



BARRIO LOGAN MERCADO PROJECT: FISCAL IMPACT SUMMARY

The Redevelopment Agency of the City of San Diego (the Agency) is seeking proposals for a new urban commercial or mixed-use development on a 6.8-acre site within the Barrio Logan Redevelopment Project Area, a site which is owned by the Agency (the Mercado Project). The Agency's goal for the site is a minimum 60,000 square feet of commercial gross leaseable area (GLA) which includes several neighborhood serving retail shops, office, and/or restaurants, ideally anchored by a Latino-themed (specialty) grocer. In addition, the site presents an opportunity for development of residential units and public space.

The following are general goals for the Project Site:

- Eliminate physical blight in Barrio Logan
- Develop an urban commercial or mixed-use center, pedestrian friendly, and transit oriented
- Project to be ideally anchored by a Latino-themed grocer,
- Develop a project that exhibits urban design and architectural design excellence and high quality construction; a source of community pride
- Develop a project that meets the goals and requirements of the Barrio Logan Community Plan, PDO, and Redevelopment Plan
- Public benefit
- Maximize the financial return to the Agency for the sale or lease of the land
- Maximize Tax Increment Funds (TIF) for the Agency after redevelopment of the site

The goal is to invoke project proposals and ideas that are creative, innovative, and financially sound. The Agency expects project proposals to address the following project concepts:

- A project design that is appropriate for the Barrio Logan community, a community rich in Latino culture and history

- A project that implements Smart Growth principles and transit-oriented design elements
- Pedestrian friendly buildings that relate well to the street, and include step-backs as building heights increase
- A project that will help activate the area and create a new economic engine for Barrio Logan
- A project that creates a significant amount of permanent jobs for the community
- Affordable housing opportunities for families should be provided if housing is included in a proposal
- A project that will generate a significant amount of tax revenues for the City and Agency

Specifically in terms of fiscal and economic impact, the project proposal is to provide a preliminary analysis of the impact of the proposed project upon the community, including economic impact through commercial activities, sales and property tax projections, and other related facets.

In keeping with the expressed goals that this project be financially feasible, that it maximize the financial return to the Redevelopment Agency, and that it generate significant tax revenues for the City of San Diego and its Redevelopment Agency, Rea & Parker Research is pleased to submit this fiscal impact analysis summary for the Proposal by Shea Properties, including Excel spreadsheets and full methodological section explaining all financial calculations and determinations.

In sum, the Shea Properties proposal will generate the following fiscal and economic impacts:

- In its first full year of operations after lease up, the proposal will generate an **annual NET fiscal benefit to the City and Agency in excess of \$900,000 (est. \$909,114)**
- This annual net benefit includes \$1,064,386 in revenues to the City and Agency, including the following annual net revenues:
 - \$571,689 in NET NEW sales taxes that the City will receive (including its share of TransNet sales taxes), after allowing for transfers/substitutions from other retailers in San Diego,
 - \$391,216 in tax increment property taxes to the Redevelopment Agency, which included 20% (\$78,243) allocable to the provision of affordable housing,
 - \$63,293 in unsecured (personal business property) taxes to the Redevelopment Agency.
 - \$89,182 of other public revenues, including environmental services fees and business licenses, among others.

- Offsetting these public revenues are \$206,266 in annual public expenditures allocable to the project, foremost among which are police and fire services (\$117,204) and the project's share of general services and citywide programs (\$32,397) and parks and recreation services (\$17,745).
- As the project evolves over time, these NET benefits can be expected to reach over \$1 million per year (\$1,007,941 by Year 7) to the City and Agency.
- Over the course of the first 10 years of operations, this project is estimated to generate NET benefits of almost \$9.5 million (\$9,481,194), averaging \$948,119 per year NET BENEFITS to the City and Agency.
- The project will directly create 474 NEW permanent annual jobs and indirect job creation will add an additional 237 permanent jobs to the direct jobs for a total of **711 NET NEW annual jobs, growing to 809 jobs by Year 10.**
- These jobs will entail new payroll for the region in the amount of \$20,557,500 in Year 2, growing to almost \$25 million by Year 10.
- The net retail sales increase that will occur within the City of San Diego from this project will approach \$50 million per year by Year 2 (\$49,413,938), after factoring in substitutions and spin-offs (Multiplier Effect), and will grow to approximately \$60 million by Year 10.
- Construction of the project will result in 113 annualized construction jobs, with another 102 jobs created by the economic spin-offs from these workers.
- Construction related payroll (including the Multiplier) will result in almost \$13 million in payroll for the region during construction.
- Construction will further add almost \$50 million (\$49,330,646) to the local and regional economy for material purchases, salaries of non-construction personnel, and other services.
- The project will further contribute in excess of \$4 million in development impact fees and permits to the current cash flow of the City, City schools, and the County Water Authority.