<b>Calculated Unsecured Property Tax Revenue per Employee</b>		
Per employee estimate for 2016 (11)	\$7.78	annual
<b>Business License Fees (12)</b>		
Retail, Restaurant, Gas Station, and Hotel (13)	\$124.00	per business

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Sources: "Bay Area Plan Projections 2013," Association of Bay Area Governments; Finance Division of the Administrative Services Department, City of Novato; "2016/2017 Assessors Statistics - Unsecured Taxes Current Year Only, "2016/2017 Assessors Statistics - Secured Taxes Current Year Only," County of Marin, Office of the Assessor - Recorder - County Clerk; Property Tax Division, Department of Finance, County of Marin; "City of Novato Adopted Budget, Fiscal Year 2016/2017"; Novato Patch, 11/4/15, "Marin Elections 2015"; California Employment Development Department, Quarterly Census Employment and Wage Data, Marin County, 2014; City of Novato 2016 Business License Fees schedule; and ALH Urban & Regional Economics.

**see notes on the following page**

**Exhibit 5**  
**Hanna Ranch**  
**City of Novato Demographic, Employment, and Tax Characteristics**

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Notes:

- (1) The Association of Bay Area Governments estimates Novato jurisdictional boundary population at 52,500 in 2015, with a projection of 53,200 by 2020. Extrapolation of these figures indicates a 2016 estimate of 52,639, rounded to 52,640 for study purposes.
- (2) The Association of Bay Area Governments estimates Novato jurisdictional boundary employment at 21,770 in 2015, with a projection of 22,710 by 2020. Extrapolation of these figures indicates a 2016 estimate of 21,954, rounded to 21,950 for study purposes.
- (3) The service population is equivalent to the resident population plus 1/2 the employment base. This is a standard fiscal impact assumption.
- (4) Estimate prepared by ALH Urban & Regional Economics, based on analysis of Quarterly Census Employment and Wage data for Marin County for 2014 (comprising the most recent full year available) posted on the website of the California Employment Development Department.
- (5) The City of Novato's transient occupancy tax rate is 12%. However, the City collects 10%, with 10% of that amount going to the Novato Chamber of Commerce and the additional 2% accrues to the Marin County Convention and Visitors Bureau. This makes the City of Novato's effective TOT rate equivalent to 9%.
- (6) City of Novato ERAF-adjusted share of basic tax distribution percentage as reported by Property Tax-Central Collection Division Chief Department of Finance, County of Marin.
- (7) Inclusive of the triple flip, i.e., sales taxes diverted temporarily by the state but returned via other fiscal means.
- (8) The City of Novato voters approved a 1/4 cent Sales Tax local finance measure in November, 2015. The Measure C 1/4 cent sales tax started on April 1, 2016 and will be in place for 20 years. This replaced the earlier Measure F 1/2 cent sales tax that started on April 1, 2011 and ended on March 31, 2016.
- (9) See "City of Novato Proposed Budget, Fiscal Year 2016/17," page 16.
- (10) Assessed valuations for FY 2016/2017, dated August 8, 2016.
- (11) Unsecured property tax for the City of Novato allocated across employees except employees of govt., education, and non-profits, i.e., operations that are property tax-exempt.
- (12) Includes annual fees, not one-time Application Fees.
- (13) ALH Urban & Regional Economics assumes the \$124 annual "General Business License" fee will apply to the planned retail, restaurant, gas station, and hotel components of Hanna Ranch.

**Exhibit 6**  
**Estimated Taxable Basis of Gasoline Sales**  
**2016**

<b>Gasoline Sales Price Component</b>	<b>Figure</b>	<b>Measure</b>
<b>Gasoline Sales</b>		
Hypothetical Sale Price per Gallon of Gasoline (1)	\$3.00	per gallon
Taxes Applied		
State Sales and Use Tax (2)	2.25%	total purchase
Local Fuel Tax (3)	1.25%	total purchase
Total	<u>3.50%</u>	
Taxable Base Sales Price per Gallon (4)		
Amount	\$2.90	per gallon

Sources: California State Board of Equalization, "Auto Repair Garages and Service Stations," Publication 25, November 2015; California State Board of Equalization representative in Sales and Use Taxes; and ALH Urban & Regional Economics.

(1) This rate is entered as a hypothetical rate for the sole purposes of driving the analysis to deduce the taxable basis of gasoline sales, i.e., the percentage of sales that are taxable. However, this rate is also the approximate average in California for the most recent year period ending on August 9, 2016, and thus is the representative rate included in the analysis.

(2) See page 23 of California Board of Equalization Publication 25.

(3) See Exhibit 5.

(4) Gas prices at the pump are fully loaded with all relevant taxes. To estimate the taxable cost per gallon it is necessary to deduce the taxable base by backing out applicable taxes. This taxable basis is inclusive of other relevant gas taxes, including the Federal Excise Tax and State Excise Tax, which are subject to the State Sales and Use Tax and Local (District) sales tax.

**Exhibit 7  
Hanna Ranch  
Incremental Property Valuation and Taxes (1)  
Project Stabilization  
FY 2016-17 Dollars**

<b>Property Valuation and Tax Revenues</b>	<b>Land Use</b>					<b>Total (2)</b>	<b>Less Existing Land Valuation (3)</b>	<b>Total (4)</b>
	<b>Retail</b>	<b>Restaurant</b>	<b>Hotel</b>	<b>Gas Station</b>				
<b>Property Valuation</b>								
Secured (5)	\$3,886,600	\$3,856,900	\$27,625,000	NA	\$35,368,500		(\$9,431,175)	\$25,937,325
Unsecured (6)	\$382,505	\$379,607	\$2,287,709	NA	\$3,049,821		\$0	\$3,049,821
Total	\$4,269,105	\$4,236,507	\$29,912,709	\$3,200,000 (7)	\$38,418,321		(\$9,431,175)	\$28,987,146
<b>Property Tax Revenues (8)</b>								
Secured	\$1,982	\$1,967	\$14,089	NA	\$18,038		(\$4,810)	\$13,228
Unsecured (9)	\$195	\$194	\$1,167	NA	\$1,555		\$0	\$1,555
Total	\$2,177	\$2,161	\$15,255	\$1,632 (10)	\$19,593		(\$4,810)	\$14,783

Sources: RealQuest; Hanna Novato, LLC; and ALH Urban & Regional Economics.

Notes:

(1) Figures and estimates do not include the value of the underlying land, which is already generating property tax revenues to the City of Novato. Thus, the analysis pertains to incremental values and taxes.

(2) Given the valuation approach for each land use the total valuation is inclusive of the underlying land value.

(3) To determine the net incremental property valuation it is necessary to net out the existing land valuation. RealQuest indicates the Project's underlying land is valued at \$9,431,175 for the 2016 Assesed Year (for parcel number 153-340-06). Therefore, this value is netted out of the total developed property valuation to determine the net increment in property valuation attributable to Hanna Ranch.

(4) Total less the existing property valuation.

(5) See Exhibits 3, 4, and 5.

(6) Estimated by ALH Urban & Regional Economics based on the estimated unsecured property tax revenues below (see footnote 9) and the City's property tax rate.

(7) Valuation is based on estimated construction costs associated with just the gas station component. This estimate was provided by Hanna Ranch, LLC.

(8) The property tax rate accruing to the City of Novato General Fund is approximately 5.1% of the 1.0% basic property tax rate. See Exhibit 5.

(9) See Exhibit 6 for the per employee estimate of unsecured property tax revenues, and Exhibit 2 for the employee count by land use.

**Exhibit 8  
Hanna Ranch  
Property Tax in Lieu of VLF Estimates  
Project Stabilization  
Net New or Incremental Valuation Attributable to Hanna Ranch, City of Novato  
FY 2016-17 Dollars**

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<b>Category</b>	<b>Value</b>
<b>Assessed Value Change</b>	
City of Novato Secured Property Assessed Valuation (1)	\$9,809,009,824
City of Novato Unsecured Property Assessed Valuation (1)	\$242,874,996
Total	\$10,051,884,820
Property Valuation Increment Attributable to Hanna Ranch, Secured and Unsecured (2)	\$28,987,146
Total Projected Property Valuation	\$10,080,871,966
Percent Increase in Property Valuation Attributable to Hanna Ranch	0.29%
<b>VLF in Lieu Revenue</b>	
FY 2010-2011 actual (1)	\$4,515,700
<b>City Increase</b>	
Percent Assessed Value	0.29%
VLF In Lieu Revenue Attributable to Hanna Ranch	\$13,022

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Source: ALH Urban & Regional Economics.

Notes:

- (1) See Exhibit 5.
- (2) See Exhibit 7.

Exhibit 9  
Hanna Ranch  
Assorted City of Novato General Fund Revenues  
Project Stabilization  
FY 2016-17 Dollars

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**Business License Fees**

<u>Project Component</u>	<u>Number</u>	<u>Fee Per No. (1)</u>	<u>Annual Revenue</u>
Retail Businesses (2)	3	\$124	\$372
Restaurant (2)	4	\$124	\$496
Gas Station	1	\$124	\$124
Hotel	1	\$124	\$124
			<u>\$1,116</u>

**Retail and Restaurant Sales Tax**

<u>Retail Sales and Tax Information</u>	<u>Parameters and Annual Revenue</u>
Hanna Ranch Taxable Retail Sales, 2016 Dollars (3)	\$11,238,500
City of Novato Sales Tax Rate (4)	1.25%
Annual Sales Tax Revenue Generated by Hanna Ranch	\$140,481

**Gasoline Sales Tax**

<u>Gasoline Sales and Tax Information</u>	
Gallons of Costco Gasoline Sold per Year (5)	13,900,000
Average Taxable Cost per Galloon (6)	\$2.90
Annual Taxable Gasoline Sales, 2016 Dollars	\$40,289,855
City of Novato Sales Tax Rate (4)	1.25%
Annual Gasoline Sales Tax Revenue Generated by Costco Gas Station	\$503,623

**Retail Sales Tax from Gas Station Impacts on Costco Store Sales Growth**

Existing Costco Store Sales (7)	\$210,000,000
Estimated % Increment in Sales Due to Gasoline Sales Enhancement (8)	8%
Estimated \$ Increment in Sales Due to Gasoline Sales Enhancement	\$16,800,000
Taxable Percentage of Costco Store Sales (9)	60%
Estimated Increment in Taxable Store Sales	\$10,080,000
City of Novato Sales Tax Rate (4)	1.25%
Annual Sales Tax Revenue Generated by Incremental Costco Store Sales	\$126,000

**Transient Occupancy Tax (10)**

<u>Hotel Operational Data and Tax Information</u>	<u>Parameters and Annual Revenue</u>
Number of Hanna Ranch Hotel Rooms	125
Average Projected Hanna Ranch Daily Room Rate	\$200
Stabilized Hanna Ranch Occupancy Rate (11)	75%
Hanna Ranch Total Rooms Revenue	\$6,843,750
Transient Occupancy Tax (TOT)	9.00%
Transient Occupancy Tax Revenues Attributable to Hanna Ranch	\$615,938

continued on the next page



**Exhibit 9  
Hanna Ranch  
Assorted City of Novato General Fund Revenues  
Project Stabilization  
FY 2016-17 Dollars**

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**Franchise Tax**

<u>Franchise Tax Revenues and Population Basis Data</u>	<u>Parameters and Annual Revenue</u>
City of Novato FY 2016/17 Franchise Tax Revenues (12)	\$1,581,470
City Service Population (13)	63,615
Franchise Tax Revenues Per Service Population (14)	\$24.86
Hanna Ranch Service Population (15)	100
Hanna Ranch Franchise Tax Revenues (16)	\$2,496

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Sources: "City of Novato, Proposed Budget, Fiscal Year 2016/17;" Retail MAXIM, "Alternative Retail Risk Analysis for Alternative Capital" 2011, 2012, 2013, and 2014; Hanna Novato, LLC; Costco letter to Mr. Robert Brown, Director of Community Development, City of Novato, April 2, 2013; United States Securities and Exchange Commission, Costco Wholesale Corporation 10-K form for the fiscal year ending August 30, 2015; "Market and Economic Analysis, Proposed Hotel, Novato, CA," Prepared by CBRE Hotels, Prepared for Mr. Brett Wood, Hanna Novato, LLC, September 14, 2016; and ALH Urban & Regional Economics.

Notes:

- (1) See Exhibit 5 for the Business License Fee Schedule.
- (2) See Exhibit 2. The analysis conservatively assumes three +/- 5,000-square-foot retail stores absorbing the 13,200 square feet of retail space, four +/- 3,250-square-foot restaurants absorbing the 13,100 square feet of dedicated restaurant space, and one hotel. This is conservative as there could be yet additional retail and restaurant tenants, reducing the average size per tenant, and thus increasing the number of businesses generating business license fees.
- (3) The analysis assumes \$400 per square foot retail sales for the 9,000 square feet of retail space and \$500 per square foot for the restaurant space. The sales figures are applied to the occupied square feet. These sales estimates are based on overall average estimated sales for a range of retail categories pursuant to review of sales performance data for national retailers presented by Retail MAXIM. For purposes of the analysis all these sales are assume to be taxable, as mostly food and pharmacy purchases are the source of non-taxable retail sales and these uses are not assumed.
- (4) Includes the City's base 1.0 percent sales tax rate plus the 1/4 cent Measure C sales tax rate. See Exhibit 5.
- (5) Comprises the high end of the range of annual gasoline sales in the Bay Area region, per an April 2, 2013 Costco letter to the City of Novato.
- (6) See Exhibit 6
- (7) Annual Costco store sales figure, provided by Hanna Ranch, LLC, based upon representations by Costco.
- (8) Per Costco representations to the City of Novato, documented in an April 2, 2013 letter, Costco anticipates that the addition of a Costco-branded gasoline station in proximity to the existing Novato Costco store will result in a sales enhancement impact of 8%, i.e., existing store sales are anticipated to increase by 8% following introduction of the gasoline station.

**continued on the next page**

**Exhibit 9**  
**Hanna Ranch**  
**Assorted City of Novato General Fund Revenues**  
**Project Stabilization**  
**FY 2016-17 Dollars**

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(9) Estimate prepared by ALH Urban & Regional Economics pursuant to review of Costco sales distribution by retail category as listed in Costco's annual 10K prepared for the Securities and Exchange Commission for the fiscal year ending August 30, 2015 (see page 4) and an understanding of sales categories that are and are not taxable in the State of California, specially including food and pharmacy sales.

(10) See Exhibit 2 for the hotel size information, Exhibit 4 for hotel operational assumptions, and Exhibit 5 for the City's General Fund TOT tax information.

(11) The CBRE Hotels study projects a first year occupancy rate of 70%, increasing to 73% in year two and stabilizing at 75% in year three. For the purpose of this analysis the stabilized rate is assumed.

(12) See "City of Novato, Proposed Budget, Fiscal Year 2016/17," page 16.

(13) See Exhibit 5.

(14) Franchise tax revenues calculated on a per service population basis.

(15) See Exhibit 2.

(16) Calculated by multiplying the Franchise Tax Revenues Per Service Population (\$24.86) by the 120 estimated Hanna Ranch service population.

**Exhibit 10  
Hanna Ranch  
City of Novato General Fund Appropriations  
FY 2016-2017 Proposed Budget  
Fiscal Impact Factors**

<u>City Department</u>	<u>FY Budget</u>	<u>Percent Fixed (1)</u>	<u>Allocable Expenditures (2)</u>	<u>Population Factor (3)</u>	<u>Per Service Population Expenditures</u>	<u>Cost per Resident (5)</u>	<u>Cost per Employee (6)</u>
Central Administration	\$1,898,467	0%	\$1,898,467	Service Population	\$29.84	\$29.84	\$14.92
Administrative Services	\$5,185,294	0%	\$5,185,294	Service Population	\$81.51	\$81.51	\$40.76
Police	\$13,453,059	0%	\$13,453,059	Service Population	\$211.48	\$211.48	\$105.74
Community Development	\$2,363,812	0%	\$2,363,812	Service Population	\$37.16	\$37.16	\$18.58
Public Works	\$6,627,654	0%	\$6,627,654	Service Population	\$104.18	\$104.18	\$52.09
Parks, Recreation & Community Services	\$3,436,828	0%	\$3,436,828	Resident Population	\$0.00	\$65.29	\$0.00
<b>Total</b>	<b>\$32,965,114</b>	<b>0%</b>	<b>\$32,965,114</b>		<b>\$141.34</b>	<b>\$206.63</b>	<b>\$70.67</b>

Sources: "City of Novato, Proposed Budget, Fiscal Year 2016/17," pages 20 and 21; and ALH Urban & Regional Economics.

Notes:

- (1) Fiscal impact studies that examine municipal expenditures on an average cost basis, such as this analysis, often assume a portion of City expenditures are fixed and will not vary with a change in the population served. The resulting variable expenditures are then allocated across the relevant population served, which could include just residents, just employees, or the service population, which includes both residents and an allocation for employees. For the purpose of this analysis all City expenditures are conservatively assumed to be variable. In this manner, the greatest possible expenditures will be allocated to the estimated population generated by Hanna Ranch for the categories anticipated to serve employees.
- (2) Comprises the share of the General Fund expenditures assumed to be allocable to the population served, i.e., total expenditures less fixed expenditures. In this case, as all expenditures are assumed to be variable, the allocable expenditures are equal on a department by department basis to each department's budget.
- (3) The analysis assumes all expenditures except Parks, Recreation & Community Services are spread across the resident and employment base, i.e., the service population. This will most likely result in maximum service cost estimates since it is unlikely given the infill nature of Hanna Ranch that the City of Novato will need to increase its service capacity to sufficiently service the Project.
- (4) Equal to allocable expenditures divided by the service population with the exception of Parks, Recreation & Community Services, which is assumed to only be allocable to residents.
- (5) The expenditure per resident is equal to the expenditure per service population, with the exception of Parks, Recreation & Community Services, where the cost per resident is calculated directly.
- (6) The expenditure per employee is equal to one half the expenditure per service population.

**Exhibit 11  
Hanna Ranch  
Annual Net Fiscal Impact Analysis of Incremental New Development (1)  
City of Novato General Fund  
FY 2016-17 Dollars**

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<u>General Fund Revenues and Appropriations Categories</u>	<u>Revenue/ (Appropriation)</u>
<b>Revenues (2)</b>	
Property Taxes, Secured and Unsecured (3)	\$14,800
Property Tax in Lieu of VLF (4)	\$13,000
Business License Fees (5)	\$1,100
Retail and Restaurant Sales Taxes (5)	\$140,500
Gasoline Sales Taxes (5)	\$503,600
Costco Store Sales Increment (5)	\$126,000
Sub-total Retail Sales Taxes	<u>\$770,100</u>
Transient Occupancy Taxes (5)	\$615,900
Franchise Fees (5)	\$2,500
Sub-total	<u>\$1,417,400</u>
<b>Appropriations (6)</b>	
Central Administration	(\$3,000)
Administrative Services	(\$8,200)
Police	(\$21,300)
Community Development	(\$3,700)
Public Works	(\$10,500)
Sub-total	<u>(\$46,700)</u>
<b>Net Annual Impact (7)</b>	<b>\$1,370,700</b>

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Source: ALH Urban & Regional Economics.

Notes:

- (1) Includes revenues above the existing revenue base generated by the property in its current state. All figures are rounded to the nearest \$100.
- (2) Includes the most substantial revenues anticipated to accrue to the City of Novato General Fund resulting from Hanna Ranch's stabilized operations. However, there will be yet additional revenues flowing to the General Fund pursuant to Hanna Ranch's operations.
- (3) See Exhibit 7.
- (4) See Exhibit 8.
- (5) See Exhibit 9.
- (6) See Exhibit 2 for employee estimates and Exhibit 10 for per employee appropriations estimates. Analysis does not include allocation of appropriations for Parks, Recreation and Community Services, as these services are not anticipated to be demanded by the Hanna Ranch Project or its associated service population.
- (7) Comprises revenues less appropriations.

**Exhibit 12**  
**Hanna Ranch**  
**Comparative Net Fiscal Impact Analysis of Hanna Ranch (1)**  
**City of Novato General Fund**  
**2011 Development Program and 2016 Development Program (2)**

<b>General Fund Revenues and Appropriations Categories</b>	<b>2011 Analysis (3)</b>	<b>2016 Analysis (4)</b>
<b>Revenues</b>		
Property Taxes, Secured and Unsecured	\$19,800	\$14,800
Property Tax in Lieu of VLF	\$17,400	\$13,000
Business License Fees (5)	\$16,400	\$1,100
Sales Taxes		
Retail and Restaurant Sales Taxes	\$224,200	\$140,500
Gasoline Sales Taxes	NA	\$503,600
Costco Store Sales Increment	NA	\$126,000
Sub-total Retail Sales Taxes	\$224,200	\$770,100
Transient Occupancy Taxes	\$571,600	\$615,900
Franchise Fees	\$3,700	\$2,500
Sub-total	\$853,100	\$1,417,400
<b>Appropriations</b>		
Central Administration	(\$4,500)	(\$3,000)
Administrative Services	(\$12,200)	(\$8,200)
Police	(\$31,800)	(\$21,300)
Community Development	(\$5,600)	(\$3,700)
Public Works	(\$15,700)	(\$10,500)
Sub-total	(\$69,800)	(\$46,700)
<b>Net Annual Impact</b>	\$783,300	\$1,370,700

Sources: "Hanna Ranch Fiscal and Economic Impact Analysis," Prepared for Hanna Novato, LLC, Prepared by ALH Urban & Regional Economics, September 2011; Appendix B; and ALH Urban & Regional Economics.

**Notes:**

- (1) All revenue estimates are net incremental over current property tax revenues.
- (2) These figures pertain to the 2011 development program for Hanna Ranch. The fiscal impact analysis of this program, first prepared in 2011, was updated to reflect the information and assumptions relevant to the current analysis for the 2016 development program. The specific, updated findings pertinent to the 2011 development program are presented in the individual exhibits paralleling the current analysis, located in Appendix B.
- (3) This column comprises the current fiscal impact of the site development program set forth in 2011, as presented in the 2011 Hanna Ranch Study, Exhibit 2. All cited figures have been updated to reflect current fiscal assumptions, such as retail sales, property tax rate, hotel room rates, property valuation, and per employee General Fund revenues and service costs.
- (4) See Exhibit 11.
- (5) The 2016 estimate of Business License Fees is much lower than the 2011 estimate because there is no office space incorporated into the current 2016 plan, and the City of Novato assesses a Business License Fee per Professional employee. This fee was applied in the 2011 analysis but not in the 2016 analysis.

**APPENDIX B: 2011 DEVELOPMENT PROGRAM FISCAL ANALYSIS EXHIBITS**

**Exhibit 1**  
**Hanna Ranch: 2011 Development Program**  
**Annual Net Fiscal Impact Analysis of Incremental New Development (1)**  
**City of Novato General Fund**  
**FY 2016-17 Dollars**

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<u>General Fund Revenues and Appropriations Categories</u>	<u>Revenue/ (Appropriation)</u>
<b>Revenues</b>	
Property Taxes, Secured and Unsecured	\$19,800
Property Tax in Lieu of VLF	\$17,400
Business License Fees	\$16,400
Retail Sales Taxes	\$224,200
Transient Occupancy Taxes	\$571,600
Franchise Fees	\$3,700
Sub-total	<u>\$853,100</u>
<b>Appropriations</b>	
Central Administration	(\$4,500)
Administrative Services	(\$12,200)
Police	(\$31,800)
Community Development	(\$5,600)
Public Works	(\$15,700)
Sub-total	<u>(\$69,800)</u>
<b>Net Impact</b>	<b>\$783,300</b>

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Source: ALH Urban & Regional Economics.

Notes:

(1) Includes revenues above the existing revenue base generated by the property in its current state. All figures are rounded to the nearest \$100. See Exhibit 11.

**Exhibit 2**  
**Hanna Ranch: 2011 Development Program**  
**Project Description and Operational Jobs Estimates at Stabilization**

Land Use	Occupied Square Feet (1)			Employment Density (2)		Estimated Stabilized Employment	Service Population (3)
	Planned Sq. Ft.	Vacancy Rate	Occupied Sq. Ft.	Amount	Measure		
Retail	34,700	5%	32,965	500	sq. ft./employee	66	33.0
Restaurant	10,000	5%	9,500	500	sq. ft./employee	19	9.5
Office	21,200	10%	19,080	250	sq. ft./employee	76	38.2
Hotel	70,600 116 rooms	NA	NA	1.2	per room	139	69.6
Total						300	150

Sources: "Hanna Ranch Draft Environmental Impact Report," LSA Associates, June 2011; "Trip Generation," 5th Edition, Institute of Transportation Engineers; and ALH Urban & Regional Economics.

Notes:

(1) Vacancy rate allowance by land use based on industry norms. The retail and restaurant vacancy rates match assumptions in the Draft EIR.

(2) Employment density assumptions based on industry norms. The hotel industry employment density is based upon reported data in the Institute of Transportation Engineers "Trip Generation" industry resource.

(3) All employees are assumed to be equivalent to one-half a resident for City service purposes. This is a standard fiscal impact analysis assumption.



**Exhibit 3**  
**Hanna Ranch: 2011 Development Program**  
**Retail and Restaurant Space Pro Forma for Valuation Purposes**  
**Project Stabilization**  
**2016 Dollars (1)**

<b>Stabilized Pro Forma</b>	<b>Retail</b>		<b>Restaurant</b>	
	<b>Parameter</b>	<b>Revenues and Expenses</b>	<b>Parameter</b>	<b>Revenues and Expenses</b>
Total Gross Revenue (2)	\$24.00	\$832,800	\$24.00	\$240,000
Less: Vacancy (3)	\$0.05	<u>(\$41,600)</u>	\$0.05	<u>(\$12,000)</u>
<b>Effective Gross Income (4)</b>		<b>\$791,200</b>		<b>\$228,000</b>
Total Operating Expenses (5)	3%	<u>(\$24,984)</u>	3%	<u>(\$7,200)</u>
<b>Net Operating Income (6)</b>		<b>\$766,216</b>		<b>\$220,800</b>
Market Capitalization Rate (7)		7.5%		7.5%
<b>Indicated Value (8)</b>		<b>\$10,216,200</b>		<b>\$2,944,000</b>
<b>Indicated Value per Square Foot</b>		<b>\$294</b>		<b>\$294</b>

Sources: "North Bay Retail Market Summary, First Quarter, 2015," DTZ Retail Terranomics; Loopnet.com; PwC Real Estate Investor Survey, 1st Quarter 2016; and ALH Urban & Regional Economics.

Notes:

- (1) Figures rounded to the nearest \$100.
- (2) The estimated retail yearly per square foot rents are based information in the DTZ Retail Terranomics North Bay Retail Market Summary Report for first quarter 2015, supplemented with an August 2016 search for asking retail rents in Novato on Loopnet.com.
- (3) Standard assumption.
- (4) Effective gross income is the gross revenue after accounting for vacancy.
- (5) Typical non-reimbursed operating expenses under a triple net expense format (typical range 3-5%).
- (6) Net operating income (NOI) is the effective gross income minus the total operating expenses.
- (7) Based on retail market capitalization rates from PwC Real Estate Investor.
- (8) Indicated value is the NOI divided by the capitalization rate.

**Exhibit 4**  
**Hanna Ranch: 2011 Development Program**  
**Office Space Pro Forma for Valuation Purposes**  
**Project Stabilization**  
**2016 Dollars (1)**

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<b>Stabilized Pro Forma</b>	<b>Parameter</b>	<b>Revenues and Expenses</b>
Total Gross Revenue (2)	\$30.00	\$636,000
Less: Vacancy (3)	10.0%	<u>(\$63,600)</u>
<b>Effective Gross Income (4)</b>		<b>\$572,400</b>
Total Operating Expenses (5)		<u>(\$222,600)</u>
Percent of EGI	35%	
Operating Expenses per SF	\$10.50	
<b>Net Operating Income (6)</b>		<b>\$349,800</b>
Market Capitalization Rate (7)		7.25%
<b>Indicated Value (8)</b>		<b>\$4,824,800</b>
<b>Indicated Value per Square Foot</b>		<b>\$228</b>

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Sources: "MARKETBEAT, Office Snapshot 2Q 2016, North Bay," Cushman & Wakefield; Loopnet.com; PwC Real Estate Investor Survey, 1st Quarter 2016; and ALH Urban & Regional Economics.

Notes:

- (1) Figures rounded to the nearest \$100.
- (2) The estimated office yearly per square foot rents are based on information from Cushman & Wakefield and Loopnet.
- (3) Standard assumption.
- (4) Effective gross income is the gross revenue after accounting for vacancy.
- (5) Typical operating expenses as a percent of EGI per industry standards.
- (6) Net operating income (NOI) is the effective gross income minus the total operating expenses.
- (7) Based on retail market capitalization rates from PwC Real Estate Investor.
- (8) Indicated value is the NOI divided by the capitalization rate.

**Exhibit 5**  
**Hanna Ranch: 2011 Development Program**  
**Hotel Room Rate and Valuation**  
**2016 Dollars**

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<b>Stabilized Pro Forma</b>	<b>Figure</b>
Average Daily Room Rate (1)	\$200
Estimated price per room, 2019 (2)	\$284,000
Discount Rate (3)	10.5%
Estimated price per room, 2016 (mid-year) (4)	\$221,000
Number of rooms (5)	116
<b>Estimated Value (6)</b>	<b>\$25,636,000</b>

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Sources: "Market and Economic Analysis, Proposed Hotel, Novato, CA," Prepared by CBRE Hotels, Prepared for Mr. Brett Wood, Hanna Novato, LLC, September 14, 2016; Hanna Novato, LLC; and ALH Urban & Regional Economics.

Notes:

(1) The CBRE Hotels study includes historic market performance data. This includes average daily room rates for 2006 through 2015, and a projection for 2016. The 2016 projection is conservative, as it is based on annualized room rate changes during the Great Recession. Pursuant to data presented on page 13 of the CBRE study, ALH Urban & Regional Economics calculates that since the recession (2011 onward) the average daily room rate increased by 8.96% a year. Pursuant to this growth rate, a projection for 2016 would be equal to \$183.97. As a new product on the market, the Hanna Ranch hotel would be expected to achieve a room rate premium over the existing average hotel. Assuming a 10% premium, this would equate to a room rate of \$202.37. Thus, the analysis assumes a year 2016 equivalent room rate of \$200 (rounded).

(2) Likely price per room of the hotel as of January 1, 2019. See page 25 of the CBRE Hotels study.

(3) Discount rate included in the CBRE Hotels study. See page 24 of the CBRE Hotels study.

(4) Estimated price per room discounted 2.5 years back to mid-2016.

(5) See Exhibit 2.

(6) Estimated price per room multiplied by number of rooms.

**Exhibit 6**  
**Hanna Ranch: 2011 Development Program**  
**City of Novato Demographic, Employment, and Tax Characteristics**

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<b>Data Point</b>	<b>Value</b>	<b>Measurement</b>
<b>Population and Employment Base, 2016 estimates</b>		
City of Novato Population (1)	52,640	annual
City of Novato Employment Base (2)	21,950	annual
Estimated Service Population (3)	63,615	annual
Estimated Govt., Education, and Non-Profit Employment (4)	18%	percent of employment base
<b>Tax Rates and Select Tax Revenues</b>		
Transient Occupancy Tax Rate to General Fund (5)	9.00%	of room revenues
Property Tax Rate (6)	5.10%	of 1.0% of property value
Sales Tax Rate (7)	1.00%	of taxable sales amount
Measure C Sales Tax Rate (8)	0.25%	of taxable sales amount
Vehicle in Lieu of Property Tax Revenues (9)		
FY 2016-2017 Projected Actual	\$4,515,700	
Property Tax Revenues (9)		
Unsecured Property Tax Revenues, Projected Actual FY 2016/17	\$140,000	annual
<b>Assessed City of Novato Valuation, FY 2016/2017 (10)</b>		
Secured Property	\$9,809,009,824	
Unsecured Property	\$242,874,996	
<b>Calculated Unsecured Property Tax Revenue per Employee</b>		
Per employee estimate for 2016 (11)	\$7.78	annual
<b>Business License Fees (12)</b>		
Retail, Restaurant, and Hotel (13)	\$124.00	per business
Professionals (14)	\$199.00	per employee

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Sources: "Bay Area Plan Projections 2013," Association of Bay Area Governments; Finance Division of the Administrative Services Department, City of Novato; "2016/2017 Assessors Statistics - Unsecured Taxes Current Year Only," "2016/2017 Assessors Statistics - Secured Taxes Current Year Only," County of Marin, Office of the Assessor - Recorder - County Clerk; Property Tax Division, Department of Finance, County of Marin; "City of Novato Adopted Budget, Fiscal Year 2016/2017"; Novato Patch, 11/4/15, "Marin Elections 2015"; California Employment Development Department, Quarterly Census Employment and Wage Data, Marin County, 2014; City of Novato 2016 Business License Fees schedule; and ALH Urban & Regional Economics.

**see notes on the following page**

**Exhibit 6**  
**Hanna Ranch: 2011 Development Program**  
**City of Novato Demographic, Employment, and Tax Characteristics**

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Notes:

- (1) The Association of Bay Area Governments estimates Novato jurisdictional boundary population at 52,500 in 2015, with a projection of 53,200 by 2020. Extrapolation of these figures indicates a 2016 estimate of 52,639, rounded to 52,640 for study purposes.
- (2) The Association of Bay Area Governments estimates Novato jurisdictional boundary employment at 21,770 in 2015, with a projection of 22,710 by 2020. Extrapolation of these figures indicates a 2016 estimate of 21,954, rounded to 21,950 for study purposes.
- (3) The service population is equivalent to the resident population plus 1/2 the employment base. This is a standard fiscal impact assumption.
- (4) Estimate prepared by ALH Urban & Regional Economics, based on analysis of Quarterly Census Employment and Wage data for Marin County for 2014 (comprising the most recent full year available) posted on the website of the California Employment Development Department.
- (5) The City of Novato's transient occupancy tax rate is 12%. However, the City collects 10%, with 10% of that amount going to the Novato Chamber of Commerce and the additional 2% accrues to the Marin County Convention and Visitors Bureau. This makes the City of Novato's effective TOT rate equivalent to 9%.
- (6) City of Novato ERAF-adjusted share of basic tax distribution percentage as reported by Property Tax-Central Collection Division Chief Department of Finance, County of Marin.
- (7) Inclusive of the triple flip, i.e., sales taxes diverted temporarily by the state but returned via other fiscal means.
- (8) The City of Novato voters approved a 1/4 cent Sales Tax local finance measure in November, 2015. The Measure C 1/4 cent sales tax started on April 1, 2016 and will be in place for 20 years. This replaced the earlier Measure F 1/2 cent sales tax that started on April 1, 2011 and ended on March 31, 2016.
- (9) See "City of Novato Proposed Budget, Fiscal Year 2016/17," page 16.
- (10) Assessed valuations for FY 2016/2017, dated August 8, 2016.
- (11) Unsecured property tax for the City of Novato allocated across employees except employees of govt., education, and non-profits, i.e., operations that are property tax-exempt.
- (12) Includes annual fees, not one-time Application Fees.
- (13) ALH Urban & Regional Economics assumes the \$124 annual "General Business License" fee will apply to the planned retail, restaurant, and hotel components of Hanna Ranch.
- (14) The business license fee for professional is assumed to apply to the planned office space occupants.

**Exhibit 7  
Hanna Ranch: 2011 Development Program  
Incremental Property Valuation and Taxes (1)  
Project Stabilization  
FY 2016-17 Dollars**

<b>Property Valuation and Tax Revenues</b>	<b>Land Use</b>					<b>Less Existing Land Valuation (3)</b>	<b>Total (4)</b>
	<b>Retail</b>	<b>Restaurant</b>	<b>Office</b>	<b>Hotel</b>	<b>Total (2)</b>		
<b>Property Valuation</b>							
Secured (5)	\$10,216,200	\$2,944,000	\$4,824,800	\$25,636,000	\$43,621,000	(\$9,431,175)	\$34,189,825
Unsecured (6)	\$1,005,524	\$289,776	\$1,163,986	\$2,122,994	\$4,582,281	\$0	\$4,582,281
Total	\$11,221,724	\$3,233,776	\$5,988,786	\$27,758,994	\$48,203,281	(\$9,431,175)	\$38,772,106
<b>Property Tax Revenues (7)</b>							
Secured	\$5,210	\$1,501	\$2,461	\$13,074	\$22,247	(\$4,810)	\$17,437
Unsecured (8)	\$513	\$148	\$594	\$1,083	\$2,337	\$0	\$2,337
Total	\$5,723	\$1,649	\$3,054	\$14,157	\$24,584	(\$4,810)	\$19,774

Sources: RealQuest; and ALH Urban & Regional Economics.

Notes:

- (1) Figures and estimates do not include the value of the underlying land, which is already generating property tax revenues to the City of Novato. Thus, the analysis pertains to incremental values and taxes.
- (2) Given the valuation approach for each land use the total valuation is inclusive of the underlying land value.
- (3) To determine the net incremental property valuation it is necessary to net out the existing land valuation. RealQuest indicates the Project's underlying land is valued at \$9,431,175 for the 2016 Assessed Year (for parcel number 153-340-06). Therefore, this value is netted out of the total developed property valuation to determine the net increment in property valuation attributable to Hanna Ranch.
- (4) Total less the existing property valuation.
- (5) See Exhibits 3, 4, and 5.
- (6) Estimated by ALH Urban & Regional Economics based on the estimated unsecured property tax revenues below (see footnote 7) and the City's property tax rate.
- (7) The property tax rate accruing to the City of Novato General Fund is approximately 5.1% of the 1.0% basic property tax rate. See Exhibit 5.
- (8) See Exhibit 6 for the per employee estimate of unsecured property tax revenues, and Exhibit 2 for the employee count by land use.

**Exhibit 8**  
**Hanna Ranch: 2011 Development Program**  
**Property Tax in Lieu of VLF Estimates**  
**Project Stabilization**  
**Net New or Incremental Valuation Attributable to Hanna Ranch, City of Novato**  
**FY 2016-17 Dollars**

<b>Category</b>	<b>Value</b>
<b>Assessed Value Change</b>	
City of Novato Secured Property Assessed Valuation (1)	\$9,809,009,824
City of Novato Unsecured Property Assessed Valuation (1)	\$242,874,996
Total	\$10,051,884,820
Property Valuation Increment Attributable to Hanna Ranch, Secured and Unsecured (2)	\$38,772,106
Total Projected Property Valuation	\$10,090,656,926
Percent Increase in Property Valuation Attributable to Hanna Ranch	0.39%
<b>VLF in Lieu Revenue</b>	
FY 2016-2017 actual (1)	\$4,515,700
<b>City Increase</b>	
Percent Assessed Value	0.39%
VLF In Lieu Revenue Attributable to Hanna Ranch	\$17,418

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Source: ALH Urban & Regional Economics.

Notes:

- (1) See Exhibit 6.
- (2) See Exhibit 7.

**Exhibit 9**  
**Hanna Ranch: 2011 Development Program**  
**Assorted City of Novato General Fund Revenues**  
**Project Stabilization**  
**FY 2016-17 Dollars**

**Business License Fees**

<u>Project Component</u>	<u>Number</u>	<u>Fee Per No. (1)</u>	<u>Annual Revenue</u>
Retail Businesses (2)	7	\$124	\$868
Restaurant (2)	2	\$124	\$248
Hotel	1	\$124	\$124
Office Employees (2)	76	\$199	\$15,188
			<u>\$16,428</u>

**Retail Sales Tax**

<u>Retail Sales, Inflation, and Tax Information</u>	<u>Parameters and Annual Revenue</u>
Hanna Ranch Taxable Retail Sales, 2016 Dollars (3)	\$17,936,000
City of Novato Sales Tax Rate (4)	1.25%
Annual Sales Tax Revenue Generated by Hanna Ranch	\$224,200

**Transient Occupancy Tax (5)**

<u>Hotel Operational Data and Tax Information</u>	<u>Parameters and Annual Revenue</u>
Number of Hanna Ranch Hotel Rooms	116
Average Projected Hanna Ranch Daily Room Rate	\$200
Stabilized Hanna Ranch Occupancy Rate (6)	75%
Hanna Ranch Total Rooms Revenue	\$6,351,000
Transient Occupancy Tax (TOT)	9.00%
Transient Occupancy Tax Revenues Attributable to Hanna Ranch	\$571,590

**Franchise Tax**

<u>Franchise Tax Revenues and Population Basis Data</u>	<u>Parameters and Annual Revenue</u>
City of Novato FY 2016/17 Franchise Tax Revenues (7)	\$1,581,470
City Service Population (8)	63,615
Franchise Tax Revenues Per Service Population (9)	\$24.86
Hanna Ranch Service Population (10)	150
Hanna Ranch Franchise Tax Revenues (11)	\$3,736

Sources: "City of Novato, Proposed Budget, Fiscal Year 2016/17;" Retail MAXIM, "Alternative Retail Risk Analysis for Alternative Capital" 2011, 2012, 2013, and 2014; Hanna Novato, LLC; "Market and Economic Analysis, Proposed Hotel, Novato, CA," Prepared by CBRE Hotels, Prepared for Mr. Brett Wood, Hanna Novato, LLC, September 14, 2016;and ALH Urban & Regional Economics.

**see notes on the following page**



**Exhibit 9**  
**Hanna Ranch: 2011 Development Program**  
**Project Stabilization**  
**Assorted City of Novato General Fund Revenues**  
**FY 2016-17 Dollars**

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Notes:

- (1) See Exhibit 6 for the Business License Fee Schedule.
- (2) See Exhibit 2. The analysis assumes two 5,000-square-foot restaurants absorbing the 10,000 square feet for dedicated restaurant space, one hotel, and retail tenants (including other food and drink) averaging 5,000 square feet each.
- (3) The analysis assumes \$400 per square foot retail sales for the 9,000 square feet of retail space and \$500 per square foot for the restaurant space. The sales estimates are applied to the occupied square feet. These sales estimates are based on overall average estimated sales for a range of retail categories pursuant to review of sales performance data for national retailers presented by Retail MAXIM. For purposes of the analysis all these sales are assumed to be taxable, as mostly food and pharmacy purchases are the source of non-taxable retail sales and these uses are not assumed.
- (4) Includes the City's base 1.0 percent sales tax rate plus the 1/4 cent Measure C sales tax rate. See Exhibit 6.
- (5) See Exhibit 2 for the hotel size information, Exhibit 5 for hotel operational assumptions, and Exhibit 6 for the City's General Fund TOT tax information.
- (6) The CBRE Hotels study projects a first year occupancy rate of 70%, increasing to 73% in year two and stabilizing at 75% in year three. For the purpose of this analysis the stabilized rate is assumed.
- (7) See "City of Novato, Proposed Budget, Fiscal Year 2016/17," page 16.
- (8) See Exhibit 6.
- (9) Franchise tax revenues calculated on a per service population basis.
- (10) See Exhibit 2.
- (11) Calculated by multiplying the Franchise Tax Revenues Per Service Population (\$24.86) by the 150 estimated Hanna Ranch service population.

**Exhibit 10**  
**Hanna Ranch: 2011 Development Program**  
**City of Novato General Fund Appropriations**  
**FY 2016-2017 Projected Actual Budget**  
**Fiscal Impact Factors**

<u>City Department</u>	<u>FY Budget</u>	<u>Percent Fixed (1)</u>	<u>Allocable Expenditures (2)</u>	<u>Population Factor (3)</u>	<u>Per Service Population Expenditures</u>	<u>Cost per Resident (5)</u>	<u>Cost per Employee (6)</u>
Central Administration	\$1,898,467	0%	\$1,898,467	Service Population	\$29.84	\$29.84	\$14.92
Administrative Services	\$5,185,294	0%	\$5,185,294	Service Population	\$81.51	\$81.51	\$40.76
Police	\$13,453,059	0%	\$13,453,059	Service Population	\$211.48	\$211.48	\$105.74
Community Development	\$2,363,812	0%	\$2,363,812	Service Population	\$37.16	\$37.16	\$18.58
Public Works	\$6,627,654	0%	\$6,627,654	Service Population	\$104.18	\$104.18	\$52.09
Parks, Recreation & Community Services	\$3,436,828	0%	\$3,436,828	Resident Population	\$0.00	\$65.29	\$0.00
<b>Total</b>	<b>\$32,965,114</b>	<b>0%</b>	<b>\$32,965,114</b>		<b>\$141.34</b>	<b>\$206.63</b>	<b>\$70.67</b>

Sources: "City of Novato, Proposed Budget, Fiscal Year 2016/17," pages 20 and 21; and ALH Urban & Regional Economics.

Notes:

- (1) Fiscal impact studies that examine municipal expenditures on an average cost basis, such as this analysis, often assume a portion of City expenditures are fixed and will not vary with a change in the population served. The resulting variable expenditures are then allocated across the relevant population served, which could include just residents, just employees, or the service population, which includes both residents and an allocation for employees. For the purpose of this analysis all City expenditures are conservatively assumed to be variable. In this manner, the greatest possible expenditures will be allocated to the estimated population generated by Hanna Ranch for the categories anticipated to serve employees.
- (2) Comprises the share of the General Fund expenditures assumed to be allocable to the population served, i.e., total expenditures less fixed expenditures. In this case, as all expenditures are assumed to be variable, the allocable expenditures are equal on a department by department basis to each department's budget.
- (3) The analysis assumes all expenditures except Parks, Recreation & Community Services are spread across the resident and employment base, i.e., the service population. This will most likely result in maximum service cost estimates since it is unlikely given the infill nature of Hanna Ranch that the City of Novato will need to increase its service capacity to sufficiently service the Project.
- (4) Equal to allocable expenditures divided by the service population with the exception of Parks, Recreation & Community Services, which is assumed to only be allocable to residents.
- (5) The expenditure per resident is equal to the expenditure per service population, with the exception of Parks, Recreation & Community Services, where the cost per resident is calculated directly.
- (6) The expenditure per employee is equal to one half the expenditure per service population.

**Exhibit 11**  
**Hanna Ranch: 2011 Development Program**  
**Annual Net Fiscal Impact Analysis of Incremental New Development (1)**  
**City of Novato General Fund**  
**FY 2016-17 Dollars**

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<u>General Fund Revenues and Appropriations Categories</u>	<u>Revenue/ (Appropriation)</u>
<b>Revenues (2)</b>	
Property Taxes, Secured and Unsecured (3)	\$19,800
Property Tax in Lieu of VLF (4)	\$17,400
Business License Fees (5)	\$16,400
Retail Sales Taxes (5)	\$224,200
Transient Occupancy Taxes (5)	\$571,600
Franchise Fees (5)	\$3,700
Sub-total	<u>\$853,100</u>
<b>Appropriations (6)</b>	
Central Administration	(\$4,500)
Administrative Services	(\$12,200)
Police	(\$31,800)
Community Development	(\$5,600)
Public Works	(\$15,700)
Sub-total	<u>(\$69,800)</u>
<b>Net Impact (7)</b>	<b>\$783,300</b>

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Source: ALH Urban & Regional Economics.

Notes:

- (1) Includes revenues above the existing revenue base generated by the property in its current state. All figures are rounded to the nearest \$100.
- (2) Includes the most substantial revenues anticipated to accrue to the City of Novato General Fund resulting from Hanna Ranch's stabilized operations. However, there will be yet additional revenues flowing to the General Fund pursuant to Hanna Ranch's operations.
- (3) See Exhibit 7.
- (4) See Exhibit 8.
- (5) See Exhibit 9.
- (6) See Exhibit 2 for employee estimates and Exhibit 10 for per employee appropriations estimates. Analysis does not include allocation of appropriations for Parks, Recreation and Community Services, as these services are not anticipated to be demanded by the Hanna Ranch Project or its associated service population.
- (7) Comprises revenues less appropriations.