DAVID TAUSSIG & Associates, Inc.

Fiscal and Economic Impact Study

World Logistics Center
Moreno Valley, California

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FISCAL AND ECONOMIC IMPACT STUDY

WORLD LOGISTICS CENTER
MORENO VALLEY, CALIFORNIA

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EXECUTIVE SUMMARY

I. PURPOSE OF STUDY

The objective of this Fiscal and Economic Impact Study (the "Study") is to analyze the fiscal and economic impacts of the proposed development of the World Logistics Center (the "Center" or the "Project") on the City of Moreno Valley ("City") and the County of Riverside ("County"). The Center is comprised of 40.4 million building square feet of high-cube industrial land use, 200,000 building square feet of general warehouse space, and 3,000 building square feet of light retail space providing basic fuel, food, and vehicle maintenance services for trucks. The Study analyzes the recurring fiscal impacts of the Center's development on the City General Fund, and also identifies the general economic impacts on the City in terms of employment, gross receipts, and earnings creation for City residents and workers.

II. TYPES OF FISCAL AND ECONOMIC IMPACTS TO CITY OF MORENO VALLEY EVALUATED IN THE STUDY

A. FISCAL IMPACTS ON CITY OF MORENO VALLEY GENERAL FUND

The purpose of the fiscal analysis component of this Study is to estimate the net fiscal impacts of the Center's proposed development and construction on the City General Fund. The fiscal impacts identified in this Study include recurring municipal revenues and costs to the City General Fund that result from the land use scenario analyzed. City General Fund revenues are generated from a variety of revenue sources, including property taxes, sales taxes, fees, and fines. Costs to the City General Fund are associated with a variety of services, such as police protection, fire protection, public works maintenance, and general government services. While the City also expends revenues from a series of other special funds outside of the General Fund, these revenues include a Moreno Valley Library property tax, Community Services District and Community Facilities District assessments and special taxes, and various enterprise funds related to water and sewer services. As these revenues are generally equal to the cost of the services that they finance, they are essentially break-even and are not typically included in a fiscal analysis for a municipality. As a result, most fiscal analyses focus on the General Fund, where any shortfalls or surpluses can be easily identified, and such is the case for this Study.

However, in preparing the Center's fiscal analysis, DTA did notice certain anomalies occurring related to the Moreno Valley Fire property tax, in that the revenues generated by this special fund appear to be significantly greater than the fund's expenditures on fire services to be provided by the City to the Center. While the projected fiscal surplus generated by the Moreno Valley Fire property tax fund was not included in the General Fund analysis, DTA felt that a brief discussion of this revenue source within the text of the Study would better inform the public regarding the entire fiscal impact of The Center on the City.

The fiscal analysis focuses on the impacts of the Center on the General Fund if it were built during fiscal year 2012-13, based on cost and revenue criteria and assumptions existing during that fiscal year. As is the case for most General Fund fiscal analyses, it would be speculative to

project future cost and revenue factors because there is no certainty regarding what those factors will be. For example, while the City will be increasing its annual costs as it eliminates a furlough program that it established during the Great Recession, the Center itself is expected to generate additional revenues in future fiscal years due to increases in logistics facilities property values above the $90 per square foot assumed in the Study. Based on a recent appraisal prepared by Coldwell Banker, the Center site's property valuation has already increased by more than 10%. Assumptions made regarding the relative levels of cost and revenue increases for factors such as these in future years would typically create a bias in the fiscal analysis that could in itself invalidate the results of the Study.

B. ECONOMIC IMPACTS ON CITY OF MORENO VALLEY

The Study also identifies the general economic impacts on the City that would occur and quantifies these impacts wherever possible. General economic impacts include additions to the City's employment (number of average annual full- & part-time jobs), economic output (e.g., gross receipts), and earnings (the sum of wages, salaries and benefits, other labor income, and employer and employee contributions to social security). The Study also distinguishes between one-time impacts and permanent impacts. One-time impacts include benefits to the City that occur on a non-recurring basis as a result of construction activity, while permanent impacts refer to benefits that occur on a continuing basis, year after year.

III. DESCRIPTION OF WORLD LOGISTICS CENTER

The Center is located in the City and is comprised of approximately 40.6 million building square feet of industrial land use. The specific land uses are broken down into two categories: Logistics Development ("LD"), and Light Logistics ("LL"). The LD category covers 2,383 acres and is designated for high-cube logistics uses. Traffic analyses presume that buildings in this area will be a minimum of 500,000 square feet in size. The Center includes up to 40.4 million square feet of logistics uses in the LD category. Correspondingly, the LL category covers 37.1 acres and is designated for general warehouse uses. There is no minimum building size in this category. The Center's Specific Plan ("Specific Plan") permits up to 200,000 square feet of general warehouse space in the LL category. Within the LD category, a Logistics Support ("LS") site will be allocated 3,000 square feet of building area and will be a "floating site" in the Specific Plan; the final site will be determined when development plans/tentative maps are designed. The LS site will accommodate fueling facilities, and fast food.

The Center is located in Rancho Belago, California, at the eastern edge of the City. The Center will require the construction of significant new infrastructure, financed through public and/or private funds, to be ultimately owned by the City and maintained by the City's General Fund. At this time, it is estimated that these public infrastructure improvements will consist of 54 lane miles of roadways, 75 acres of landscaped parkways and medians, 4 signalized intersections, and 18.1 linear miles of storm drains. Please refer to **Table 2E** for further information on these public improvements.

IV. CONCLUSIONS OF ANALYSIS RELATED TO CENTER

Following are the major conclusions related to the fiscal and economic impacts of the Center:

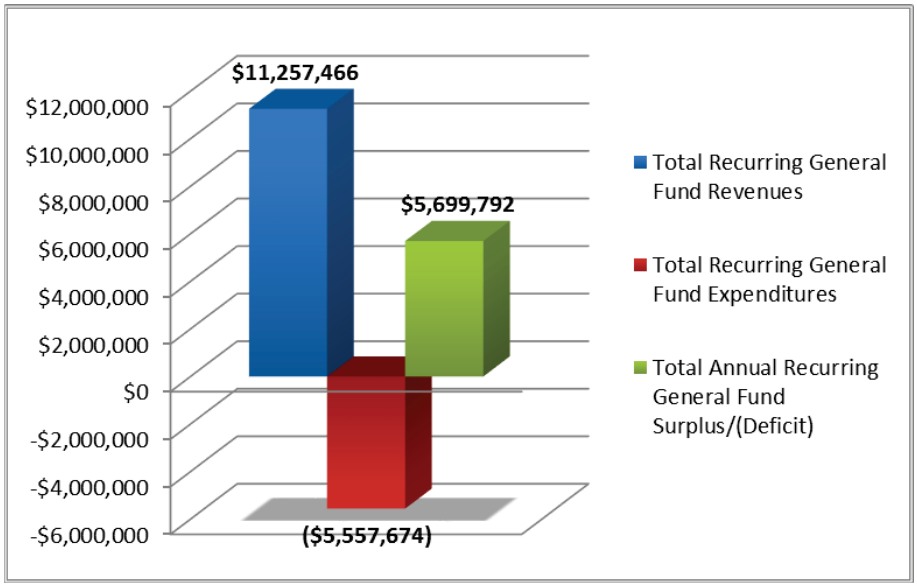
A. FISCAL IMPACTS

As reflected in **Table A** and **Figure A** below, the positive Net Fiscal Impact is estimated to be $5,699,792 annually, based on $11,257,466 in fiscal revenues and $5,557,674 in fiscal costs. This fiscal surplus results primarily from property tax in lieu of VLF revenues (40.2% of total) and property tax revenues (secured and unsecured) (32.0%), together constituting approximately 72.2% of total recurring revenues to the City General Fund. The Annual Revenue/Cost Ratio of 2.03 is especially impressive, and demonstrates, inter alia, that the Center will have a very positive impact on the City's General Fund. In comparison, the City's General Fund currently runs a Revenue/Cost Ratio of ~0.94. Notably, the City's costs are limited due to the fact that the Center will not create any new residents, i.e., it is a purely industrial development.

TABLE A
NET FISCAL IMPACT (CITY GENERAL FUND)

Category	Amount
Total Recurring Revenues	$11,257,466
Total Recurring Costs	($5,557,674)
Annual Recurring Surplus/(Deficit)	**$5,699,792**
Total Annual Revenue/Cost Ratio	*2.03*

FIGURE A
NET FISCAL IMPACT (CITY GENERAL FUND)



However, the picture of the fiscal impacts of the Center on the City is incomplete if one just analyzes the General Fund, because in the case of the Center, a Moreno Valley Fire property tax will be collected by the City that greatly exceeds the cost of fire services provided by the City to the Center. While the average fire services costs City-wide for a project of the magnitude of the Center would be $94.50 per Persons Served (including both General Fund and Moreno Valley Fire property tax revenues), the actual funding for fire services from these two sources for the Center totals $272.11 per Persons Served. **This means there will be an excess of $177.61 per Persons Served generated by the Center, or $1,803,274 recurring annually that can be spent on fire services in other parts of the City. Adding this $1.80 million Moreno Valley Fire property tax surplus to the $5.70 General Fund surplus yields a total annual recurring surplus of $7.5 million generated by the Center.**

B. ECONOMIC IMPACTS

The Study distinguishes between one-time economic impacts – i.e. impacts related to one-time construction jobs ("One-time Construction Jobs") and permanent economic impacts – i.e. impacts related to the creation of permanent jobs ("Permanent Jobs"). One-time Construction Job impacts include benefits to the community that occur on a non-permanent basis as a result of construction and development activity, while Permanent Job impacts refer to benefits that occur on a continuing basis, year after year.

The economic impacts of the Center that are analyzed within the Study are (1) Permanent Jobs – direct-on-site and indirect/induced (which supplies or supports direct employment); (2) Permanent Job Output (Gross Receipts) – total direct output *plus* output produced by suppliers and employee spending; and (3) One-Time Construction Job impacts. As reflected in **Tables B** and **C** below, the City's Permanent Jobs and Permanent Job impacts, as well as its One-Time Construction Jobs and its One-time Construction Job impacts are all substantially higher following Center development.

1. PERMANENT JOBS, WAGES, AND GROSS RECEIPTS

TABLE B
(ALL NUMBERS SUBJECT TO ROUNDING)

Permanent Job Impacts	Direct	Indirect/Induced	Total
Employees			
Countywide	20,307	7,386	27,693
Within City	20,307	3,693	24,000
Employee Wages			
Countywide	$831 Million	$300 Million	$1.13 Billion
Within City	$831 Million	$150 Million	$981 Million
Overall Output			
Countywide	$1.50 Billion	$870 Million	$2.37 Billion
Within City	$1.50 Billion	$435 Million	$1.94 Billion

2. ONE-TIME CONSTRUCTION JOBS, WAGES, AND GROSS RECEIPTS

TABLE C
(ALL NUMBERS SUBJECT TO ROUNDING)

One-Time Construction Job Impacts	Direct	Indirect/Induced	Total
Construction Employees			
Countywide	12,807	7,427	20,233
Within City	12,807	3,714	16,521
Construction Wages			
Countywide	$625 Million	$302 Million	$927 Million
Within City	$625 Million	$151 Million	$776 Million
Construction Output			
Countywide	$1.67 Billion	$932 Million	$2.60 Billion
Within City	$1.67 Billion	$466 Million	$2.14 Billion

Given a build out period of approximately 15 years, with projected equal absorption every year, the construction of the Center will create approximately 854 full-time equivalent ("FTE") *direct* One-time Construction Jobs in the City in each of those years.

3. OTHER IMPACT CONCLUSIONS

TABLE D

Jobs-Housing Balance	Balance with Center	% Increase Increase/(Decrease)
Countywide	0.74	5.02%
Within City	0.91	95.54%

Although the Center is expected to require a considerable amount of public infrastructure, the Center is also expected to generate significant new revenues for the City of Moreno Valley. As **Tables A, B, C,** and **D** illustrate, the Center's logistics component is expected to generate sizeable, substantial, and lasting employment, wage, output, and revenue impacts. To ensure that these high property and sales tax revenues are available to the City, it is crucial that all of the Center's logistics uses that generate these revenues be entirely built out.

SECTION 1 INTRODUCTION

David Taussig and Associates, Inc. ("DTA") has been engaged by Highland Fairview (the "Applicant") to prepare a Fiscal and Economic Impact Study (the "Study") that evaluates the likely fiscal and economic impacts of the proposed development and construction of the World Logistics Center (the "Center") on the City of Moreno Valley (the "City"). The impact of the Center on the City's General Fund was thoroughly analyzed, although City enterprise and special funds were not explicitly considered within the Study.

I. SCOPE AND METHODOLOGY

A. RECURRING FISCAL IMPACTS

Fiscal impacts arising from a land development plan can be broadly categorized as one of two types: one-time impacts or recurring impacts. Each of these broad types may, in turn, be divided into a revenue component and a cost component. For purposes of this Study, it has been assumed that one-time revenues would directly offset one-time costs; thus, the fiscal impacts considered in this Study focus on ongoing, or recurring, fiscal impacts of the Center on the City General Fund. To the extent that revenues are generated outside of the City's General Fund (e.g., special district revenues) or costs are incurred by the City outside of the General Fund (e.g., costs financed through a special district), they are not included within this fiscal analysis.

As previously mentioned, the fiscal impacts projected for the Study are based generally on the *Multiplier Methodology*. The primary *Multiplier Methodology* used to project the fiscal impacts in this Study was the *Per Capita-Employee ("Persons Served") Methodology*. The Persons Served Methodology considers the fact that the exact relationship of service demands and revenue-generating potential between residents and employees is difficult to measure. Thus, utilizing a service population, or Persons Served population, comprised of all residents and 50% of employees is common fiscal practice, and suggests that a resident generally has twice the fiscal impact of an employee. This methodology involves calculating the *average City-wide* revenues/costs per Persons Served, utilizing the fiscal year 2012-2013 City budget, and applying these revenue/cost factors to the specific number of Persons Served projected for the Center.

DTA also used a *Per Employee Methodology* in the Study to project recurring fiscal factors based on employment only, such as business license tax revenues. Similar to the Persons Served Methodology discussed above, the Per Employee Methodology involves calculating the *average City-wide* revenues/costs per employee, utilizing the fiscal year 2012-2013 City budget, and applying these factors to the specific number of employees projected under the given scenario.

While most recurring revenues analyzed in the Study are projected using the *Multiplier Methodology*, some major revenue sources, including property taxes and sales taxes, are calculated using a *Case Study Methodology* that involves calculating the *marginal revenues* to be specifically generated by a particular land use, instead of applying an *average City-wide* revenue factor. For purposes of the Study, all recurring revenues and costs are stated in constant (un-inflated) 2012 dollars, based on the assumption that the relative impacts of inflation in future years will be the same for both of these fiscal impact categories.

Notably, the City also expends revenues from a series of other special funds outside of the General Fund. These revenues include a Moreno Valley Library property tax, Community Services District and Community Facilities District assessments and special taxes, and various enterprise funds related to water and sewer services. As these revenues are generally equal to the cost of the services that they finance, they are essentially break-even and are not typically included in a fiscal analysis for a municipality. As a result, most fiscal analyses focus on the General Fund, where any shortfalls or surpluses can be easily identified, and such is the case for this Study.

However, in preparing the Center's fiscal analysis, DTA did notice certain anomalies occurring related to the Moreno Valley Fire property tax, in that the revenues generated by this special fund appears to be significantly greater than the fund's expenditures on fire services to be provided by the City to the Center. While the projected fiscal surplus generated by the Moreno Valley Fire property tax fund was not included in the General Fund analysis, DTA felt that a brief discussion of this revenue source within the text of the Study would better inform the public regarding the entire fiscal impact of The Center on the City.

B. GENERAL ECONOMIC IMPACTS

The Study also identifies the general economic impacts on the City that would occur due to the Center, and quantifies these impacts wherever possible. General economic impacts include additions to the City's employment (number of average annual full- & part-time jobs), economic output (e.g., gross receipts), and earnings (the sum of wages, salaries and benefits, other labor income, and employer and employee contributions to social security). The Study also distinguishes between one-time economic impacts and permanent economic impacts. One-time impacts include benefits to the community that occur on a non-recurring basis as a result of construction and development activity, while permanent, recurring impacts refer to benefits that occur on a continuing basis, year after year. Additionally, for purposes of the Study, all economic impacts are stated in constant (un-inflated) 2012 dollars, based on the assumption that the relative impacts of inflation in future years may be difficult to gauge.

In evaluating economic impacts, the Study quantifies both direct and indirect/induced economic impacts on the City. Direct economic impacts reflect the initial or first-round increases in jobs, earnings, and output, all of which occur directly on-site at WLC. Indirect/induced economic impacts are the secondary and other additional rounds of economic activity that occur as a consequence of the direct impacts, and can occur elsewhere within the City. The **indirect** impacts represent the economic activity – buying and selling of goods and services – of *suppliers* to the land use types analyzed. In this Study, suppliers to WLC consist of maintenance and repair professionals, utilities' providers, wholesale trade companies, and business support services; while suppliers to retail/office developments consist mainly of real estate firms, computer and other technology firms, accounting and bookkeeping professionals, and utilities' providers. Furthermore, the suppliers representing the indirect one-time impacts are mainly heavy industrial and construction suppliers for the actual development of buildings and facilities. The **induced** impacts represent the economic activity that results from household spending by *employees* of all companies directly and indirectly affected by the construction and operation of the land uses analyzed in this Study. Induced impacts created by the expenditures of employees at WLC

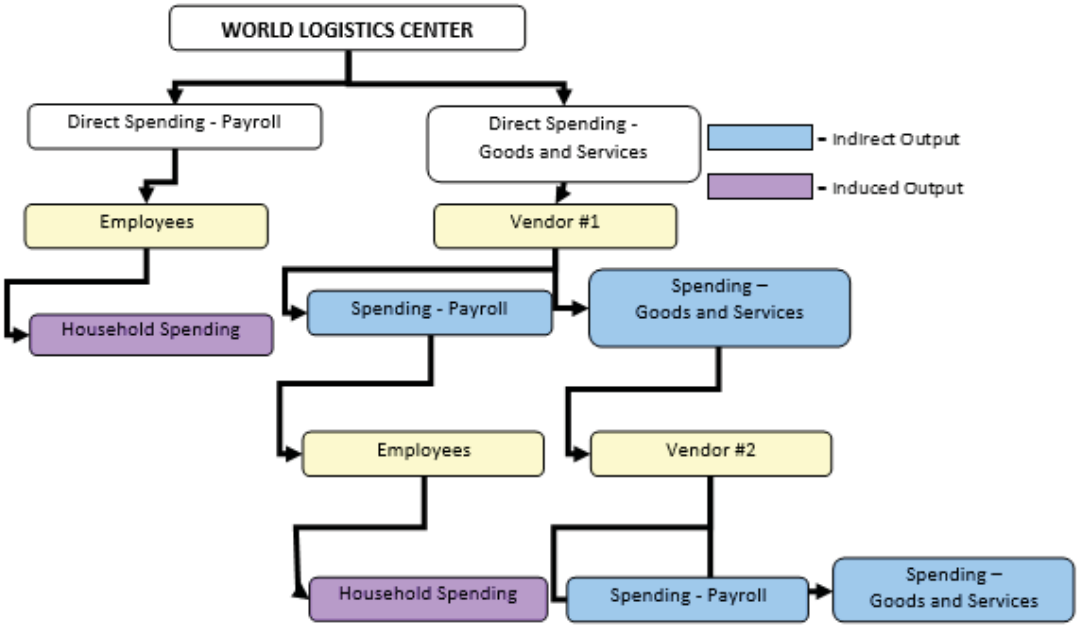
would include local housing, retail outlets, gas stations, recreation venues and restaurants, child care facilities, etc. Indirect and induced impacts can occur throughout all industries of the economy, and have been categorized using the North American Industry Classification System (NAICS). Adopted by the Office of Management and Budget (OMB) in 1997 to replace the Standard Industrial Classification System (SIC), NAICS is a widely-used system to classify business establishments for the collection, analysis, and publication of statistical data in Canada, Mexico, and the United States. NAICS industries are identified using a six-digit coding system to classify all economic activity into twenty broad sectors, five of which are mainly goods-producing sectors and fifteen of which are services-producing sectors. This six-digit hierarchical structure allows for the identification of nearly 1,170 industries. The broad NAICS sectors include the Construction, Retail Trade, and Administrative and Support Services classifications, which are the focal NAICS categories analyzed within this Study to determine the indirect and induced economic impacts generated under the analysis.

(i) IMPLAN MULTIPLIER METHOD

Although most economists agree that indirect and induced, or "multiplier" effects exist, most economists also agree that such effects are difficult to measure. Patterns on spending and employment among suppliers and employee households often vary over time and from one region to another. Nevertheless, there are certain input-output models that can be used to estimate indirect and induced effects.

In quantifying the indirect and induced economic impacts for the Study, DTA utilized the Impact Analysis for Planning ("IMPLAN") Input/Output Modeling System, a type of quantitative economic model that provides an approximate measure of the "multiplier effect" of a firm's spending on payroll and the purchasing of goods and services. Like similar econometric models, IMPLAN helps to calculate the flow of payments for goods and services across different industry sectors, and between households and industries. The IMPLAN model can be envisioned simply as a large spreadsheet with hundreds of industries (plus the household sector) arrayed across the top as producers, and the same industries and households listed down the side as consumers. Each million dollars (output) in spending by any one consumer (i.e. the Center) is allocated across the producing industries from which it buys goods and services. These producing industries, in turn, spend money buying goods and services from their own distinct sets of suppliers. Thus, the IMPLAN multiplier model allows one to gauge the effect on each dollar an industry spends as it diffuses through a regional economy. Furthermore, it allows one to translate the overall regional impact of spending into jobs and employee compensation. Please refer to **Table 1** for a diagram of the multiplier effect.

TABLE 1
EXAMPLE OF THE MULTIPLIER EFFECT (INDIRECT AND INDUCED OUTPUT)



The multiplier factors available to determine indirect/induced impacts are intended to reflect impacts for entire areas within a zip code. Therefore, the indirect/induced impacts identified in this Study to occur within the City boundaries are based on assumptions established by DTA and are subject to change. Please refer to **Appendix B** for further information.

II. LIMITATIONS

A. ACCURACY OF INFORMATION

The fiscal and economic models in the Study contain an analysis of revenues, costs, and impacts to the City resulting from the Center. These models are based on both (i) information provided to DTA by the Applicant staff and (ii) certain DTA assumptions taken from DTA's municipal cost database, as compiled by DTA from previous fiscal impact studies prepared by the firm. The sources of information and basis of the estimates calculated in the Study are stated herein. While DTA is confident that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. The analysis of fiscal impacts contained in this report is not considered to be a "financial forecast" or a "financial projection" as technically defined by the American Institute of Certified Public Accountants. The word "projection" used within this report relates to broad expectations of future events or market conditions. Since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from these projections stated throughout the Study.

In addition, the fiscal analysis included herein focuses on the impacts of the Center if it were built during fiscal year 2012-13, based on cost and revenue criteria and assumptions existing during that fiscal year. As is the case for most General Fund fiscal analyses, it would be speculative to project future cost and revenue factors because there is no certainty regarding what those factors will be. For example, while the City will be increasing its annual costs when it eliminates a furlough program that it established during the Great Recession, the Center itself is expected to generate additional revenues in future fiscal years due to increases in logistics facilities property values above the $90 per square foot assumed in the Study. Based on a recent appraisal prepared by Coldwell Banker, the Center site's property valuation has already increased by more than 10%. Assumptions made regarding the relative levels of cost and revenue increases for factors such as these in future years would typically create a bias in the fiscal analysis that could in itself invalidate the results of the Study.

SECTION 2 DESCRIPTION OF RECURRING FISCAL REVENUES/COSTS

The following section presents the recurring revenue and cost impacts to the City General Fund and the methodology and assumptions utilized in the Study to project these impacts. Detailed numerical analyses of the revenue and cost impacts subsequently discussed in this section are contained in **Appendix A**.

I. ANALYSIS OF RECURRING REVENUES

CASE STUDY METHOD:

A. PROPERTY TAXES – SECURED AND UNSECURED

Property tax revenues are conservatively projected based on the City's estimated share of the general 1% property tax levy. Total secured property tax revenues received by the City from the land uses will equal approximately 8.97% of the basic 1% property tax levy from the Tax Rate Areas ("TRAs") encompassing the Center. Please note that the gross tax increment, as calculated by the Riverside County (the "County") Auditor-Controller, has been reduced to account for the projected Education Revenue Augmentation Fund ("ERAF") property tax shifts. Please refer to **Table 2A** below and **Exhibit 4** of **Appendix A** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

Unsecured property taxes are levied on tangible personal property that is not secured by real estate. Examples of unsecured property includes trade fixtures (e.g., manufacturing equipment and computers), as well as airplanes, boats, and mobile homes on leased land. In generating the fiscal impact models for this Study, DTA has assumed that unsecured property values average 10.00% of the secured value for non-residential land uses.

(I). ANNEXATION

According to the Riverside County Local Agency Formation Commission ("Riverside County LAFCO"), the Master Property Tax Transfer Agreement for the County of Riverside and the City of Moreno Valley (the "Property Tax Agreement") will determine the tax apportionment factors for the proposed annexation of elements of the Center to the City. Only one (1) parcel is to be annexed per the Specific Plan, however, this analysis still assumes that the annexation of this parcel will be carried out according to the terms of that agreement. Please refer to **Appendix C** for further information regarding that parcel. As the vast majority of elements of the Center are currently within the City, the overall TRA breakdown described above is weighted both by TRA, subject to the Property Tax Agreement, and acreage.

Of the property tax apportionment that is currently dedicated to the County's General Fund, 25% will be allocated to the City's General Fund upon annexation of the Center to the City, while the remaining 75% will be remitted to the County to pay for services that the County provides to City residents. For a detailed breakdown of the tax sharing assumptions, please refer to **Exhibit 4** of **Appendix A**.

B. PROPERTY TRANSFER TAX

Per California Revenue & Taxation Code §11901, *et seq*. and the Moreno Valley Municipal Code §3.22.020, sales of real property are taxed by the County at a rate of $1.10 per $1,000 of property value, whereas for property located in the City, the property transfer tax is divided equally between the City and the County, with the City receiving $0.55 per $1,000 of transferred property sale or resale value, excluding assumed liens or encumbrances. Per typical baseline assumptions, DTA assumes that non-residential development changes ownership at an average rate of 5% per year, and that continuing liens and encumbrances are insignificant.

C. PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEE

The passage of Proposition 1A in California in 2004 enacted a constitutional amendment that introduced a new methodology to calculate property taxes in-lieu of VLF. Per California Revenue and Taxation Code §97.70, the property tax in-lieu of VLF amount now grows in proportion to the growth rate of gross assessed valuation in a city or county. Property taxes in-lieu of VLF revenues are projected to grow with the change in the City-wide gross assessed valuation of taxable property from the prior fiscal year. Property tax in-lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this Study at $1.26 per $1,000 increase in assessed valuation on a City-wide basis. Please refer to **Table 2A** below and **Exhibit 4** of **Appendix A** for details regarding the property tax assumptions utilized in the fiscal impact analysis.

TABLE 2A – PROPERTY TAX ASSUMPTIONS

Property Tax Assumptions	
Property Tax	
Industrial Sales Price / Square Foot	$90.00
Retail Sales Price / Square Foot	$200.00
Secured Property Tax – Net Apportionment Factor to the City of Moreno Valley as a Fraction of 1.0% Property Tax Rate (Net of ERAF)	8.97%
Unsecured Property Tax – Unsecured Taxes as a % of Secured Property Value	10.00%
Property Transfer Tax	
Non-Residential Property Turnover Rate	5.00%
Transfer Tax as a % of Price	0.11%
Property Transfer Tax Passed Through to City	50.00%
Property Tax In-Lieu of VLF	
City of MV – Total Assessed Value (FY 2011-2012)	$10,445,118,397
City of MV – VLF Prop. Tax In-Lieu Revenues (FY 2012-2013)	$13,195,000
VLF Property Tax In-Lieu per $1,000 Assessed Value	$1.26

D. MOTOR VEHICLE LICENSE FEES

(I). BACKGROUND

Prior to June 1, 2004, the Motor Vehicle License Fee ("VLF") tax rate was equal to 2.00% of the value of a vehicle, with 0.65% paid by the vehicle owner and an additional 1.35% supplemented with a backfill from the State General Fund. A large portion of those funds was allocated to cities (42.50%) and counties (42.50%) based on population, while newly-incorporated cities received an additional population subvention based on three (3) times the number of registered voters for the first seven (7) years after incorporation.

As discussed earlier, in 2004, the VLF allocation was altered. The California Legislature implemented the "VLF Swap" in which the VLF was lowered to 0.65%. The resultant loss of city revenue was swapped with an augmentation of property tax, termed property tax in-lieu of VLF. These amounts grow annually based on the annual increase in assessed value within each respective jurisdiction (see above).

(II). SUPPLEMENTAL LAW ENFORCEMENT FUNDING ("SLESF") AND OTHER STATE LAW ENFORCEMENT GRANTS

As a part of the 2009 state budget agreement, a number of law enforcement grant programs previously funded by the state general fund were instead funded in fiscal year ("FY") 2009-10 and FY 2010-11 by a temporary 0.15% state VLF increase, which ended on June 30, 2011. The additional 0.15% VLF rate was intended to generate around $500 million annually – the tax generated $414 million in FY 2009-10 and $442 million in FY 2010-11.

(III). SENATE BILL (SB) 89 - FEES SHIFTED TO FUND STATE LAW ENFORCEMENT GRANTS

SB89, signed in 2010 by Governor Brown, effectively eliminates the 0.65% VLF revenue that was being allocated as a general fund revenue source to California cities. Provisions in SB89 shift hundreds of millions of VLF revenues to fund the state law enforcement grants beginning FY 2011-12. The SB89 plan operates as follows:

- The "Vehicle License Registration Fee" is increased by $12 to produce approximately $300 million in FY 2011-12. This fee will fund state DMV vehicle license registration operations, thereby "freeing up" $300 million of VLF revenue that had been used to fund DMV operations. This money will be transferred to a new Local Law Enforcement Services Account ("LLESA)" to fund the law enforcement grants.

- In addition, beginning July 1, 2011, SB89 transfers the remaining VLF revenue (after the Local Revenue Fund allocation for county health and welfare programs) previously allocated to cities and the County of Riverside to the LLESA.

SB89 takes $130 million of city general revenue and shifts it to save state law enforcement grant programs. Less than $100 million of these grant funds will come back to cities, earmarked for police services. But these funds will likely be offset by the loss of city VLF. Therefore, VLF (as

opposed to property tax in-lieu of VLF) revenue was not analyzed as a Center revenue source in this Study.

E. SALES AND USE TAXES

Direct sales tax revenues are generated by retail sales from businesses within City limits, with 1% of taxable sales receipts passed through to the City. **Exhibit 5** of **Appendix A** reflects taxable sales receipts per square foot for each on-site non-residential land use type, based on data from the *Urban Land Institute's Dollars & Cents of Shopping Centers (2008)* publication and total taxable sales receipts for the Center, based on information provided by the Applicant and the City.

Indirect sales tax revenues, as summarized in **Exhibit 5** of **Appendix A**, are generated by the purchases made by the Center's employees within the City. Based on studies outlined in the *International Council of Shopping Centers' Office Worker Local Retail Spending Patterns,* DTA assumed that each on-site employee spends nearly $4,168 annually within the City.

TABLE 2B – SALES TAX ASSUMPTIONS

Sales Tax Assumptions	
% Sales Tax Passed Through to City of MV	1%
Local Employee Spending (Annual)	$4,168
Capture Rate of Employee Spending (within City)	*50%*
Displacement Rate (of existing taxable sales within City)	*20%*
Taxable Sales per Square Foot – Retail	$250

F. INVESTMENT INCOME REVENUES

Investment Income revenues are generated by the increase in General Fund Revenues resulting from the Center. This increase reflects growth in the following revenue categories: property taxes, sales taxes, and multiplier revenues (as discussed below).

Importantly, the City expects to incur borrowing costs throughout each fiscal year on its investment account that will offset investment returns on its General Fund Revenues prior to the funds being expended. As a result, this Study conservatively assumes that any Investment Income revenues would be fully offset by the borrowing costs, and that Investment Income will not provide any additional revenues to the City General Fund.

MULTIPLIER METHOD:

G. OTHER TAX REVENUES

The Utility Users Tax ("UUT") and the Transient Occupancy Tax ("TOT") were forecasted at $59.85 per Persons Served using the *Per Capita-Employee Multiplier Method.* Please note that this revenue multiplier has been reduced by 25% to account for only the portion of the UUT and TOT revenues that are expected to be variable with population and employee growth in the City. Historically, UUT is one of the General Fund's largest revenue sources, as well as one of the most stable due to trends in the natural gas, wireless telephone, and cable industries.

H. BUSINESS RECEIPTS TAX & LICENSES

Business Receipts Tax and Business Licenses revenues to the City General Fund are anticipated to grow due to employment growth only. Therefore, Business Receipts Tax and Business Licenses revenues were projected at $59.63 per Employee using the *Per Employee Multiplier Method.* However, the future addition of new retail businesses will have a particularly positive effect on the Business Receipts Tax.

I. FRANCHISE TAXES

Franchise Taxes, including Cable TV, Sewer, etc., were forecasted at $24.81 per Persons Served using the *Per Capita-Employee Multiplier Method*.

J. LICENSES AND PERMITS

Licenses and Permits are based on the City's collection of fees for various types of permits and community programs. Revenues are forecasted using a *Per Capita-Employee Multiplier Method* that results in a total multiplier of $5.69 per Persons Served.

K. INTERGOVERNMENTAL REVENUES

Intergovernmental Revenues are forecasted using a *Per Capita-Employee Multiplier Method* that results in a total multiplier of $6.00 per Persons Served.

L. CHARGES FOR CURRENT SERVICES

Current Services, including parking control fees, plan check fees, and inspections fees, were projected at $38.12 per Persons Served, based on the *Per Capita-Employee Multiplier Method*.

M. USE OF MONEY AND PROPERTY (NON-INTEREST REVENUES)

Use of Money and Property Revenues, including Park and Community Building Rentals, were forecasted at $0.25 per Persons Served using the *Per Capita-Employee Multiplier Method*.

N. FINES AND FORFEITURES

This revenue category represents fines and penalties collected by the City for various infractions, including Vehicle, Code, and certain Parking Fines. Fines and Forfeitures were forecasted at $0.64 per Persons Served using the *Per Capita-Employee Multiplier Method.*

O. TRANSFERS IN

Direct cost of development related services and all development services revenue are budgeted in special funds, and the portion of the fee revenues that are attributable to overhead costs are shown as a transfer into the General Fund to reimburse the City for general support. Transfers In revenue is forecasted at $0.37 per Persons Served, using the *Per Capita-Employee Multiplier Method.*

P. OTHER REVENUE

Other Revenues, including Miscellaneous Revenues, Donations, and Mandated Cost Reimbursements, were projected at $1.21 per Persons Served utilizing the *Per Capita-Employee Multiplier Method.*

TABLE 2D – OTHER GENERAL FUND REVENUES (MULTIPLIER METHOD)

Category	Amount	Methodology
Other Tax Revenues	**$59.85**	Persons Served plus 25% Discount
Business Receipts Tax & Licenses	**$59.63**	Per Employee
Franchise Taxes	**$24.81**	Persons Served
Licenses and Permits	**$5.69**	Persons Served
Intergovernmental Revenues	**$6.00**	Persons Served
Charges for Current Services	**$38.12**	Persons Served
Use of Money and Property (Non-Interest Revenues)	**$0.25**	Persons Served
Fines and Forfeitures	**$0.64**	Persons Served
Transfers In	**$0.37**	Persons Served
Other Revenues	**$1.21**	Persons Served

Please refer to **Exhibit 7** of **Appendix A** for more details on the case study assumptions and revenue multipliers utilized in the Study.

II. ANALYSIS OF RECURRING COSTS

CASE STUDY METHOD:

A. INFRASTRUCTURE AND PARKS MAINTENANCE

The Center will require the construction of new infrastructure to be ultimately owned by the City and maintained by the City's General Fund. At this time, it is estimated that these public infrastructure improvements will consist of 54 lane miles of roadways, 75 acres of landscaped parkways and medians, 4 signalized intersections, 699 streetlights, and 18.1 linear miles of storm drains, Notably, other improvements such as street lights and trails, to be maintained by other City Funds, i.e., Community Services District funding, Enterprise Funds, Special Funds, etc., but not the General Fund, were disregarded for purposes of this Study.

These improvements were multiplied by estimated annual cost figures for each category derived from the DTA Public Works Database, resulting in annual Infrastructure and Parks Maintenance costs of $1,916,941.

Finally, Measure A funding – a half-cent sales tax for roadway funding administered by the Riverside County Transportation Commission – was incorporated, based on the percentage of total Measure A funds allocated to the City of Moreno Valley. Following a $21,467 Measure A set-off, the annual Infrastructure and Parks Maintenance forecast is $1,895,474

TABLE 2E – INFRASTRUCTURE/PARKS REQUIREMENTS (CASE STUDY METHOD)

Infrastructure/Parks to be Maintained by City General Fund	Quantity	Cost/Unit
Roadways (Lane Miles)	54	$12,000
Signalized Intersections	4	$4,938
Parkways/Medians (Acres)	75	$14,953
Open Space	206	$517
Storm Drains (Lineal Miles)	18.1	$1,177

B. GENERAL GOVERNMENT COSTS

General Government costs are projected at a marginal rate of 7.58% of the City General Fund recurring costs, based on the assumption that the FY 2012-2013 General Government expenditures, equaling $7.1 million, will remain at the same relative proportion of the FY 2012-2013 City General Fund non-governmental expenditures of approximately $70.1 million in future years. The current percentage of General Government expenditures to City General Fund non-governmental expenditures is approximately 10.1%; however, these General Government costs are not expected to increase on a one-for-one basis as a result of the land use development depicted in this Study. Therefore, this Study assumes that General Government costs increase at

an estimated marginal rate of 75%, or 7.58%, of the existing General Government cost overhead rate. This approach results in annual General Government costs of $385,871.

Importantly, as discussed above, the fiscal analysis included herein focuses on the impacts of the Project as if it were built during fiscal year 2012-13, based on cost criteria and assumptions existing during that fiscal year. As is the case for most General Fund fiscal analyses, it would be speculative to project future cost factors because there is no certainty regarding what those factors will be. For example, in the case of general government costs specifically, the City is expected to increase its annual expenditure by eliminating a furlough program that it established during the Great Recession. However, the Project is expected to generate additional revenues in future fiscal years, above and beyond the revenues discussed in the Study, due to increases in logistics facilities property values above the $90 per square foot assumed in the Study. Therefore, any assumptions made regarding the relative levels of cost and revenue increases in future years would likely to create bias in the analysis that could lead to the invalidation of the results of the Study.

MULTIPLIER METHOD:

C. POLICE AND FIRE PROTECTION

Police services include those costs associated with Law Enforcement and Patrol, Administration, Traffic Enforcement, Crime Prevention, Volunteer Programs, and Community-Based Policing. Police Services costs are forecasted at $196.20 per Persons Served using the *Per Capita-Employee Multiplier Method.* Fire services include those costs associated with Fire Suppression, Fire Prevention, Equipment and Vehicles, Outreach, and Training. Fire services costs financed through the General Fund are forecasted at $72.84 per Persons Served using the *Per Capita-Employee Multiplier Method.*

Notably, there is additional funding available to fund fire services through a Moreno Valley Fire property tax that is separate from General Fund revenue sources and is not included in this analysis of the General Fund. City-wide, the fire services costs funded through the Moreno Valley Fire property tax equal $21.66 per Persons Served, so total funding actually required for fire services utilizing the *Per Capital-Per Employee Multiplier Method* would be $94.50 per Persons served. However, as described below in Section III of this Study, the amount of Moreno Valley Fire property tax per Persons Served generated by the Center will be $199.27. As a result, there will be a significant surplus of revenues beyond the $21.66 per Persons Served that is currently the average amount of Moreno Valley Fire property tax costs City-wide. The City will be able to expend these excess revenues on fire services provided throughout other parts of the City outside of the Center.

D. ANIMAL SERVICES

Animal Control Services costs were projected at $4.70 per Persons Served using the *Per Capita-Employee Multiplier Method*. Please note that this cost multiplier has been reduced by 50% to account for only the portion of Animal Services costs that are expected to be variable with population and employee growth in the City.

E. DEVELOPMENT SERVICES

Development Services costs, including elements of the Planning and Building Divisions, Land Development services, and certain Public Works (non-overhead/department) services related to new growth, were forecasted at $20.87 per Employee using the *Per Capita-Employee-Multiplier Method*.

F. OTHER USES

Other Uses costs, including Records Management, Sign Programs, and the Office of Emergency Management and Volunteers, were forecasted at $6.27 per Persons Served based on the *Per Capita-Employee Multiplier Method.* Please note that this cost multiplier has been reduced by 50% to account for only the portion of Other Uses costs that are expected to be variable with population and employee growth in the City.

G. COMMUNITY DEVELOPMENT

Community Development costs, including certain costs associated with existing City Planning and Building Safety, were forecasted at $4.17 per Persons Served based on the *Per Capita-Employee Multiplier Method.* Please note that this cost multiplier has been reduced by 50% to account for only the portion of Community Development costs that are expected to be variable with population and employee growth in the City.

H. PUBLIC WORKS – OVERHEAD/DEPARTMENT COSTS

Public Works costs, including Administration, Engineering, and Operations and Maintenance expenses, were projected at $10.79 per Persons Served using the *Per Capita-Employee Multiplier Method*. This category includes those Public Works costs not directly associated with Center-related roadway maintenance, signalized intersections, park rehabilitation, and other infrastructure (i.e. 54 lane miles of roadways, 75 acres of landscaped parkways and medians, 4 signalized intersections, 699 streetlights, 18.1 linear miles of storm drains, and 17.2 linear miles of sidewalks/trails).

I. TRANSFERS OUT

Transfers Out costs were forecasted at $6.28 per Persons Served using the *Per Capita-Employee-Multiplier Method*.

TABLE 2F – OTHER GENERAL FUND COSTS (MULTIPLIER METHOD)

Category	Amount	Methodology
Police Services	**$196.20**	Persons Served
Moreno Valley Fire	**$72.84**	Persons Served
Animal Services	**$4.70**	Persons Served plus 50% Discount
Development Services	**$20.87**	Persons Served
Other Uses	**$6.27**	Persons Served plus 50% Discount
Community Development	**$4.17**	Persons Served plus 50% Discount
Public Works	**$10.79**	Persons Served
Transfers Out	**$6.28**	Persons Served

SECTION 3 FISCAL IMPACTS

I. TOTAL RECURRING REVENUES: CITY OF MORENO VALLEY

Total recurring revenues to the City equal approximately $11,257,466 per year. As illustrated in **Table 3A** below, the largest percentage of revenue is attributed to the property tax in lieu of VLF revenues (40.2% of total) and property tax revenues (secured and unsecured) (32.0%), together constituting 72.2% of total recurring revenues to the City General Fund. **Exhibits 1-6** of **Appendix A** provide additional details about all recurring revenues and the assumptions used in their derivation.

TABLE 3A
RECURRING FISCAL REVENUES (CITY GENERAL FUND)

Category	Amount	Percent*
Property Tax In-Lieu of Vehicle License Fee	$4,522,818	40.2%
Secured Property Tax	$3,276,191	29.1%
Business Receipts Tax & Licenses	$1,210,847	10.8%
Tax Revenue	$607,657	5.4%
Indirect Sales Tax	$423,144	3.8%
Charges for Services	$387,032	3.4%
Unsecured Property Tax	$327,619	2.9%
Franchises	$251,896	2.2%
Property Transfer Tax	$100,495	0.9%
Intergovernmental Revenues	$60,918	0.5%
Licenses/Permits	$57,771	0.5%
Other Revenues	$12,285	0.1%
Fines and Forfeitures	$6,498	0.1%
Direct Sales Tax	$6,000	0.1%
Transfers In	$3,757	0.0%
Use of Money & Property	$2,538	0.0%
Total Revenues	**$11,257,466**	**100.0%**

**Numbers may not sum due to rounding*

II. TOTAL RECURRING SERVICES COSTS: CITY OF MORENO VALLEY

As illustrated in **Table 3B** below, total annual recurring costs to the City are estimated at **$5,557,674** per year. A majority of the costs are estimated to result from police services, fire services, and Center-specific infrastructure and parks maintenance costs. **Exhibits 2 and 7-10** of **Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

TABLE 3B
RECURRING FISCAL COSTS (CITY GENERAL FUND)

Category	Amount	Percent*
Police	$1,992,019	35.8%
Infrastructure & Parks Maintenance Costs	$1,895,474	34.1%
Fire Services	$739,545	13.3%
General Government	$391,715	7.0%
Development Services	$211,893	3.8%
Public Works	$109,551	2.0%
Transfers Out	$63,761	1.1%
Other Uses	$63,659	1.1%
Animal Services	$47,719	0.9%
Community Development	$42,338	0.8%
Total Costs	**$5,557,674**	**100.00%**

**Numbers may not sum due to rounding*

III. OVERALL NET FISCAL IMPACT TO THE CITY OF MORENO VALLEY

As shown in **Table 3C** below, the overall fiscal impact to the City General Fund resulting from the revenues generated by the Center is a recurring annual fiscal surplus of **$5,699,792** based on the generation of **$11,257,466** in recurring annual revenues and **$5,557,674** in recurring annual costs. Annual revenues are projected to equal **2.03** times the associated City General Fund costs. A summary of the overall fiscal **impacts to the City is provided in Exhibit 11 of Appendix A.**

TABLE 3C
NET FISCAL IMPACT (CITY GENERAL FUND)

Category	Amount
Total Recurring Revenues	$11,257,466
Total Recurring Costs	($5,557,674)
Annual Recurring Surplus/(Deficit)	**$5,699,792**
Total Annual Revenue/Cost Ratio	*2.03*
Surplus per 1,000 SF Industrial	$140

However, the picture of the fiscal impacts of the Center on the City is incomplete if one just analyzes the General Fund, because in the case of the Center, a Moreno Valley Fire property tax will be collected by the City that greatly exceeds the cost of fire services provided by the City to the Center. As calculated in Section A-12 in the Appendix, the Moreno Valley Fire property tax

averages 5.54% of the total property taxes levied in the Center, which yields a total of $2,023,235 in annual revenues to the City. While the *Per Capita-Per Employee Multiplier Method*, utilizing the multiplier for both the General Fund and Moreno Valley Fire property tax, reflects total fire costs of $94.50 per Persons Served (see Section 2.II.c, above), the funding for fire services for the Center consists of $72.84 from the General Fund plus $199.27 from the Moreno Valley Fire property tax per Persons Served in the Center, for a total of $272.11 per Persons Served. **This means there will be an excess of $177.61 per Persons Served generated by the Center, or $1,803,274 recurring annually that can be spent on fire services in other parts of the City. Adding this $1.80 million Moreno Valley Fire property tax surplus to the $5.70 General Fund surplus yields a total annual recurring surplus to the City of $7.5 million generated by the Center.**

SECTION 4 ECONOMIC IMPACTS

The Study also identifies the general economic impacts on the City that would occur due to the Center, and quantifies these impacts wherever possible. General economic impacts include additions to the City's employment (number of average annual full- & part-time jobs), economic output (e.g., gross receipts), and earnings (the sum of wages, salaries and benefits, other labor income, and employer and employee contributions to social security). The Study also distinguishes between one-time economic impacts – i.e. impacts related to one-time construction jobs ("One-time Construction Jobs") and permanent economic impacts – i.e. impacts related to the creation of permanent jobs ("Permanent Jobs"). One-time Construction Job impacts include benefits to the community that occur on a non-permanent basis as a result of construction and development activity, while Permanent Job impacts refer to benefits that occur on a continuing basis, year after year.

I. PERMANENT JOB IMPACTS

A. ASSUMPTIONS

In evaluating economic impacts, the Study quantifies both direct and indirect/induced economic impacts on the City. Direct economic impacts, as defined in Section 1 of the Introduction of this Study, reflect the initial or first-round increases in jobs, earnings, and output, all of which occur directly on-site. Indirect/induced economic impacts, as further explained in Section 1 of the Introduction, are the secondary and other additional rounds of economic activity that occur as a consequence of the direct impacts, and can occur elsewhere within the City. The **indirect** impacts represent the economic activity – buying and selling of goods and services – of *suppliers* to the land use types analyzed. In this Study, suppliers to the Center consist primarily of maintenance and repair professionals, utilities' providers, wholesale trade companies, and business support services; while suppliers to retail/office developments consist mainly of real estate firms, computer and other technology firms, accounting and bookkeeping professionals, and utilities' providers. Furthermore, the suppliers representing the indirect one-time impacts are mainly heavy industrial and construction suppliers for the actual development of buildings and facilities. The **induced** impacts represent the economic activity that results from household spending by *employees* of all companies directly and indirectly affected by the construction and operation of the land uses analyzed in this Study. Indirect and induced impacts can occur throughout all industries of the economy, and have been categorized using the North American Industry Classification System (NAICS). Adopted by the Office of Management and Budget (OMB) in 1997 to replace the Standard Industrial Classification System (SIC), NAICS is a widely-used system to classify business establishments for the collection, analysis, and publication of statistical data in Canada, Mexico, and the United States. NAICS industries are identified using a six-digit coding system to classify all economic activity into twenty broad sectors, five of which are mainly goods-producing sectors and fifteen of which are services-producing sectors. This six-digit hierarchical structure allows for the identification of nearly 1,170 industries. The broad NAICS sectors include the Construction, Retail Trade, and Administrative and Support Services classifications, which are the focal NAICS categories analyzed within this Study to determine the indirect and induced economic impacts generated under the analysis.

Based on information provided by the Applicant, the Center is comprised of 40.4 million building square feet of high-cube industrial land use, 200,000 building square feet of general warehouse space, and 3,000 building square feet of light retail space providing basic fuel, food, and vehicle maintenance services for trucks.

1. Direct Employees Assumptions

DTA's analysis is based on the assumption that the Project will directly employ 0.50 employees per 1,000 building square feet. These employees are Full Time Equivalent ("FTE") employees, meaning that part-time employees are only counted based on the percentage of forty (40) hours per week that they are working. Understandably, it takes two half-time (1/2) employees to equal one FTE employee.

DTA estimated the number of direct employees in the proposed development based upon an average employee per SF ratio for similar land uses in the region utilizing two data sources. The first source was an Employment Density Study prepared for the Southern California Council of Governments ("SCAG") for Riverside County in 2001, and the second was a study entitled "Logistics Trends and Specific Industries," which was prepared by the National Association of Industrial and Office Parks ("NAIOP") in 2012.

Tables 9A, 9B, 10A, and 10B of the SCAG Study state that the median building square footage for a logistics employee in Riverside County is 819 to 1,390 square feet, and that the average building square footage for a logistics employee in Riverside County is 581 to 953 square feet. Square footage per employee averages are stated as ranges because the SCAG Report employee density calculations are based on two separate Floor Area Ratio ("FAR") assumptions; the median building square footage (0.31) and the mean building square footage (0.50). Using average employees and the average FAR, the number of employees per 1,000 building square feet based on the SCAG Report ranges from 1.05 to 1.72. Alternatively, using median employees and the median FAR, the number of employees per 1,000 square feet ranges from 0.72 to 1.22 employees.

These SCAG estimates are significantly higher than those prepared by NAIOP. NAIOP's main website (http://www.naiop.org) includes a research section that contains detailed reports on the characteristics of industrial warehouses constructed in recent years. There are separate reports entitled "How Office, Industrial and Retail Development and Construction Contributed to the U.S. Economy" in 2010 and 2011. Table 12 in these reports reflect an average of 900 building square feet per employee for warehouses constructed in 2010 (equivalent to 1.11 employees per 1,000 building square feet) and 450 building square feet per employee for warehouse/flex buildings constructed in 2010 (equivalent to 2.22 employees per 1,000 building square feet).

To ensure that our Study is based on conservative assumptions, DTA utilized the lowest ratio presented in the SCAG and NAIOP analyses, or 0.50 employees per 1,000 square feet of floor space, thereby reflecting the minimal number of employees that will be generated by the Project. Therefore, DTA selected the 0.50 estimate, and is confident that if anything, the logistics employees density that will ultimately be generated by the Project will be higher, particularly

with the increasing use of logistics projects for fulfillment facilities, which average higher numbers of employees per 1,000 building square feet.

2. Annual Income Assumptions

The website for "U.S. Census Bureau's Longitudinal Employer-Household Dynamics Reports" includes an LED Extraction Tool that allows the user to access the average income numbers. Specifically, using the Extraction Tool, a user would choose California, Metropolitan Area, Riverside-San Bernardino-Ontario, Transportation and Warehousing, Male and Female All Ages, Full Quarter Employment Earnings, 2nd Quarter 2012. At that point, a spreadsheet appears indicating a monthly income of $3,410.50 per month over the past twelve months, or $40,926 per year.

In terms of WLC's anticipated average employee incomes, DTA is confident based on its research that the $40,926 average income assessment for employees in the Transportation and Warehousing labor category for the Riverside-San Bernardino-Ontario Metropolitan Area (the "Metropolitan Area") according to the U.S. Census Bureau, is a reasonable estimate. DTA found similar data validating this average income estimate for Riverside County and for the Metropolitan Area as published by the State Economic Development Department ("EDD") and the U.S. Bureau of Labor Statistics ("BLS"). Both of these agencies list average incomes in 2012 for both the Warehousing and Storage labor category and the Transportation and Warehousing labor category in 2012 ranging from $40,123 to $41,721, all of which are within 2.0% of the $40,926 figure. As is appropriate, this average wage was utilized to compute total gross wages generated by WLC as listed in Table 4B, below. Notably, the average incomes listed under the "Warehousing and Storage" and "Transportation and Warehousing" categories from these three government sources for Riverside County and the Inland Empire are virtually identical to the average incomes of current Moreno Valley residents, which according to the BLS is $40,124. As a result, the income levels currently paid in the logistics industry locally, which are likely to be similar to the wages to be paid at WLC, are almost identical to the average incomes currently earned by all employed City residents.

While average incomes are appropriate for use when calculating total projected WLC salaries, they are sometimes not indicative of a typical employee's salary in a logistics facility because high paid employees, such as engineers and managerial staff, can skew the average salary upwards. In these cases, a median income sometimes provides a more accurate assessment of a typical employee's earnings. Unfortunately, median income information for Riverside County and the Inland Empire are not available through the U.S. Census, EDD or BLS. However, based on national data prepared by BLS, it appears that the median income for the Warehouse and Storage labor sector on a nationwide basis equals 88.7% of average income for that sector. Assuming that this ratio could also be applied to the average income of $41,721 per year as listed by the BLS for Riverside County, the median income applicable to Riverside County, and therefore WLC, would be $37,007.

3. Build-Out and Occupancy Assumptions

A detailed review and analysis of future market conditions is not included within the scope of the Study. However, due to the cyclical nature of the real estate market and its impact on the build out period of the Project, it is important to consider how future market absorption and or occupancy might ultimately affect the results described in this analysis.

In terms of the absorption of the Project, the Applicant projects a build out of approximately fifteen (15) years with an average absorption rate of 2.4 million square feet per year (6% of the overall Project). Importantly, the economic impacts prior to build out will be proportional to the amount of the Project that has been completed at any point in time. Once build out occurs, the economic impacts are expected to be consistent with the conclusions of the Study. In the analysis below, DTA has incorporated a discussion of the economic benefits that may be achieved during the absorption period.

Furthermore, the occupancy rates during the absorption period as well as after build out will affect the economic benefits achieved. The Study analyzes the build out condition of the Project assuming full occupancy, i.e. the maximum economic benefit that may be realized by the Project. Importantly, future market cycles may have a significant impact on the occupancy rate for the Project in any given year. As a result, the analysis included in Study also incorporates a discussion of the occupancy rates and their impacts on the economic benefits to be provided by the Project. For purposes of this discussion, DTA has included additional data that reflects an occupancy rate of 90% percent (or a vacancy rate of 10%). The estimated occupancy/vacancy is based on research conducted by DTA of the current and projected market outlook for industrial space. DTA considered the "Casden Forecast – 2012 Industrial & Office Forecast Report" published by the University of Southern California that listed average vacancy rates in 2012 for industrial space significantly below 10%. More importantly, DTA considered the publication titled "Industrial Space in Southern California: Future Supply and Demand for Warehousing and Intermodal Facilities" published by the SCAG that projects increasing demand, increasing rents, and decreasing vacancies for industrial space over next few years. Based on these data sources, DTA is confident that the average vacancy rate of 10%, utilized in the discussion of the occupancy rate of the Center, is appropriate.

Other assumptions used to analyze the economic impact of the Center are summarized in **Table 4A** on the following page.

TABLE 4A
ASSUMPTIONS

Assumptions	
Land Use Assumptions	*Sq. Ft.*
Logistics Development ("LD")	**40,397,000**
Light Logistics ("LL")	**200,000**
Logistics Support ("LS") Site	**3,000**
Employment Assumptions [1]	*per 1,000*
Logistics (LD/LL)	**0.50**
Retail (LS)	**2.50**
Wage Assumptions [2]	*Annual $*
Warehousing/Transportation (Logistics) [3]	**$40,926**
Construction	**$48,825**
Retail [4]	**$22,885**
Riverside County Average (2010)	**$40,602**

[1] Source: DTA Public Works Database; confirmed by "Employment Density Study," SCAG (2001), and "Logistics Trends and Specific Industries," NAIOP Research Foundation (March 2010).

- *Identical to metric utilized in fiscal impact analysis, please see Exhibit 3 of Appendix A (0.50 Employees/KSF = 2,000 SF per Employee).*

[2] Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2010) for Riverside-San Bernardino-Ontario Metropolitan Area and Riverside County; confirmed by Bureau of Labor Statistics for Riverside County and for Riverside-San Bernardino-Ontario Metropolitan Area (2nd Quarter, 2012) and State of California Economic Development Department for Riverside County (3rd Quarter, 2012)

[3] Standard Warehousing/Transportation Labor Category Average Salary (~$40,926) from U.S. Census Bureau.

[4] Reflects a blended average, by employee count, of local "Retail" and "Food Service/Accommodation" salary codes.

B. PERMANENT JOB CREATION & EMPLOYEE WAGES

Development will contribute to the creation of Permanent Jobs in the City and County. As shown below in **Table 4B**, development of the Center is projected to generate approximately 20,307 estimated new on-site Permanent Jobs within the City. Since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from these projections stated throughout the Study.

In addition to these employment opportunities, DTA estimates that the Center will generate new off-site Permanent Jobs in all industries of the economy, which constitute the indirect/induced Permanent Job impacts of the project. Seven thousand three hundred eighty six (7,386) indirect/induced Permanent Jobs are expected to be created in the County, of which 3,693 are projected to be within the City, as a result of the development of the Center. This estimate was derived utilizing the Impact Analysis for Planning ("IMPLAN") Input/Output Modeling System, a type of quantitative economic model that provides an approximate measure of the "multiplier effect" of a firm's spending on payroll and the purchasing of goods and services. Like similar econometric models, IMPLAN helps to calculate the flow of payments for goods and services across different industry sectors, and between households and industries. Unlike similar econometric models, e.g., the Regional Input-Output Modeling System ("RIMS II"), IMPLAN is the industry standard. RIMS II and IMPLAN both include induced effects, but RIMS II differs from IMPLAN in two ways: (i) RIMS II uses a single household type for induced personal consumption while IMPLAN uses nine (9) household types; and (ii) RIMS II uses the traditional single row/column Type II formulation whereas IMPLAN uses a more robust mapping of factor income to household consumption using several sub-matrices. RIMS II uses location quotients to regionalize the national technical coefficients, a method which underestimates inter-regional trade and overestimates regional multipliers when cross-hauling is present.

The IMPLAN model can be envisioned simply as a large spreadsheet with hundreds of industries (plus the household sector) arrayed across the top as producers, and the same industries and households listed down the side as consumers. Each million dollars (output) in spending by any one consumer (i.e. the Center) is allocated across the producing industries from which it buys goods and services. These producing industries, in turn, spend money buying goods and services from their own distinct sets of suppliers. Thus, the IMPLAN multiplier model allows one to gauge the effect on each dollar an industry spends as it diffuses through a regional economy. Furthermore, it allows one to translate the overall regional impact of spending into jobs and employee compensation.

While the specific location of the additional indirect Permanent Jobs created within the County cannot be specifically determined, experience and modeling indicate that a large percentage of these Permanent Jobs will be support service jobs, and are likely to be located close to the Center, and therefore within the City itself. For purposes of this Study, it is conservatively modeled that one-half of these indirect Permanent Jobs will be located within the City. **Table 4B** shown below, and **Exhibits 1** and **3** of **Appendix B** summarize the direct and indirect Permanent Job impacts of the Center.

TABLE 4B
PERMANENT JOBS AND WAGES
(ALL NUMBERS SUBJECT TO ROUNDING)

Permanent Job Impact	Direct	Indirect	Induced	Total
Employees				
Countywide	20,307	3,269	4,118	27,693
Within City	20,307	1,634	2,059	24,000
Employee Wages				
Countywide	$831 Million	$133 Million	$167 Million	$1.13 Billion
Within City	$831 Million	$66 Million	$84 Million	$981 Million

Overall, the creation of new Permanent Jobs will provide many benefits to the City. More Permanent Jobs will lead to more consumer spending by employees in existing retail establishments within the City, as well as new retail development that will be attracted to the City as a result of this spending. Permanent Job creation also results in increased tax revenues to the City through increased property taxes and sales taxes related to this new development.

However, because of the difference in timing of and/or the occupancy at the various Center developments, the number of Permanent Jobs summarized above will not be realized at the same time. It is estimated the build-out of the Center will occur over 15 years, as many individual elements have not yet begun and the demand for such elements may fluctuate. By way of example, assuming a vacancy rate of 10%, the Center will generate (i) approximately 1,440 Permanent Jobs in the City for every 2.4 million square feet occupied; and (ii) at build out, approximately 21,600 Permanent Jobs within the City.

C. OVERALL PERMANENT JOB OUTPUT

Total Permanent Job output (i.e., total expenditures including sales or gross receipts, or other operating income) within the City will increase substantially with development. Total Permanent Job output is estimated based on the different types of development projected to occur. As stated in Section I, this Study analyzes direct and indirect/induced impacts. Regarding gross receipts, the direct impact reflects the initial or first-round increases in output (total spending/gross receipts, including payroll), all of which occur directly on the Center site. Permanent Job indirect/induced economic impacts are the secondary and other additional rounds of economic activity that occur as a consequence of the direct output impacts, and can occur outside of the Center. The indirect impacts represent the economic activity – buying and selling of goods and services – of suppliers and/or supporting businesses. The induced impacts represent the economic activity that results from household spending by employees of all companies directly and indirectly affected by the Center (please see **Table 1** on *Page 3* for a graphical representation of the indirect and induced effects). **Table 4C** shown below and **Exhibit 2 of Appendix B** summarize the Total Permanent Job output projections anticipated.

Based again on IMPLAN multipliers and other assumptions utilized in the fiscal impact model, DTA estimated that the Permanent Job direct and indirect/induced effects total $2.37 billion for the County, of which $1.94 billion is attributable to the City.

TABLE 4C
PERMANENT JOB TOTAL OUTPUT
(ALL NUMBERS SUBJECT TO ROUNDING)

Permanent Job Impacts	Direct	Indirect	Induced	Total
Overall Output				
Countywide	$1.50 Billion	$376 Million	$494 Million	$2.37 billion
Within City	$1.50 Billion	$188 Million	$247 Million	$1.94 billion

However, similar to the effect that Center absorption and/or occupancy will have on Permanent Jobs, it will have a similar effect on the generation of total output related to the Permanent Jobs, specifically due to the difference in timing of the various Center developments and/or future occupancy rates for the Center. As a result, the overall output related to Permanent Jobs summarized above will not be realized at the same time. By way of example, assuming a vacancy rate of 10%, the Center will generate (i) approximately $116 million in Permanent Job output in the City for every 2.4 million square feet occupied; and (ii) at build out, approximately $1.75 billion in Permanent Job output within the City.

II. ONE-TIME CONSTRUCTION JOBS, WAGES, AND OUTPUT IMPACTS

According to IMPLAN, development of the Center is also projected to create 16,521 estimated construction-related full-time equivalent ("FTE") jobs within the City. Therefore, given a build out period of approximately 15 years, with projected even absorption, the construction of the Center will create approximately 1,101 FTE annual One-time Construction Jobs in the City. Construction and development costs related to these One-time Construction Jobs will also have multiplier effects on the economy, generating one-time increases in output and wages related to One-time Construction Jobs for non-residential buildings and all related site improvements.

As with Permanent Job impacts, experience and modeling indicate that a large percentage of these One-time Construction Jobs will be support service jobs, and are likely to be located close to the Center, and therefore within the City itself. For purposes of this Study, it is conservatively modeled that one-half of these indirect One-time Construction Jobs will be located within the City. **Table 4D** and **Table 4E** below and **Exhibit 5** of **Appendix B** summarize the projected increases in employment, wages, and output that are generated directly from One-time Construction Jobs of the Center land uses, based on DTA wage and construction cost assumptions.

TABLE 4D
ONE-TIME CONSTRUCTION JOB INCREASES IN EMPLOYMENT AND WAGES
(ALL NUMBERS SUBJECT TO ROUNDING)

One-Time Construction Job Impacts	Direct	Indirect	Induced	Total
Employees				
Countywide	12,807	3,285	4,141	20,233
Within City	12,807	1,643	2,071	16,521
Employee Wages				
Countywide	$625 Million	$133 Million	$168 Million	$927 Million
Within City	$625 Million	$67 Million	$84 Million	$776 Million

TABLE 4E
ONE-TIME CONSTRUCTION JOB TOTAL OUTPUT
(ALL NUMBERS SUBJECT TO ROUNDING)

One-Time Construction Job Impacts	Direct	Indirect	Induced	Total
Overall Output				
Countywide	$1.67 billion	$436 million	$496 million	$2.60 Billion
Within City	$1.67 billion	$218 million	$248 million	$2.14 Billion

By way of example, assuming an vacancy rate of 10%, the Center would generate (i) approximately 991 One-time Construction Jobs, $47 million in related wages, and $128 million in related output, in the City for every 2.4 million square feet developed; and (ii) at build out, approximately 14,867 One-time Construction Jobs, $698 million in related wages, and 1.92 billion in related output within the City.

III. OTHER IMPACTS (JOBS-HOUSING BALANCE)

As stated earlier, the Center is estimated to create approximately 20,307 new on-site jobs, and DTA estimates that an additional 7,386 new off-site jobs will be created County-wide (of which 3,693 will be located within the City). As depicted in **Table 4F** and **Figure B** below, as well as in **Exhibit 4** of **Appendix B**, because the Center does not involve a residential component, the jobs generated by the Center do not need to support new households as a result of direct employment or indirect employment. This results in a Jobs-Housing balance calculation wherein the numerator increases (as described above), while the denominator remains constant.

The Jobs-Housing balance is an indicator of the balance between employment and housing opportunities. Defining what constitutes a balance between jobs and housing is not an easy task. Assuming a simple ratio of one job to one household is inappropriate today when so many households include more than one person in the workforce. A study prepared by the Southern California Association of Governments ("SCAG") suggests that if an area has a Jobs-Household

balance that significantly diverges from a regional standard of 1.0–1.29, it can be considered out of balance.

At build-out, the Center will significantly affect the Jobs-Housing balance. As described in **Exhibit 4** of **Appendix B**, moving forward with the Center will increase total employment in the City from 25,120 (current, per California Employment Development Department, Labor Market Information Division) to 49,120 (projected), increasing the City Jobs-Housing balance from 0.47 to 0.91, a metric now largely in line with the SCAG standard[1]. The 27,693 new County employees from the Center will increase total County employment to 579,185 (projected) from 551,492 (current), resulting in an increase in the County Jobs-Housing balance as well, up to 0.74 from 0.70. **Table 4F** and **Figure B** below, and **Exhibit 4** of **Appendix B** summarize the pre- and post-Center Jobs-Housing Balance.

TABLE 4F

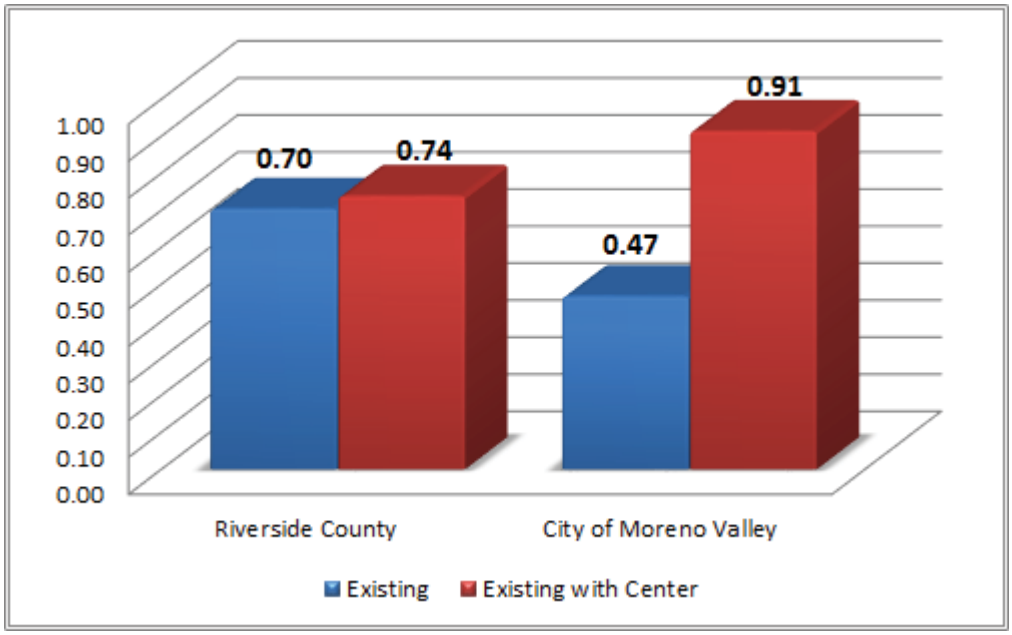
Jobs-Housing Balance	Balance without Center	Balance with Center	% Increase /(Decrease)
Countywide	0.70	0.74	5.02%
Within City	0.47	0.91	95.54%

However, as development of the Center is expected to occur over many years, the Jobs-Housing balance will not be significantly changed in the earlier years due to the Center. As the City's current Jobs-Housing balance is exceptionally low according to SCAG standards, the need for employment is immediate. By way of example, assuming a vacancy rate of 10%, the Center will result in a jobs housing balance of (i) approximately 0.49 in the City for the first 2.4 million square feet occupied (increasing by approximately 0.03 for every additional 2.4 million occupied); and (ii) at build out, approximately 0.87 within the City.

A balance between jobs and housing has a positive impact on the City by decreasing costs associated with commuting and traffic congestion. A balanced Jobs-Housing ratio provides, inter alia, reduced commute times, improved social and cultural involvement, a more attractive work/life balance to residents, and savings to local public agencies in terms of the need to construct and maintain new road improvements and other facilities. For example, the lower transportation facility costs experienced by local public agencies will enable these agencies to invest their tax proceeds in other facilities that can improve the quality of life within the City, such as libraries, recreational centers, and other community amenities.

[1] The jobs/housing balance ratio does not account for projected population growth or employment growth resulting from other future development that may occur in the City.

FIGURE B
JOBS-HOUSING BALANCE



APPENDIX A

FISCAL IMPACT MODEL

EXHIBIT A-1
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
CITY GENERAL FUND REVENUES (BY TYPE)

I. Demographics and Other Data

2012 Estimated City Population [1]	195,216
2012 Estimated City Employees [2]	25,120
2012 Persons Served Population [3]	207,776

Notes:

[1] California Department of Finance, Price and Population Information, January 1, 2011.

[2] California Employment Development Department ("EDD") - Labor Market Information Division, 2010 Annual Average NAICS Sector Data.

[3] Assumes City population plus 50% of employees.

[4] Certain revenues are not expected to increase one-to-one with the new development. A discount of 25% was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

II. City Revenue Sources (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
Tax Revenue	**$50,894,540**		**Persons Served**		**$59.85**
Property Tax	$5,756,540	Recurring	Case Study	0%	NA
Sales Tax	$11,444,000	Recurring	Case Study	0%	NA
Property Tax in Lieu-VLF	$13,195,000	Recurring	Case Study	0%	NA
Property Tax in Lieu-Sales Tax	$3,449,000	Recurring	Case Study	0%	NA
Documentary Transfer Tax	$470,000	Recurring	Case Study	0%	NA
Utility Users Tax	$15,980,000	Recurring	Persons Served	25%	$57.68
Transient Occupancy Tax	$600,000	Recurring	Persons Served	25%	$2.17
Business Receipts Tax & Licenses	**$1,498,000**	**Recurring**	**Per Employee**	**0%**	**$59.63**
Franchises	**$5,154,208**	**Recurring**	**Persons Served**	**0%**	**$24.81**
Licenses/Permits	**$1,182,200**	**Recurring**	**Persons Served**	**0%**	**$5.69**
Intergovernmental Revenues	**$1,247,000**	**Recurring**	**Persons Served**	**0%**	**$6.00**
Charges for Services	**$7,920,254**	**Recurring**	**Persons Served**	**0%**	**$38.12**
Use of Money & Property	**$52,800**	**Recurring**	**Persons Served**	**0%**	**$0.25**
Interest Income	**$4,018,000**	**Recurring**	**Case Study**	**0%**	**NA**
Fines and Forfeitures	**$132,000**	**Recurring**	**Persons Served**	**0%**	**$0.64**
Transfers In	**$77,513**	**Recurring**	**Persons Served**	**0%**	**$0.37**
Motor Vehicle License Fee	**$400,000**	**Recurring**	**Case Study**	**0%**	**NA**
Other Revenues	**$251,550**	**Recurring**	**Persons Served**	**0%**	**$1.21**
Total Recurring Revenues	**$72,828,065**				

EXHIBIT A-2
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
CITY GENERAL FUND EXPENDITURES (BY TYPE)

I. Demographics and Other Data

2012 Estimated City Population [1]	195,216
2012 Estimated City Employees [2]	25,120
2012 Persons Served [3]	207,776

Notes:

[1] California Department of Finance, Price and Population Information, January 1, 2011.

[2] California Employment Development Department ("EDD") - Labor Market Information Division, 2010 Annual Average NAICS Sector Data.

[3] Assumes City population plus 50% of employees.

[4] Certain expenditures are not expected to increase one-to-one with the new development. A discount of 50% was applied to reflect the estimated ratio of fixed expenditures to variable expenditures and/or one-time to recurring expenditures.

II. City Expenditures (by Type)

Expenditure Type	Total Expenditures	Revenue Type	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
GENERAL GOVERNMENT					
City Council - Administration	$577,099	Recurring	Case Study	0%	NA
City Manager	$844,795	Recurring	Case Study	0%	NA
City Clerk - Administration	$490,205	Recurring	Case Study	0%	NA
Economic Dev. - Administration	$312,518	Recurring	Case Study	0%	NA
City Attorney - Admin.	$930,802	Recurring	Case Study	0%	NA
Communications - Admin.	$66,233	Recurring	Case Study	0%	NA
Human Resources - Admin.	$709,395	Recurring	Case Study	0%	NA
Graphics Support	$190,104	Recurring	Case Study	0%	NA
FASD - Administration	$292,275	Recurring	Case Study	0%	NA
Financial Operations	$1,192,981	Recurring	Case Study	0%	NA
Treasury Operations	$1,003,866	Recurring	Case Study	0%	NA
Purchasing	$474,506	Recurring	Case Study	0%	NA
NON-GENERAL GOVERNMENT					
Community Development	$1,734,906	Recurring	Persons Served	50%	$4.17
Public Works	$2,242,854	Recurring	Persons Served	0%	$10.79
Police	$40,764,819	Recurring	Persons Served	0%	$196.20
Animal Services	$1,952,210	Recurring	Persons Served	50%	$4.70
Other Uses	$2,605,735	Recurring	Persons Served	50%	$6.27
Development Services	$4,336,491	Recurring	Persons Served	0%	$20.87
Fire Services	$15,134,968	Recurring	Persons Served	0%	$72.84
Transfers Out	$1,303,900	Recurring	Persons Served	0%	$6.28
Total Recurring Expenditures	$77,160,662				

EXHIBIT A-3
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
LAND USE AND DEMOGRAPHICS SUMMARY

FUTURE LAND USE DATA

I. World Logistics Center Developable Land Use Description

A. Residential Land Uses	Number of Units [1]
Single-Family Detached	0
Multi-family (Affordable)	0

B. Commercial Land Uses	Sq. Ft. [1]
Retail	3,000
Non-Retail (Logistics Development and Light Logistics)	40,597,000

DEMOGRAPHIC DATA

II. Demographics

A. Residential Land Use Population	Persons per Household [2]
Persons per Household	3.74

B. Non-Residential Land Use Employee Generation Commercial Land Uses	Sq. Ft. per Employee [3]
Retail	400
Non-Retail (Logistics Development and Light Logistics)	2,000

POPULATION AND EMPLOYEES (CALCULATIONS)

III. Residential Land Use Type	Number of Units	Residential Population
Single-Family Detached	0	0
Multi-family (Affordable)	0	0

IV. Non-Residential Land Use Type	Sq. Ft.	Total Direct Employees
Retail	3,000	8
Non-Retail (Logistics Development and Light Logistics)	40,597,000	20,299

SOI POPULATION AND EMPLOYEES (TOTALS)

V.	Total Projected Residential Population	0
VI.	Total Projected Direct Employees	20,306
VII.	Total Persons Served Population	10,153

NOTES:

[1] Source: Highland Fairview, City of Moreno Valley.

[2] California Department of Finance - Demographic Research Unit, Census 2010 Demographic Profile Summary File, generated May 12, 2011.

[3] Source: DTA Public Works Database; confirmed by "Employment Density Study," SCAG (2001), and "Logistics Trends and Specific Industries," NAIOP Research Foundation (March 2010). Identical to metrics utilized in economic impact analysis, please see Exhibit B-1.

* *All figures subject to rounding*

EXHIBIT A-4
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
PROPERTY TAX REVENUE ANALYSIS

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (as a Portion of the 1% General Property Tax Levy)

Category	Upon Full Annexation to City of Moreno Valley [1]
	City of Moreno Valley
General Fund [2]	0.08965230
	8.97%

II. Homeowner's Exemption

Homeowner's Exemption (Annually)	$7,000
Percent of Sale Units Taking Homeowner's Exemption [3]	90%

ASSESSED VALUATION ASSUMPTIONS

III. Assessed Valuation - Projected Land Uses

Residential Land Uses	
A. Single-Family Detached Units	
Number of Units [4]	0
Estimated Blended Sales Price per Unit [5]	$0
Total Estimated Net Taxable Value (Includes Estimated Takedown from Homeowner's Exemptions)	$0
B. Multi-family (Affordable)	
Number of Units [4]	0
Estimated Sales Price per Unit [5]	$0
Total Estimated Net Taxable Value	$0
Non-Residential Land Uses	
C. Retail	
Estimated Number of Sq. Ft. [4]	3,000
Estimated Valuation per Sq. Ft. [6]	$200
Total Estimated Net Taxable Value	$600,000
D. Non-Retail (Logistics Development and Light Logistics)	
Estimated Number of Sq. Ft. [4]	40,597,000
Estimated Valuation per Sq. Ft. [6]	$90
Total Estimated Net Taxable Value	$3,653,730,000
E. Total Land Use Net Taxable Value (Includes Takeout from Homeowner's Exemption)	$3,654,330,000

OTHER PROPERTY TAX REVENUE ASSUMPTIONS

IV. Unsecured Property Taxes - Assumptions [7]

Residential	
Unsecured Taxes as a % of Secured	2.75%
Non-Residential	
Unsecured Taxes as a % of Secured	10.00%

V. Property Tax Transfer - Assumptions [8]

Residential Property Turnover Rate	10.00%
Non-Residential Property Turnover Rate	5.00%
Transfer Tax as a % of Assessed Value	0.11%
Property Transfer Tax Passed Through to City of Moreno Valley	50.00%

VI. Motor Vehicle Licensing Fees - Assumptions

Vehicle Licensing Fees per Capita	$2.05

VII. Property Tax In-Lieu of Vehicle License Fee - Assumptions

Total City of Moreno Valley Gross Assessed Value [9]	$10,445,118,397
City of Moreno Valley Property Tax In-Lieu of Vehicle License Fee [10]	$13,195,000
Property Tax In-Lieu of Vehicle License Fee Increase per $1,000 Assessed Value	$1.26

EXHIBIT A-4
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
PROPERTY TAX REVENUE ANALYSIS

Fiscal Impact Calculation

VIII. Fiscal Impact Category	Fiscal Impact Amount
A. Secured Property Tax	
Residential Land Uses	
Single-Family Detached	$0
Multi-family (Affordable)	$0
Non-Residential Land Uses	
Commercial Land Uses	
Retail	$538
Non-Retail (Logistics Development and Light Logistics)	$3,275,653
B. Unsecured Property Tax	
Residential Land Uses	
Single-Family Detached	$0
Multi-family (Affordable)	$0
Non-Residential Land Uses	
Commercial Land Uses	
Retail	$54
Non-Retail (Logistics Development and Light Logistics)	$327,565
C. Property Transfer Tax	
Residential Land Uses	
Single-Family Detached	$0
Multi-family (Affordable)	$0
Non-Residential Land Uses	
Commercial Land Uses	
Retail	$17
Non-Retail (Logistics Development and Light Logistics)	$100,478
D. Motor Vehicle Licensing Fees [11]	$0
E. Property Tax In-Lieu of Vehicle License Fee [12]	
Projected Residential and Non-Residential Land Uses	$4,522,818
Total Property Tax Revenues	**$8,227,123**

NOTES:

[1] Based on "General Fund" levy for Tax Rate Areas (TRAs). Data provided by the County of Riverside Auditor-Controller's Office. TRA allocations adjusted for ERAF. Figure reflects multiple TRAs ranging from 3%-21%, weighted by assessed value. As agreed, figure does not include non-General Funds.

[2] Regarding those TRAs in unincorporated Riverside County, the City of Moreno Valley will receive 25% of the incremental ERAF-adjusted tax allocation post annexation. Source: Resolution No. 85-551 - *Master Property Tax Transfer Agreement Between the County of Riverside and the City of Moreno Valley Relating to Annexations,* dated September 10, 1985.

[3] Estimate, subject to change.

[4] Please see Exhibit A-3. Subject to change.

[5] Please see Exhibit A-3. Subject to change.

[6] Estimated valuation per square foot based on recently conducted fiscal impact studies by DTA and research conducted by DTA for recently constructed comparable buildings in the Inland Empire. Estimate, subject to change

[7] Based on typical DTA baseline assumptions.

[8] Source: California Revenue & Taxation Code §11901, et seq. ; Moreno Valley Municipal Code §3.22.020.

[9] Source: *Riverside County Assessor Annual Report;* Fiscal Year 2011-12, City of Moreno Valley total assessed value.

[10] Source: City of Moreno Valley Operating Budget, Fiscal Year 2012-2013.

[11] City of Moreno Valley no longer receiving motor vehicle licensing fees. Please see page 7 of Study for explanation.

[12] Property Tax in-lieu of Vehicle Licensing Fees applies to incremental property value post-annexation. Current estimated land value of Center site of $74,082,308 excluded from calculation.

* ***All figures subject to rounding***

EXHIBIT A-5
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
SALES TAX REVENUE ANALYSIS

INDIRECT SALES TAX ASSUMPTIONS

I. Residential Indirect Sales Tax Assumptions

A. Mortgage Assumptions

Projected Residential Units	
Single-Family Residential and Multi-family (Affordable)	
Projected Sales Price per Unit (Blended)	$0
Average Mortgage (20% Down Payment) [1]	$0
Annual Mortgage Payment (8% for 30 Years) [2]	$0
Additional Annual Taxes & Insurance (2.00%)	$0

B. Disposable Income Assumptions

Projected Residential Units	
Single-Family Residential and Multi-family (Affordable)	
Average Household Income (3:1 Income to Household Payment Ratio) [1]	$0.00
Retail Taxable Expenditures (as a % of Disposable Income) [3]	0.00%

C. Other Indirect Sales Tax Assumptions

Employees (annual spending per employee) [4]	$4,168
Retail Taxable Sales Capture	
City of Moreno Valley Retail Taxable Purchase Capture [5]	50%
Other Sales Tax Assumptions	
% to the City of Moreno Valley [6]	1.00%

DIRECT SALES TAX ASSUMPTIONS

II. Non-Residential Direct Sales Tax Assumptions

A. Taxable Sales per Sq. Ft. [7]	
Non-Residential	
Retail	$250
Non-Retail	$0
B. Displaced Taxable Sales	
Displaced Existing Taxable Sales within the City of Moreno Valley [8]	20%

FISCAL IMPACT CALCULATION

III. Fiscal Impact Category	Fiscal Impact Amount
A. Indirect Sales Tax	
Projected Residential Land Uses	
Single-Family Residential and Multi-family (Affordable)	$0
Employee Taxable Sales	$423,144
B. Direct Sales Tax [7]	
Projected Non-Residential Land Uses	
Commercial Land Uses	
Retail	$6,000
Non-Retail	$0
Total Sales Tax Revenues	**$429,144**

NOTES:

[1] DTA estimates. Subject to change.

[2] DTA estimate. Annual payment includes principal, interest, property taxes, and homeowner's insurance.

[3] Source: BOE *2008 Consumer Expenditure Survey.*

[4] Source: "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study," ICSC (2004). Adjusted for inflation assuming 3% annual inflation rate.

[5] Estimate, subject to change.

[6] Source: Moreno Valley Municipal Code §3.36.020.

[7] Based on the median sales per sq. ft. figure for retail centers as outlined in "Dollars and Cents of Shopping Centers" (2008) published by the Urban Land Institute. However, no retail activity expected on Center site, only logistics warehousing. Source: Highland Fairview.

[8] Estimate, subject to change.

* *All figures subject to rounding*

EXHIBIT A-6
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
INVESTMENT INCOME REVENUES ANALYSIS

ASSUMPTIONS

I.	Investment Income Assumptions	
	Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
	Local Agency Investment Fund (LAIF) Rate of Return [1]	0.40%
	Local Agency Investment Fund (LAIF) Percentage of Earnings Cost [2]	100.00%

FISCAL IMPACT CALCULATION

II.	Fiscal Impact Category	Fiscal Impact Amount
	Total Property Tax Revenues (Exhibit 4)	$8,227,123
	Total Sales Tax Revenues (Exhibit 5)	$429,144
	Total Multiplier Revenues (Exhibit 7)	$2,601,199
	Projected Recurring General Fund Revenues Available for Investment	**$11,257,466**
	Plus: Investment Income (Less Earnings Cost)	$0
	Total Recurring General Fund Revenues	**$11,257,466**

NOTES:

[1] 47-Quarter Average (March Beginning 2000 to September Ending 2011) is 3.0%, yet current rate is ~0.50%, LAIF Apportionment Rates as provided by the California State Treasurer.

[2] Per the direction of the City, DTA conservatively assumed that earnings costs would fully absorb any returns over a 12-month period.

* *All figures subject to rounding*

EXHIBIT A-7
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
MULTIPLIER REVENUE SOURCES ANALYSIS

ASSUMPTIONS

I. Multiplier Revenues

Revenue Category	Multiplier Factor [1]	Revenue Projection Basis
Tax Revenue	$59.85	Persons Served
Business Receipts Tax & Licenses	$59.63	Per Employee
Franchises	$24.81	Persons Served
Licenses/Permits	$5.69	Persons Served
Intergovernmental Revenues	$6.00	Persons Served
Charges for Services	$38.12	Persons Served
Use of Money & Property	$0.25	Persons Served
Fines and Forfeitures	$0.64	Persons Served
Transfers In	$0.37	Persons Served
Other Revenues	$1.21	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	Fiscal Impact Amount
Tax Revenue	$607,657
Business Receipts Tax & Licenses	$1,210,847
Franchises	$251,896
Licenses/Permits	$57,771
Intergovernmental Revenues	$60,918
Charges for Services	$387,032
Use of Money & Property	$2,538
Fines and Forfeitures	$6,498
Transfers In	$3,757
Other Revenues	$12,285
Total Multiplier Revenues	**$2,601,199**

NOTES:

[1] Based on City of Moreno Valley Operating Budget, Fiscal Year 2012-2013.

* *All figures subject to rounding*

EXHIBIT A-8
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
MULTIPLIER EXPENDITURES ANALYSIS

ASSUMPTIONS

I. Multiplier Expenditures

Expenditure Category	Multiplier Factor [1]	Expenditure Projection Basis [1]
Community Development	$4.17	Persons Served
Public Works	$10.79	Persons Served
Police	$196.20	Persons Served
Animal Services	$4.70	Persons Served
Other Uses	$6.27	Persons Served
Development Services	$20.87	Persons Served
Fire Services	$72.84	Persons Served
Transfers Out	$6.28	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	Fiscal Impact Amount
Community Development	$42,338
Public Works	$109,551
Police	**$1,992,019**
Animal Services	$47,719
Other Uses	$63,659
Development Services	$211,893
Fire Services	**$739,545**
Transfers Out	$63,761
Total Multiplier Expenditures	**$3,270,485**

NOTES:

[1] Based on City of Moreno Valley Operating Budget, Fiscal Year 2012-2013.

* *All figures subject to rounding*

EXHIBIT A-9
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
CASE STUDY EXPENDITURES ANALYSIS

Infrastructure & Parks Maintenance Costs

I.	**Estimated Additional Infrastructure Requirements [1]**	
	Estimated Lane Miles of Roadway	54.0
	Estimated Number of Signalized Intersections	4.0
	Estimated Number of Streetlights	0.0
	Estimated Acres of Parkways and Medians	75.0
	Estimated Acres of Open Space/Slopes	206.0
	Estimated Acres of Basin	0.0
	Estimated Mileage of Storm Drains	18.1
	Estimated Mileage of Sidewalks/Trails	0.0
II.	**Estimated Annual Costs [2]**	
	Roadway Maintenance Costs per Lane Mile	$12,000
	Traffic Signal Maintenance per Intersection	$4,938
	Street Light Maintenance per Light	$126
	Parkway/Median Maintenance Costs per Acre	$14,953
	Open Space/Slope Maintenance per Acre	$517
	Basin/Lake Maintenance per Acre	$5,164
	Storm Drain Maintenance Per Mile	$1,177
	Sidewalk/Trail Mileage per Lineal Mile	$3,497
III.	**Estimated Annual Infrastructure & Parks Maintenance Calculation**	
	Roadways	$648,000
	Signalized Intersections	$19,752
	Street Lights	$0
	Parkway/Median	$1,121,505
	Open Space	$106,399
	Basin	$0
	Storm Drains	$21,285
	Sidewalks/Trails	$0
IV.	**Measure A Set-Off [3]**	
	Measure A Sales Tax	0.50%
	Measure A Sales Tax Passed Through to the City	10.15%
	(Measure A Set-Off resulting from World Logistics Center)	($21,467)
	Total Infrastructure & Parks Maintenance Costs	**$1,895,474**

NOTES:

[1] Source: Highland Fairview; reflects only those improvements to be operated and maintained by the City's General Fund. Per the direction of the City, maintenance of streetlights and trails will be funded outside the General Fund. Subject to change.

[2] Based on data obtained from the DTA Public Works database, in concert with research from the Engineering News-Record.

[3] Half cent sales tax of which ~10% goes to the City of Moreno Valley based on percentage of total Measure A funds allocated to Moreno Valley with respect to the County total. Subject to change. Source: Riverside County Transportation Commission (RCTC) Annual Budget, Fiscal Year 2011-2012.

* *All figures subject to rounding*

EXHIBIT A-10
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
GENERAL GOVERNMENT EXPENDITURES ANALYSIS

ASSUMPTIONS

Total Recurring General Fund Expenditures (excluding General Government Overhead) [1]	$70,075,883
Recurring General Government Overhead Expenditures (as a % of Total Recurring General Fund Expenditures) [2]	10.11%
Marginal Increase in General Government Costs [3]	75%

FISCAL IMPACT CALCULATION

I. Fiscal Impact Category	Fiscal Impact Amount
Total Multiplier Expenditures (Exhibit 8)	$3,270,485
Total Case Study Expenditures (Exhibit 9)	$1,895,474
Projected Recurring General Fund Expenditures	**$5,165,959**
Plus: General Government Costs	$391,715
Total Recurring Expenditures	**$5,557,674**

NOTES:

[1] Based on City of Moreno Valley Operating Budget, Fiscal Year 2012-2013.

[2] General Government Overhead Expenditures defined as costs for City Council, City Manager, City Clerk, Administrative Services, City Treasurer, etc.

[3] Estimate, subject to change. Current City staffing numbers are likely artificially low and are thus not suitable for serving new development.

* *All figures subject to rounding*

EXHIBIT A-11
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
NET FISCAL IMPACT SUMMARY

RECURRING GENERAL FUND REVENUES [1]	AMOUNT	PERCENT OF TOTAL
Secured Property Tax	$3,276,191	29.1%
Unsecured Property Tax	$327,619	2.9%
Property Transfer Tax	$100,495	0.9%
Motor Vehicle Licensing Fees	$0	0.0%
Property Tax In-Lieu of Vehicle License Fee	$4,522,818	40.2%
Direct Sales Tax	$6,000	0.1%
Indirect Sales Tax	$423,144	3.8%
Tax Revenue	$607,657	5.4%
Business Receipts Tax & Licenses	$1,210,847	10.8%
Franchises	$251,896	2.2%
Licenses/Permits	$57,771	0.5%
Intergovernmental Revenues	$60,918	0.5%
Charges for Services	$387,032	3.4%
Use of Money & Property	$2,538	0.0%
Fines and Forfeitures	$6,498	0.1%
Transfers In	$3,757	0.0%
Other Revenues	$12,285	0.1%
Investment Income	$0	0.0%
Total Recurring General Fund Revenues	**$11,257,466**	**100.0%**

RECURRING GENERAL FUND EXPENDITURES [2]	AMOUNT	PERCENT OF TOTAL
Community Development	$42,338	0.8%
Public Works	$109,551	2.0%
Police	$1,992,019	35.8%
Animal Services	$47,719	0.9%
Other Uses	$63,659	1.1%
Development Services	$211,893	3.8%
Fire Services	$739,545	13.3%
Transfers Out	$63,761	1.1%
General Government	$391,715	7.0%
Infrastructure & Parks Maintenance Costs	$1,895,474	34.1%
Total Recurring General Fund Expenditures	**$5,557,674**	**100.0%**

NET FISCAL IMPACT	
Total Annual Recurring General Fund Surplus/(Deficit)	**$5,699,792**
Total Annual Revenue/Expenditure Ratio	**2.03**
Total Fiscal Surplus/(Deficit) per 1,000 SF Logistics	**$140**

NOTES:
[1] Please see Exhibits 4-7 for the derivation of these calculations.
[2] Please see Exhibits 8-10 for the derivation of these calculations.
* *All figures subject to rounding*

EXHIBIT A-12
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
MORENO VALLEY FIRE PROPERTY TAX CASE STUDY

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (as a Portion of the 1% General Property Tax Levy)

Category	Upon Full Annexation to City of Moreno Valley [1]
	City of Moreno Valley
Moreno Valley Fire Property Tax	0.05536541
	5.54%

II. Homeowner's Exemption

Homeowner's Exemption (Annually)	$7,000
Percent of Sale Units Taking Homeowner's Exemption [2]	90%

ASSESSED VALUATION ASSUMPTIONS

III. Assessed Valuation - Projected Land Uses

	Non-Residential Land Uses	
A.	**Retail**	
	Estimated Number of Sq. Ft. [3]	3,000
	Estimated Valuation per Sq. Ft. [4]	$200
	Total Estimated Net Taxable Value	$600,000
B.	**Non-Retail (Logistics Development and Light Logistics)**	
	Estimated Number of Sq. Ft. [3]	40,597,000
	Estimated Valuation per Sq. Ft. [4]	$90
	Total Estimated Net Taxable Value	$3,653,730,000
C.	**Total Land Use Net Taxable Value (Includes Takeout from Homeowner's Exemption)**	$3,654,330,000

Fiscal Impact Calculation

IV.	Fiscal Impact Category	Fiscal Impact Amount
A.	Secured Property Tax	
	Residential Land Uses	
	Single-Family Detached	$0
	Multi-family (Affordable)	$0
	Non-Residential Land Uses	
	Commercial Land Uses	
	Retail	$332
	Non-Retail (Logistics Development and Light Logistics)	$2,022,903

Total Property Tax Revenues	**$2,023,235**
Fire Tax Per Person Served	**$199.27**

NOTES:

[1] Based on "Fire Property Tax" levy for Tax Rate Areas (TRAs). Data provided by the County of Riverside Auditor-Controller's Office. TRA allocations adjusted for ERAF.

[2] Estimate, subject to change.

[3] Please see Exhibit A-3. Subject to change.

[4] Estimated valuation per square foot based on recently conducted fiscal impact studies by DTA and research conducted by DTA for recently constructed comparable buildings in the Inland Empire. Estimate, subject to change

* *All figures subject to rounding*

APPENDIX B

ECONOMIC IMPACT MODEL

EXHIBIT B-1
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
JOB CREATION

ASSUMPTIONS

I. Non-Residential Land Use Assumptions

A. Commercial Land Uses	Sq. Ft. [1]
Office	0
Retail	3,000
Logistics Development / Light Logistics	40,597,000

B. Employees/KSF [2]	
Office	2.00
Retail	2.50
Logistics Development / Light Logistics	0.50

JOB CREATION CALCULATION

II. COUNTY

Non-Residential Land Use	Direct Employees [3]	Indirect Employees [4]	Induced Employees [5]	Total Employees
Office	0	0	0	0
Retail	8	1	1	11
Logistics Development / Light Logistics	20,299	3,268	4,116	27,683
TOTAL, NON-RESIDENTIAL	20,307	3,269	4,118	**27,693**

III. CITY [6]

Non-Residential Land Use	Direct Employees [3]	Indirect Employees [4]	Induced Employees [5]	Total Employees
Office	0	0	0	0
Retail	8	1	1	10
Logistics Development / Light Logistics	20,299	1,634	2,058	23,991
TOTAL, NON-RESIDENTIAL	20,307	1,634	2,059	**24,000**

NOTES:

[1] Source: Highland Fairview. Land-use table dated September 25, 2013.

[2] Source: DTA Public Works Database; confirmed by "Employment Density Study," SCAG (2001), "Logistics Trends and Specific Industries," NAIOP Research Foundation (March 2010), and World Logistics Center EIR. Identical to metrics utilized in fiscal impact analysis, please see Exhibit A-3.

[3] Based on multiplying SF by Employees/1,000 SF metric.

[4] Based on indirect-effect employment multiplier multiplied by Direct Output (see Exhibit B-2). Indirect Employment metric is based on Direct Output metric. Source: Riverside County IMPLAN multipliers.

[5] Based on induced-effect employment multiplier multiplied by Direct Output (see Exhibit B-2). Induced Employment metric is based on Direct Output metric. Source: Riverside County IMPLAN multipliers.

[6] An estimated 50% of the Center impacts occurring in Riverside County will take place in the City of Moreno Valley. Typical DTA baseline assumption. Subject to change.

* ***All figures subject to rounding***

EXHIBIT B-2
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
TOTAL OUTPUT

TOTAL OUTPUT CALCULATION

I. COUNTY	Total Square Footage [1]	Direct Output [2]	Indirect Output [3]	Induced Output [4]	Total Output
Office	0	$0	$0	$0	$0
Retail	3,000	$637,500	$152,275	$175,599	$965,374
Logistics Development / Light Logistics	40,597,000	$1,503,650,130	$376,334,664	$493,325,778	$2,373,310,573
TOTAL, NON-RESIDENTIAL	**40,600,000**	**$1,504,287,630**	**$376,486,939**	**$493,501,377**	**$2,374,275,946**

II. CITY [5]	Total Square Footage [1]	Direct Output [2]	Indirect Output [3]	Induced Output [4]	Total Output
Office	0	$0	$0	$0	$0
Retail	3,000	$637,500	$76,137	$87,800	$801,437
Logistics Development / Light Logistics	40,597,000	$1,503,650,130	$188,167,332	$246,662,889	$1,938,480,351
TOTAL, NON-RESIDENTIAL	**40,600,000**	**$1,504,287,630**	**$188,243,469**	**$246,750,689**	**$1,939,281,788**

NOTES:
[1] Source: Highland Fairview.
[2] Source: Riverside County IMPLAN multipliers.
Logistics Direct Output based on direct-effect employment multiplier divided into Direct Logistics Jobs (see Exhibit A-1), i.e., Direct Output metric is based on projected Direct Employment for this category.
[3] Source: Riverside County IMPLAN multipliers. Indirect Output metric is based on Direct Output metric.
[4] Source: Riverside County IMPLAN multipliers. Induced Output metric is based on Direct Output metric.
[5] An estimated 50% of the Center impacts occurring in Riverside County will take place in the City of Moreno Valley. Typical DTA baseline assumption. Subject to change.
* *All figures subject to rounding*

EXHIBIT B-3
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
TOTAL WAGES

I. COUNTY

Non-Residential Land Use	Direct Wages [1]	Indirect Wages [2]	Induced Wages [3]	Total Wages
Office	$0	$0	$0	$0
Retail	$183,082	$46,153	$59,899	$289,134
Logistics Development / Light Logistics	$830,756,874	$132,668,825	$167,122,424	$1,130,548,123
TOTAL, NON-RESIDENTIAL	**$830,939,956**	**$132,714,978**	**$167,182,323**	**$1,130,837,258**

II. CITY [4]

Non-Residential Land Use	Direct Wages [1]	Indirect Wages [2]	Induced Wages [3]	Total Wages
Office	$0	$0	$0	$0
Retail	$183,082	$23,076	$29,950	$236,108
Logistics Development / Light Logistics	$830,756,874	$66,334,413	$83,561,212	$980,652,499
TOTAL, NON-RESIDENTIAL	**$830,939,956**	**$66,357,489**	**$83,591,162**	**$980,888,607**

NOTES:

[1] Based on Direct Employees multiplied by Logistics annual salary of $40,926.
Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2012) for Riverside County.

[2] Based on indirect employees multiplied by County average annual salary of $40,602.
Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2010) for Riverside-San Bernardino-Ontario Metropolitan Area and Riverside County; confirmed by Bureau of Labor Statistics (May 2010).

[3] Based on indirect employees multiplied by County average annual salary of $40,602.
Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2010) for Riverside-San Bernardino-Ontario Metropolitan Area and Riverside County; confirmed by Bureau of Labor Statistics (May 2010).

[4] An estimated 50% of the Center impacts occurring in Riverside County will take place in the City of Moreno Valley. Typical DTA baseline assumption. Subject to change.

* ***All figures subject to rounding***

EXHIBIT B-4
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
JOBS-HOUSING BALANCE

ASSUMPTIONS

I. Existing Demographics

	Amount
A. Riverside County	
Housing Units [1]	784,357
Employees [2]	551,492
B. City of Moreno Valley	
Housing Units [1]	53,772
Employees [2]	25,120

II. Job Impacts [3]

A. Riverside County	
Direct Impact	20,307
Additional Indirect, County	3,269
Additional Induced, County	4,118
Total Center, County	**27,693**
B. City of Moreno Valley	
Direct Impact	20,307
Additional Indirect, City	1,634
Additional Induced, City	2,059
Total Center, City	**24,000**

III. Cumulative Center Demographics

A. Existing plus Center - Riverside County	**579,185**
Percentage Increase	*5.02%*
B. Existing plus Center - City	**49,120**
Percentage Increase	*95.54%*

JOBS-HOUSING BALANCE CALCULATION

IV. Jobs-Housing Balance

A. Riverside County	
Existing	0.70
Existing with Center	0.74
Percentage Increase	***5.02%***
B. City of Moreno Valley	
Existing	0.47
Existing with Center	0.91
Percentage Increase	***95.54%***

NOTES:

[1] Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, 2001-2010.

[2] Source: California Employment Development Department ("EDD") - Labor Market Information Division, 2010 Annual Average NAICS Sector Data. Selected zip codes in Riverside County and City of Moreno Valley, special request by DTA.

[3] Please see Exhibit B-1.

* ***All figures subject to rounding***

EXHIBIT B-5
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
ONE-TIME IMPACTS

JOB CREATION CALCULATION - FULL-TIME EQUIVALENTS ("FTE")

I. COUNTY

Non-Residential Land Use	Direct Employees [1]	Indirect Employees [2]	Induced Employees [3]	Total Employees
Office	0	0	0	0
Retail	1	0	0	1
Logistics Development / Light Logistics	12,806	3,285	4,141	20,232
TOTAL, NON-RESIDENTIAL	12,807	3,285	4,141	**20,233**

II. CITY [4]

Non-Residential Land Use	Direct Employees [1]	Indirect Employees [2]	Induced Employees [3]	Total Employees
Office	0	0	0	0
Retail	1	0	0	1
Logistics Development / Light Logistics	12,806	1,643	2,070	16,519
TOTAL, NON-RESIDENTIAL	12,807	1,643	2,071	**16,521**

NOTES:
[1] Based on direct-effect employment multiplier multiplied by one-time output (see below). As this is an analysis of just one industry (construction), Direct Employment metric is based on Direct Output Source: Riverside County IMPLAN multipliers.
[2] Based on indirect-effect employment multiplier multiplied by one-time output (see below). Indirect Employment metric is based on Direct Output Source: Riverside County IMPLAN multipliers.
[3] Based on induced-effect employment multiplier multiplied by one-time output (see below). Induced Employment metric is based on Direct Output Source: Riverside County IMPLAN multipliers.
[4] An estimated 50% of the Center impacts occurring in Riverside County will take place in the City of Moreno Valley. Typical DTA baseline assumption. Subject to change.
* *All figures subject to rounding*

TOTAL WAGE CALCULATION

III. COUNTY

Non-Residential Land Use	Direct Wages [1]	Indirect Wages [2]	Induced Wages [3]	Total Wages
Office	$0	$0	$0	$0
Retail	$46,203	$9,857	$12,424	$68,484
Logistics Development / Light Logistics	$625,233,944	$133,386,007	$168,122,800	$926,742,751
TOTAL, NON-RESIDENTIAL	**$625,280,147**	**$133,395,864**	**$168,135,224**	**$926,811,235**

IV. CITY [4]

Non-Residential Land Use	Direct Wages [1]	Indirect Wages [2]	Induced Wages [3]	Total Wages
Office	$0	$0	$0	$0
Retail	$46,203	$4,928	$6,212	$57,343
Logistics Development / Light Logistics	$625,233,944	$66,693,003	$84,061,400	$775,988,348
TOTAL, NON-RESIDENTIAL	**$625,280,147**	**$66,697,932**	**$84,067,612**	**$776,045,691**

NOTES:
[1] Based on direct employees multiplied by Construction annual salary of $48,825.
Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2010) for Riverside-San Bernardino-Ontario Metropolitan Area and Riverside County; confirmed by Bureau of Labor Statistics (May 2010).
[2] Based on indirect employees multiplied by County average annual salary of $40,602.
Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2010) for Riverside-San Bernardino-Ontario Metropolitan Area and Riverside County; confirmed by Bureau of Labor Statistics (May 2010).
[3] Based on induced employees multiplied by County average annual salary of $40,602.
Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Reports (California, 2010) for Riverside-San Bernardino-Ontario Metropolitan Area and Riverside County; confirmed by Bureau of Labor Statistics (May 2010).
[4] An estimated 50% of the Center impacts occurring in Riverside County will take place in the City of Moreno Valley. Typical DTA baseline assumption. Subject to change.
* *All figures subject to rounding*

TOTAL OUTPUT CALCULATION

V. COUNTY

	Total Square Footage [1]	Direct Output [2]	Indirect Output [3]	Induced Output [4]	Total Output
Office	0	$0	$0	$0	$0
Retail	3,000	$123,386	$32,181	$36,673	$192,240
Logistics Development / Light Logistics	40,597,000	$1,669,702,551	$435,481,521	$496,273,208	$2,601,457,280
TOTAL, NON-RESIDENTIAL	**40,600,000**	**$1,669,825,937**	**$435,513,702**	**$496,309,881**	**$2,601,649,520**

VI. CITY [5]

	Total Square Footage [1]	Direct Output [2]	Indirect Output [3]	Induced Output [4]	Total Output
Office	0	$0	$0	$0	$0
Retail	3,000	$123,386	$16,090	$18,337	$157,813
Logistics Development / Light Logistics	40,597,000	$1,669,702,551	$217,740,761	$248,136,604	$2,135,579,915
TOTAL, NON-RESIDENTIAL	**40,600,000**	**$1,669,825,937**	**$217,756,851**	**$248,154,941**	**$2,135,737,729**

NOTES:
[1] Source: Highland Fairview.
[2] Construction costs reflect amount estimated to be spent within the County, which is assumed to be 85% of the total construction expenditure.
Total construction expenditures equal approximately 40.6 million SF at an estimated cost of $41 per SF. Source: Highland Fairview; confirmed by RSMeans data.
[3] Based on indirect-effect output multiplier of per $ of Direct Output. Indirect Output metric is based on Direct Output Metric. Source: Riverside County IMPLAN multipliers.
[4] Based on induced-effect output multiplier of per $ of Direct Output. Induced Output metric is based on Direct Output Metric. Source: Riverside County IMPLAN multipliers.
[5] An estimated 50% of the Center impacts occurring in Riverside County will take place in the City of Moreno Valley. Typical DTA baseline assumption. Subject to change.
* *All figures subject to rounding*

EXHIBIT B-6
RANCHO BELAGO, CALIFORNIA: WORLD LOGISTICS CENTER
SUMMARY

ASSUMPTIONS (IMPLAN)

I.	LAND USE ASSUMPTIONS	Sq. Ft.
	Logistics Development / Light Logistics	40,597,000
	Office	0
	Retail	3,000

II.	EMPLOYMENT ASSUMPTIONS	per 1,000 SF
	Logistics Development / Light Logistics	0.50
	Office	2.00
	Retail	2.50

III.	SALES ASSUMPTIONS	per SF
	Logistics Development / Light Logistics	$0.00
	Office	$0.00
	Retail	$250.00

CONCLUSIONS (IMPLAN)

Recurring Impacts

IV.	JOB CREATION	Direct	Indirect/Induced	Total
	Countywide	20,307	7,386	27,693
	Within City	20,307	3,693	24,000

V.	EMPLOYEE WAGES	Direct	Indirect/Induced	Total
	Countywide	$830,939,956	$299,897,301	$1,130,837,258
	Within City	$830,939,956	$149,948,651	$980,888,607

VI.	TOTAL OUTPUT	Direct	Indirect/Induced	Total
	Countywide	$1,504,287,630	$869,988,316	$2,374,275,946
	Within City	$1,504,287,630	$434,994,158	$1,939,281,788

One-Time Impacts

VII.	CONSTRUCTION JOBS	Direct	Indirect/Induced	Total
	Countywide	12,807	7,427	20,233
	Within City	12,807	3,714	16,521

VIII.	CONSTRUCTION WAGES	Direct	Indirect/Induced	Total
	Countywide	$625,280,147	$301,531,088	$926,811,235
	Within City	$625,280,147	$150,765,544	$776,045,691

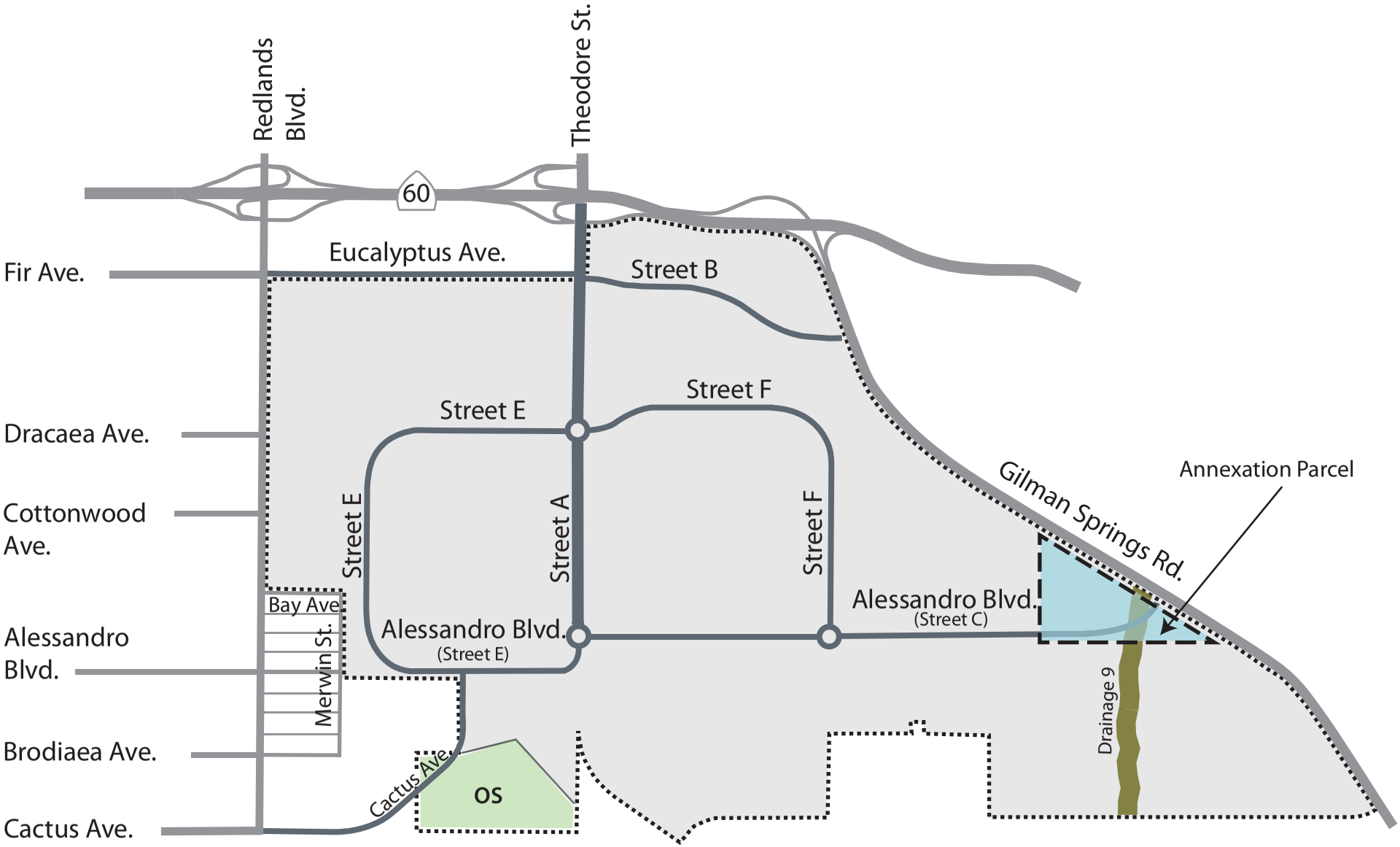
IX.	CONSTRUCTION OUTPUT	Direct	Indirect/Induced	Total
	Countywide	$1,669,825,937	$931,823,583	$2,601,649,520
	Within City	$1,669,825,937	$465,911,792	$2,135,737,729

Other Impacts

X.	JOBS-HOUSING BALANCE	Balance With Center	% Increase/ (Decrease)
	Countywide	0.74	5.02%
	Citywide	0.91	95.54%

APPENDIX C

ANNEXATION EXHIBIT


Redlands Blvd.
Theodore St.
60
Fir Ave.
Eucalyptus Ave.
Street B
Dracaea Ave.
Street E
Street F
Cottonwood Ave.
Street E
Street A
Street F
Gilman Springs Rd.
Annexation Parcel
Bay Ave.
Alessandro Blvd.
(Street E)
Alessandro Blvd.
(Street C)
Alessandro Blvd.
Merwin St.
Drainage 9
Brodiaea Ave.
Cactus Ave.
OS
Cactus Ave.

ECONOMIC DEVELOPMENT ACTION PLAN 2013-2016

An updated Economic Development Action Plan has been formulated to capitalize on near-term opportunities in eight geographic areas during a 3-year time frame. The focus of the updated Economic Development Action Plan includes the following goals and objectives in the nine recommended geographic areas:

Edgemont

Pursue the revitalization of the Edgemont area through the adoption of a multi-faceted redevelopment strategy.

- Work towards the upgrading the water system to ensure sufficient water pressure to allow for new development projects in this area.
- Use Neighborhood Stabilization program funding to acquire and land bank foreclosed properties-both single-family and multi-family residential.
- Conduct quarterly Neighborhood Clean-up programs.
- Retain a planning consultant to evaluate land uses to establish the highest and best land use designations for redevelopment efforts.
- Pursue a master developer to assist with the planning for redevelopment in the Edgemont area.

TownGate

Collaborate with the Fritz Duda Company and CW Capital towards stabilizing, upgrading and expanding retail and restaurant development opportunities in the TownGate area including the Moreno Valley Mall and the five shopping centers surrounding the regional mall including TownGate Center, TownGate Plaza, TownGate Crossing, TownGate Promenade and TownGate Square

- Continue to work with CW Capital-the owner of the Moreno Valley Mall in upgrading and attracting new users to the regional mall.
- Facilitate the planning and marketing for a 30,000 S.F. expansion project at the Moreno Valley Mall to include a new restaurant, retail and plaza area next to Harkins Theatres.
- Work with the Fritz Duda Company in the re-occupancy of vacant retail spaces and the overall stabilization of TownGate Center including new uses such as ULTA Beauty, BevMo and Planet Fitness.
- Assist in the processing of development plans for new projects in TownGate shopping centers including 24 Hour Fitness Sport, Miguel's Jr. Mexican Restaurant and Richie's Real American Diner.
- Cooperate with the Fritz Duda Company in pursuing the continued development of a 'Restaurant Row' area in TownGate Promenade.

Festival

Cooperate with the Kodash Company and Miller Family Trust-the ownership of the Festival Center, to explore ways to redevelop or enhance the viability of the Festival Center including rehabilitation efforts and incorporating new appropriate land uses.

- Help facilitate attracting new users and the upgrade of the Festival Center.
- Explore developing a new residential component at the Festival Center.
- Explore possibilities with Moreno Valley Unified School District of developing new education facilities at Festival.
- Pursue an overlay study to consider other uses at Festival including possibly cultural & performing arts facilities, along with developing sports or recreation facilities for use by the community to create a mixed-use development concept.

Sunnymead Boulevard

Work towards the further redevelopment of Sunnymead Boulevard, between Frederick Street to Perris Boulevard.

- Conduct a code compliance effort aimed at enhancing the image of Sunnymead Boulevard.
- Pursue new users and development projects for Sunnymead Boulevard.
- Market mixed-use development opportunities for Sunnymead Boulevard that combine new residential projects with retail and office uses.

Centerpointe Business Park

Work with Ridge Property Trust and USAA Real Estate to expand development and business opportunities aimed at completing the Centerpointe Business Park.

- Assist Ridge Property Trust and Harbor Freight Tools (HFT) in the 507,720 S.F. expansion of HFT's Distribution Center at the NW corner of Cactus and Graham.
- Facilitate efforts for a user to occupy USAA's new 522,774 S.F. Centerpointe Logistics Center at the NW corner of Cactus and Frederick.
- Help advance the development of Ridge Property Trust's approved 607,960 S.F. industrial building at the NW corner of Brodiaea and Graham.
- Facilitate expansion plans for the Serta Mattress facility.
- Work with the owner of the Plaza Del Sol Center in stabilizing the center to provide needed shopping and restaurant opportunities in the Centerpointe Business Park area.

South Moreno Valley Industrial Area

Work with seven developers (Alere Property Group, First Industrial Realty Trust, IDS Real Estate Group, Panattoni Development Co., Sares-REGIS Group, Trammell Crow Company & Western RealCo) on new business attraction and development projects in the South Moreno Valley Industrial Area.

- Work with IDS Real Estate Group in securing a business user for the new 769,320 S.F. Nandina Distribution Center.
- Facilitate the completion of Trammell Crow Company's 1,250,000 S.F. I-215 Logistics Center project, including securing a user.

- Cooperate with First Industrial Realty Trust and Panattoni Development Co. in pursuing the speculative development of two industrial buildings with a total of nearly 2 million S.F.
- Assist Sares-REGIS Group and Western RealCo in build-to-suit opportunities for two approved industrial building projects with a total of more than 3.6 million S.F.
- Work with Alere Property Group, First Industrial Realty Trust and Trammell Crow Co. in the planning and entitlements for several new industrial projects with a proposed 4 million S.F.

City Center Medical/Healthcare Corridor

Cooperate with Riverside County Regional Medical Center (RCRMC), Kaiser Permanente, Moreno Valley College and Highland Fairview to help facilitate the further expansion of the City of Moreno Valley's Medical/Healthcare Corridor on Nason Street & Iris Avenue.

- Assist Riverside County with the implementation of the Master Plan for expanding the Riverside County Regional Medical Center including a new Trauma & Urgent Care, relocated & upgraded Operations Support building and facilities for the new UCR School of Medicine.
- Facilitate plans by Kaiser Permanente to expand the Moreno Valley Community Hospital with an expansion and upgrade of the Emergency Room facilities and development of a planned second tower.
- Cooperate with Moreno Valley College and Riverside Community College District in the development of a proposed 30,000 S.F. allied health sciences facility in the medical-healthcare corridor.
- Support the planning and marketing efforts of Highland Fairview to pursue the creation of a master planned 200-acre healthcare campus to be situated within the medical corridor and between the two existing hospitals-RCRMC and Kaiser's Community Hospital.
- Continue the planning and funding of capital improvement projects that will widen and construct the ultimate improvements on Nason Street from SR 60 to Iris Avenue to provide critical access to the two hospitals and the medical/healthcare corridor.
- The continued development of Medical/Healthcare corridor on Nason Street and Iris Avenue shall be the City's top priority for new medical and healthcare development.
- Undertake a study to determine highest and best land uses for the City-owned 60-acre property at the NW corner of Nason and Alessandro.

World Logistics Center at Rancho Belago

Collaborate with Highland Fairview in the development of the World Logistics Center—a 41.6 million S.F. master planned corporate park proposed to be developed on 2,700 acres in the Rancho Belago area of eastern Moreno Valley.

- Process an Environmental Impact Report and preliminary development plans for the World Logistics Center in eastern Moreno Valley—south of SR 60 and east of Redlands Boulevard to Gilman Springs Road.
- Assist in the drafting of a Specific Plan that will guide the orderly development for of World Logistics Center.
- Cooperate with Highland Fairview in the formulation of a Development Agreement to create a public-private partnership to help facilitate the development of new public infrastructure in eastern

Moreno Valley associated with the World Logistics Center including roads, trails, utilities, storm water protection and fire protection facilities.

- Work with Highland Fairview in branding the World Logistics Center as one of the largest e-commerce focused development projects in the U.S.

SR 60 East Corridor

Pursue new development opportunities along the SR 60 East corridor—from Nason Street to the easterly City limits.

- Prepare an Overlay Study to determine the 'highest and best' land uses along the SR 60 East Corridor.
- Assist property owners and developers in marketing development opportunities along the SR 60 East Corridor.
- Work on opportunities to expand the Moreno Valley Auto Mall.
- Facilitate the stabilization and further development of Stoneridge Towne Centre and Moreno Beach Plaza.

In addition to activities in the eight geographic areas, a series of objectives are being recommended to assist with overall economic development efforts to assist with Business Attraction, Business Retention and Business Expansion including the following:

- Continue to coordinate the Capital Program (CIP) with economic development efforts
- Expand the Development Ombudsman Program to provide a comprehensive range of business support services for developers and businesses
- Restart the Business Visitation Program, including the participation of the Mayor in 1 on 1 visits annually with the Top 50 with the major employers in the community
- Implement new software that will enable business owners, developers, contractors and residents to electronically submit and manage their plans with the City of Moreno Valley
- Utilize the Chambers of Commerce to expand participation in the Small Business Counseling Services provided by the Small Business Development Center (SBDC)
- Work with the Community Investment Corporation in a the development of a business incubator and micro-business loan program
- Pursue the reuse of vacant anchor retail spaces, including the use of the new ED-Retail Anchor Reuse Incentive Program
- Explore revising the scopes of work with the Agreements the Chamber of Commerce to better focus on business retention and expansion activities, including expansion of Shop MoVal, as well as establishing a program to promote more business to business transactions in Moreno Valley
- Utilize the Chambers of Commerce to undertake a survey of the small business community on ways to improve the business climate in Moreno Valley
- Use the Chambers of Commerce to assist with increasing high school graduation rates in the community through the development of mentor programs to link students with business leaders
- Pursue the creation of a Business Support Advisory Council comprised of major employers in Moreno Valley

- Seek ways to promote opportunities for more ties between cultural & performing arts in the community with economic development
- Explore creating an incentive program aimed at attracting development projects with e-commerce or fulfillment center users
- Continue to work with residential developers and the Building Industry Association (BIA) on ways to help facilitate new quality residential development in Moreno Valley

ECONOMIC DEVELOPMENT ACTION PLAN

April 2011

MORENO VALLEY
WHERE DREAMS SOAR

Recent Economic Development Actions

- Reformation of Economic Development Council Subcommittee
- Housing Element
- Developer's Workshop
- Proposed an Economic Development Plan – Areas of Opportunity
- Working to enhance development services process
- Collaborating with a number of major Developers on advancing projects
- Studying ways to make Moreno Valley a "Best Place to do Business"

Economic Development Plan
Areas of Opportunity

Eastern Moreno Valley-Rancho Belago
City Center
South Moreno Valley Industrial Specific Plan Area
March LifeCare
Centerpointe Business Park
Alessandro Boulevard
Sunnymead Boulevard
Festival-Ironwood
Sunnymead Ranch-Lakeshore Village Marketplace
TownGate Canyon Springs Plaza
Proposed TownGate Highlands
Edgemont Area

Objectives for Economic Development

- Create jobs locally and address City's high unemployment rate
- Address the Community's jobs to housing imbalance
- Strengthen and broaden the local economic foundation by attracting quality businesses
- Enhance City revenue generation from sources such as sales tax, property tax, transient occupancy tax, and utility tax – all aimed at improving quality of life in Moreno Valley

Economic Development Action Plan

Focusing on key initiatives to be provided in 2 years

TownGate

Centerpointe Business Park

South Moreno Valley Industrial Area

Eastern Moreno Valley – Rancho Belago

City Center

Action Plan
Areas of Opportunity

TownGate

- Major retail area that produced $2.84 million in sales tax in 2010 (26.19% of City total)
- New owner of Moreno Valley Mall
- Recent success with Sports Authority, Burlington Coat Factory, Buffalo Wild Wings and two hotels
- Negotiations ongoing with several major retailers and restaurants for TownGate locations

Centerpointe Business Park

- Major Business Park location primed to produce more employment opportunities – already home to six major corporations
- Several approved and entitled projects being considered for starting construction in short-term

South Moreno Valley Industrial Area

- Significant job center in community with 10 major corporations already here.
- Prospects for short-term construction developments is excellent with 3.6 million s.f. in building plan check, 3.5 million s.f. approved/entitled, 3.1 million s.f. ongoing with EIR's

Eastern Moreno Valley – Rancho Belago

- Prime area of Community with large undeveloped areas.
- Skechers USA opening has generated interest by other prospective corporate users.
- Nearly 20-year old Moreno Highlands Specific Plan to expire in 2012
- Highest and Best land uses should be evaluated to address City's jobs to housing imbalance

Survey of Inland Region Industrial/Business Park Zoning

- Ontario 25.3%
- Perris 21.7%
- San Bernardino 18.0%
- Chino 17.1%
- Fontana 17.0%
- Rancho Cucamonga 15.3%
- Riverside 15.2%
- Corona 11.4%
- Moreno Valley 9.0%

Survey of Inland Region Industrial/Business Park Land Use

City	Population	City Size sq. mi.	Workforce	Housing Units	Industrial Zoning Percentage	Industrial Developed
Riverside	297,863	81.5	159,100	99,949	15.2%	39.3 million
Moreno Valley	188,537	60.0	32,411	56,845	9.0%	10.1 million
Fontana	188,498	52.4	61,600	53,725	17.0%	48.3 million
Rancho Cucamonga	178,904	40.2	70,275	56,215	15.3%	36.8 million
Ontario	173,690	50.0	107,069	47,276	25.3%	97.0 million
Chino	84,973	30.9	34,331	20,265	17.1%	40.1 million

City Center

Why City Center?

- Geographic center of Moreno Valley
- Home to Moreno Valley College, Riverside County Regional Medical Center, Kaiser Community Hospital, Stoneridge Towne Center, Moreno Beach Plaza, and Moreno Valley Auto Mall
- Contains large amount of newer housing developments of major developers such as American Richmond Homes, Beazer Homes, DR Horton, Pacific Community and Young Homes

Re-sequence CIP Projects

- Installation of new SR60 southerly ramps at Moreno Beach, including extension of Eucalyptus to connect with Moreno Beach
- Improvements on Cactus Avenue between Lasselle Street to Nason Street
- Extension of Nason Street southerly to connect Cactus Avenue with Iris Avenue

Re-sequencing of CIP Projects
Provides the Following Benefits:

- Builds improvements identified in City's Circulation Plan
- Improves traffic circulation in center of the City
- Enhances Economic Development efforts
- Assists major stakeholders in the community – RCRMC, Kaiser Community Hospital, Moreno Valley College, Stoneridge Towne Centre, Moreno Beach Plaza and the Moreno Valley Auto Mall.

Stoneridge Towne Centre, Moreno Beach Plaza and the Auto Mall

- Major Sales Tax Producers for the City
- Potential for significant increased sales tax revenue
- Closing of any anchor use would be devastating
- Need to stabilize and enhance effectiveness of major anchor uses must be a priority

Moreno Valley College, RCRMC and Kaiser Community Hospital

- Major institutions focused on Health & Medical Field
- Expansion plans in the works for all three institutions
- Allied health industry is one of the rapidly growing professions in the U.S.
- CIP projects greatly enhance the area and fully supported by three institutions

Highland Fairview

- City & Highland Fairview working together on plan to reposition part of Aqua Bella to develop world-class medical and health related campus
- Expand City's established overlay zone for medical office corridor
- Development of more medical and health related uses would compliment two hospitals and Community College's Allied Health Services focus

Fiscal Impact of CIP Re-sequencing

SR/60 Moreno Beach

Estimated cost of $10.5 million funded through:

1. $2.5 million of RDA Bond proceeds
2. Savings of $7 million from SR60/Nason Project
3. Proposed $1 million Developer contribution

Cactus and Nason Improvements

Established cost of $23.3 million funded through:

1. Estimated 10% savings by constructing projects together
2. $6 million funded by RDA pass-through targeted for Flood Control projects
3. $1 million funded from California's SLLP Grant
4. Borrowing funding from five CIP projects to generate $13.4 million

Economic Development Strategy Next Steps

- Approve Economic Development Action Plan
- Re-sequence CIP projects
- Strive to enhance Development Services Process
- Work with major developers on advancing projects
- Make Moreno Valley a “Best Place to do Business”

APPROVALS	
BUDGET OFFICER	
CITY ATTORNEY	
CITY MANAGER	

Report to City Council

TO: Mayor and City Council

FROM: Barry Foster, Community & Economic Development Director

AGENDA DATE: April 23, 2013

TITLE: 3-YEAR ECONOMIC DEVELOPMENT ACTION PLAN

RECOMMENDED ACTION

Recommendation:

1. Approve the 3-Year Economic Development Action Plan.

ADVISORY BOARD/COMMISSION RECOMMENDATION

The City's Economic Development Subcommittee recommends approval of the 3-Year Economic Development Action Plan as drafted.

BACKGROUND

In April 2011, the City adopted a 2-Year Economic Development Action Plan to act as a short term (2 year) strategic plan to help guide the City's economic development efforts in five geographic areas including: 1) Towngate, 2) Centerpointe Business Park, 3) South Moreno Valley Industrial Area, 4) Rancho Belago - East Moreno Valley and 5) City Center. Additionally, the Economic Development Action Plan helped focus Capital Improvement Plan Funding on projects that can help advance Economic Development efforts. During the 2-Year period of the Economic Development Action Plan much has been accomplished in the five geographic areas including the significant project advancement and job creation.

DISCUSSION

The new proposed 3-Year ED Action Plan has been formulated to build upon the 2-Year ED Action Plan, but continues to push many more economic development efforts including even more job creation. The proposed 3-Year ED Action Plan presents the following:

- A new 3-Year ED Action Plan would expand the focus of to nine geographic areas including 1) Edgemont, 2) TownGate, 3) Festival, 4) Sunnymead Blvd., 5) Centerpointe Business Park, 6) South Moreno Valley Industrial Area, 7) City Center & Medical/ Healthcare Corridor, 8) World Logistics Center at Rancho Belago and 9) SR 60 East Corridor.

- The ED Action Plan also includes fourteen objectives aimed at increasing overall economic development efforts with 1) Business Attraction, 2) Business retention and 3) Business Expansion.

ATTACHMENTS

Attachment 1 _ 2013_ 3-Year Economic Development Action Plan

Prepared By:
Barry Foster
Community & Economic Development Director

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:

APPROVALS	
BUDGET OFFICER	caf
CITY ATTORNEY	Rut
CITY MANAGER	MST

Report to City Council

TO: Mayor and City Council

FROM: Barry Foster, Community & Economic Development Director

AGENDA DATE: April 26, 2011

TITLE: ECONOMIC DEVELOPMENT ACTION PLAN

RECOMMENDED ACTION

Staff recommends the City Council:

1. Review and provide direction on an Economic Development Action Plan.
2. Consider the sequencing and funding of Capital Improvement Program projects.

BACKGROUND

The City of Moreno Valley is looking at ways to best assist the future development of the community. With the economy starting to improve, now is the right time to seize the opportunity to evaluate ways that Moreno Valley can best plan for advancing economic development. On March 22, staff introduced an Economic Development Plan with established Areas of Opportunity in the community aimed at producing major employment hubs, successful retail centers and redevelopment possibilities with a goal of making Moreno Valley a major business development area in Southern California.

The focus of the Economic Development Plan-Areas of Opportunity is toward creating a well-rounded community with a strong economic foundation. Creating new jobs in the community, along with providing a positive economic stimulus to existing businesses, must be major priority for the City. Furthermore, Moreno Valley should seek ways to enhance its commercial retail/restaurant make-up and move to improve the City's per capita sales tax revenue stream. Making Moreno Valley a great place to live, work, do business, shop, eat and visit is the ultimate economic development objective. The twelve recommended Areas of Opportunity include the following locations:

- Eastern Moreno Valley-Rancho Belago (including Highland Fairview Corporate Park-Skechers USA, WestRidge Commerce Center, Prologis, and Moreno Highlands)
- City Center (including a Nason, Moreno Beach and Lasselle loop--with Stoneridge Towne Centre, Moreno Beach Plaza, Moreno Valley Auto Mall, proposed Moreno Beach Marketplace-Lowes Center, Moreno Marketplace-Stater Bros. Center, Moreno Valley Ranch Golf Club, Riverside County Regional Medical Center, Aqua Bella, Kaiser-Moreno Valley Community Hospital, Lakeside Plaza & Terrace, Moreno Valley College, the proposed Winco Center and the City's 60-acre property at NWC of Alessandro/Nason)
- South Moreno Valley Industrial Specific Plan Area
- March LifeCare
- Centerpointe Business Park
- Alessandro Boulevard
- Sunnymead Boulevard
- Festival-Ironwood
- Sunnymead Ranch-Lakeshore Village Marketplace
- TownGate (including the Moreno Valley Mall and five surrounding commercial centers-TownGate Center, TownGate Plaza, TownGate Crossing, TownGate Promenade, and TownGate Square)
- Canyon Springs Plaza and proposed TownGate Highlands
- Edgemont Area

DISCUSSION

The formulation of the Economic Development Plan-Areas of Opportunity establishes a broad framework with a diverse number of economic development opportunities, including both short term and longer term possibilities. To fully capitalize on near-term opportunities, staff is recommending the implementation of an Economic Development Action Plan focusing on several key initiatives within five of the Areas of Opportunity--to be pursued within a short-term, 2-year time frame. The focus of this Action Plan would be to:

- Collaborate with the Fritz Duda Company and CW Capital towards enhancing retail and restaurant development in the TownGate area, including pursuing new users for vacant big-box retail space in TownGate Center and the Moreno Valley Mall.
- Advance the development on several projects in the Centerpointe Business Park area.
- Facilitate the development of a number of approved and entitled projects in the South Moreno Valley Industrial Specific Plan Area.
- Capitalize on the opening of Skechers USA and begin to re-evaluate land uses in eastern Moreno Valley, in conjunction with the expiration of the Moreno Highlands Specific Plan and supporting Development Agreement.

- Re-sequence and fast-track three Capital Improvement Projects in the City Center area—1) SR60 south ramps and extension of Eucalyptus to connect with Moreno Beach, 2) installation of ultimate improvements on Cactus Avenue, between Lasselle and Nason and 3) the extension of Nason Street southerly to connect Cactus Avenue with Iris Avenue, along with pursuing the idea of repositioning part of the Aqua Bella area to expand the City's established medical office overlay zone.

Moreno Valley has a strategic location in the Inland Region and is clearly in the path of growth. Since incorporation as a city, Moreno Valley has experienced strong residential development from many quality home builders. Now is an important time for the City to broaden its economic base by pursuing ways for new commercial retail, office and industrial development to happen in the community. The five specified areas of opportunity focused within the proposed Economic Development Action Plan were selected because of location and potential for realizing success in the near-term development marketplace, along with adherence with the following economic development objectives:

- Create jobs locally and address the City's high unemployment rate.
- Address the community's jobs to housing imbalance.
- Strengthen and broaden the local economic foundation by attracting quality businesses.
- Enhance City revenue generation from sources such as Sales Tax, Property Tax, Transient Occupancy Tax, and Utility Tax, with an overall goal of improving the quality of life in Moreno Valley.

TownGate

The master planned 590-acre TownGate area, including the Moreno Valley Mall along with five popular community shopping centers is a major component of Moreno Valley's retail environment. In 2010, the retail areas of TownGate produced more than $2.84 million in sales tax revenue for the City of Moreno Valley, which represented 26% of all the sales tax revenue generated for the City. The ownership of the Moreno Valley Mall at TownGate, a 1.25 million square foot regional mall, was recently assumed by CW Capital. City staff is working closely with CW Capital and their development partners (Cushman & Wakefield and Spinoso Real Estate Group) on plans to upgrade, expand and reposition the Mall property, which anchors the TownGate area. Additionally, City staff is working in collaborative partnership with the Fritz Duda Company in pursuing national retailers and restaurants to occupy vacant spaces in TownGate properties. Recent success in attracting Burlington Coat Factory, Buffalo Wild Wings, Five Guys Burgers and Panera Bread have lead to furthering negotiations with several other major retailers and restaurants for TownGate locations. The use of the CDBG Business Incentive program and purchasing operating covenants will be important tools in finalizing these potential users. The relocation of the Robertson's Ready-Mix operation out of TownGate will also present additional development opportunities in TownGate Square.

Centerpointe Business Park

The Centerpointe Business Park area has attracted a number of quality businesses that have produced many employment opportunities in the community. Frazee Paint, Minka Group, ResMed, Serta Mattress, United Natural Foods Inc., and the U.S. Postal Service all have opened major facilities in the Centerpointe Business Park. By this August, Harbor Freight Tools will be fully operational in a new Distribution Center (DC) at the NW corner of Cactus Avenue and Graham Street that will eventually employ up to 400 people. Both Ridge Property Trust and Overton Moore Properties (OMP) are pursuing additional development opportunities in the short term for the Centerpointe Business Park. Recently OMP re-started the plan check process for a new 519,760 S.F. industrial building to be situated at the NW corner of Cactus Avenue and Frederick Street. All of these projects are aimed at attracting new logistic and distribution users that will create new jobs in the community.

South Moreno Valley Industrial Specific Plan Area

During the last development cycle, the South Moreno Valley Industrial Specific Plan Area was a catalyst for producing development opportunities for a number of major employers including Cardinal International Inc., El Dorado Stone Corporation, Harmon Kardon International Industries, iHerb Inc., Lowe's Company Inc., Masonite International Corporation, O'Reilly Automotive Inc., Philips Electronics Corporation, Ross Stores Inc. and Walgreens Company. Recently, a number of leading industrial developers have reinstituted the processing of construction plans for approved and entitled projects in the South Industrial Area. Assisting in the development of new speculative industrial development projects in this area of Moreno Valley will be an important tool for the City in creating new employment opportunities in logistics/distribution. With a vacancy rate of just 3.4% for industrial buildings, Moreno Valley needs developers to initiate new construction projects. Presently five buildings with a total of 3.6 million square feet are in plan check with construction drawings. Four other projects with 3.5 million square feet are approved and entitled, but at this time do not have active development plans being processed. One of these large projects is in escrow to be purchased by a major-national developer who desires to move forward with development of the project. Another two sizeable projects with a total of 3.1 million square feet have Environmental Impact Reviews in progress.

Eastern Moreno Valley-Rancho Belago Area

The eastern area of Moreno Valley, including the Ranch Belago area, has a significant amount of undeveloped property. Much of this area is included in the Moreno Highlands Specific Plan, which is set to expire in 2012. Considering that the Specific Plan will soon expire, the idea of evaluating the highest and best land uses in the eastern area of the community makes great sense. With the opening of the Skechers USA facility coming soon many other potential users have expressed interest in development opportunities in the eastern Moreno Valley-Rancho Belago area. The existing Moreno Highlands Specific Plan actually includes established land uses that could support approximately 8 million square feet of new industrial and business park development—the question is proper location and product type, consistent with the ongoing development marketplace.

With the Moreno Highlands Specific Plan expiring all of this can and should be re-evaluated.

With a goal of producing more jobs in Moreno Valley, the City should consider the appropriate percentage of land area in the community to be zoned for industrial and business park development. Presently, Moreno Valley has a low percentage of land area zoned for industrial and business park uses, as compared to other nearby cities. The following represents a survey of other Inland Region cities and the percentage of property they have zoned for industrial and business park use:

Chino 17.1%
Corona 11.4%
Fontana 17.0%
Ontario 25.3%
Perris 21.7%
Rancho Cucamonga 15.3%
Riverside 15.2%
San Bernardino 18.0%
Moreno Valley 9.0%

The logistics and distribution industry is rapidly evolving to better react to the global marketplace. Large sale projects such as Skechers, are the future of logistics and distribution. The workforce to operate and maintain sophisticated and costly material handling systems demands a better trained and highly skilled worker. With significant undeveloped land holdings and easy access to SR60, the eastern Moreno Valley area is primed for more logistic and distribution development.

City Center

The City Center area is strategically situated at the geographic center of Moreno Valley. The City Center area includes major medical facilities, the community college, the Auto Mall, several shopping centers and a large amount of the newer housing developments in the community.

To improve traffic circulation in the area, and strengthen economic development efforts, City staff is recommending the re-sequencing of several projects from the Capital Improvement Program (CIP), including the following three projects:

- Installation of the new SR60 southerly ramps, along with the extension of Eucalyptus Avenue to connect with Moreno Beach Drive.
- Installation of the ultimate improvements on Cactus Avenue between Lasselle Street and Nason Street.
- Provide for the extension of Nason Street southerly to connect Cactus Avenue with Iris Avenue.

All of these improvements are part of the City's approved Circulation Plan and contained in the City's 2010/11 Capital Improvement Program. However, the projects

are presently either unfunded or only partially funded. The Economic Development Action Plan proposes to re-sequence the order of CIP projects to pursue the funding and construction of these projects in the short-term to assist economic development efforts and better leverage towards future revenue opportunities for the City by strengthening existing shopping centers (Stoneridge Towne Center, Moreno Beach Plaza, and the Auto Mall) and major employers (Riverside County Regional Medical Center, Kaiser's Community Hospital and Moreno Valley College). Additionally, the completion of these three CIP projects will significantly enhance the traffic flow in the central area of the community which will assist both the business community and residents with easier commutes.

Currently, major improvements are underway at SR60 and Nason to significantly improve this freeway interchange. The construction of the new ramps and bridge is targeted for completion by summer 2013. Pursing the installation of the southerly ramps at SR60 and Moreno Beach and the connection of Eucalyptus to Moreno Beach, in conjunction with the Nason interchange project, will significantly enhance the future traffic circulation in this area. Additionally, it will assist with the convenient ingress and egress to Stoneridge Towne Centre, Moreno Beach Plaza and the Moreno Valley Auto Mall.

The other two CIP projects will install the ultimate street improvements to connect Nason Street, from Cactus to Iris and upgrade Cactus Avenue from Lasselle to Nason. These improvement projects will greatly improve access to Moreno Valley College and the two medical centers in the community, along with enhancing the traffic flow in the central area of the community. Traffic modeling by the City's transportation professionals illustrates that undertaking these improvements on Cactus and Nason will greatly reduce traffic loads on Iris, Moreno Beach, Lasselle and Alessandro—thereby better managing traffic flow in this area of the community. Additionally, providing the connection of Nason from Cactus to Iris creates much easier commutes from the residential areas in Moreno Valley Ranch and the southerly section of the community to shop and dine in Stoneridge Towne Centre, Moreno Beach Plaza and the Moreno Valley Auto Mall.

Sales have finally increased at the Moreno Valley Auto Mall. Work is underway for the installation of the new freeway sign, along with other improvements at the Auto Mall. Enhancing access to the Auto Mall with these three CIP projects will be a strategic investment in growing sales tax revenue at the Auto Mall.

Stoneridge Towne Centre and Moreno Beach Plaza are major retail centers. While being attractive and nicely designed retail areas, both of these centers have struggled somewhat since opening because of the economic downturn and the collapse of the new housing development market, along with inefficiencies in traffic flow in getting to and from these shopping centers. Together, both of these shopping centers produced $1,428,000 in sales tax revenue in 2010 for the City of Moreno Valley. However, the sales performance of these two shopping centers was significantly below what they should have produced if one compares them with the California or Riverside County

averages of what these types of retail centers should produce with the tenant mix and user lineups they have assembled. Together the two shopping centers sales production was 17.9% less than the statewide average and 15.9% off the Riverside County average. This represented a $582,000 loss in potential sales tax revenue for Moreno Valley in 2010 if sales performance of these two shopping centers had just achieved the State of California average. This loss in sales revenue is even greater considering that three of the anchor stores in Moreno Beach Plaza—Phase II are vacant after Circuit City went out of business two years ago and Staples and Petsmart chose not to open their new stores.

Clearly, these two shopping centers and their anchor tenants (Walmart, Super Target, Kohl's, Best Buy, and Office Max) are underperforming. Rumors have surfaced from time to time that some of these anchor stores may close because of depressed sales performance. On average, the five operating anchor stores in the two shopping centers range from 16.6% to 48.4% below the average of what these store types should produce in sales performance when compared to the statewide average. Collectively, the five anchor stores produced $43 million in sales in 2010, but this was 29.3% below what the statewide average was for these same stores. This represented a $430,000 loss in potential sales tax revenue for Moreno Valley as compared to the statewide average. Even more troubling would be the devastating effect it would be for one or more of these anchor stores to close and the subsequent negative impact it would have on the shopping centers. An objective of this Action Plan is not only keeping all the anchor stores open, but also move to enhance their sales performance.

Interest has recently materialized for the possible re-occupancy of the three closed anchor spaces in Moreno Beach Plaza II. However, any reuse of these spaces will be contingent on first connecting Eucalyptus to Moreno Beach, along with plans to enhance traffic circulation and expand daytime population—i.e. establish more businesses and create job production in the eastern area of the City.

Moreno Valley College is well underway with four construction projects totaling $88 million that will greatly expand and upgrade the City's community college. Moreno Valley College's student population exceeds 10,000. Furthermore, both Kaiser Permanente's Community Hospital (Kaiser) and Riverside County Regional Medical Center (RCRMC) are working on plans to expand these major medical facilities. In fact, Kaiser Permanente expects to bring the development of a new 75,000 S.F. building before the Planning Commission in June, with a start of construction expected by late summer. Executive management from Moreno Valley College, Kaiser, and RCRMC all fully express support for the idea of pursuing the CIP projects and the goal of improving traffic flow in the City Center area.

In 2007, the City adopted a medical overlay zone that includes area on Iris Avenue—from the Kaiser Community Hospital area and down Nason Street to the RCRMC area. Presently, Highland Fairview is evaluating the possibility of other land uses for part of the Aqua Bella area—including the idea of developing a major health and medical related campus on approximately 200 acres of the undeveloped land on the eastern

side of a newly installed Nason Street. This proposed development concept, which would include a world-class master planned health care campus would provide a link between the existing two hospitals and further advance the City's planning concept of creating a medical corridor in this section of the community. As Americans live longer (it is expected that 20% of Americans will be over the age of 65 by 2050) and the population continues to grow in the Inland Region, the need will escalate for more medical and health related services in this area. The vision of creating a medical and health services corridor in this of the community makes great sense, particularly considering that major institutions such as RCRMC, Kaiser Permanente and Moreno Valley College are already situated in this area of the community.

There is a clear need for education, training and research/development in the health and medical fields. Allied Health is one of the most rapidly growing professions in the U.S. and especially in Southern California. According to the U.S. Bureau of Labor Statistics---17 of the top 30 fastest growing occupations in the U.S. are in the health related professions. The California Wellness Foundation, estimates that by 2030, almost 1 million health care workers will be needed in California. Having Moreno Valley College, with its Allied Health Sciences programs, along with the fact that RCRMC will be the major teaching hospital for the new UC-Riverside medical school, provides even more momentum to consider repositioning part of the undeveloped land at Aqua Bella for health and medical related uses. Constructing the Nason and Cactus improvements would clearly help advance the planning and marketing efforts for an expansion of the medical overlay corridor. Producing more health and medical related facilities will create more jobs and employment opportunities in Moreno Valley, along with helping improve retail and restaurant sales in the shopping centers in the City Center area.

Staff has discussed the idea of advancing the construction of the three CIP projects in the City Center area with many of the stakeholders in this area--including Moreno Valley College, RCRMC, Kaiser Permanente, Highland Fairview, Stoneridge Towne Centre-Weingarten Realty, Moreno Beach Plaza I-Pacific Retail Partners, Moreno Beach Plaza II-Merlone Greier Partners, and the Moreno Valley Auto Mall-Moss Bros. Auto Group. All are fully supportive and enthusiastic about the idea of pursuing these three CIP projects in the short-term. Ten of the Top 20 Sales Tax Producers in the City are contained in this area and 22% of the entire City's sales tax revenue in 2010 was produced in Stoneridge Towne Centre, Moreno Beach Plaza and the Moreno Valley Auto Mall. The City Center area also includes a number of the major employers in the community--including eight of the top 50 major employers in Moreno Valley. Presently these eight major employers provide nearly 5,000 employment opportunities in Moreno Valley. Strengthening all these businesses should be an objective of the City's economic development efforts.

ALTERNATIVES

Staff recommends that the City Council approve the Economic Development Action Plan including the following actions:

1. Adoption of the five initiatives as proposed in the Economic Development Action Plan.
2. Approve the re-sequencing as proposed for Capital Improvement Program projects.

Other alternatives the City Council may consider is rejecting the proposed Economic Development Action Plan and the re-sequencing of CIP projects or provide direction on other economic development efforts to be included in formulating a short-term Action Plan.

FISCAL IMPACT

The funding and construction of the three projects will be accomplished through the Capital Improvement Program.

SR60/Moreno Beach-South Ramps

The cost for this project is estimated at $10.5 million and will be funded though a combination of sources including 1) $2.5 million of proceeds from the 2007 RDA Bond Issuance that was recently shifted to the City, 2) estimated savings in the amount of $7 million from the SR60/Nason ramps and bridge projects, and 3) a proposed Developer contribution of $1 million from the owner of the Moreno Beach Plaza-Phase II, in conjunction with a reimbursement agreement to be tied to future tenants sales tax performance.

Cactus Avenue and Nason Street Improvements

The total cost for these two projects is estimated at $23.3 million. To achieve an 'economies of scale' and reduce overall costs, it is suggested to construct the projects together as one large scale project or through a design build process—with a goal of saving at least 10% in construction costs. An estimated $6 million of the costs for the projects involves installing storm water infrastructure that is part of Riverside County's Master Planned Flood Control System. Moreno Valley through its Redevelopment Agency (RDA) has accumulated $5.42 million in tax increment pass through revenues that in accordance with a Cooperative Agreement (executed in 1988) between Riverside County and Moreno Valley's RDA must be used for County Flood Control master planned projects—such as the construction of Line I and Line J that should be constructed as part of the Cactus and Nason street improvement projects. By FY 2011/12 the amount of tax increment generated for this use is estimated to grow to $5,997,000 and be sufficient to construct these storm water improvements. Another potential funding source for the Cactus Avenue project is a $1 million California SLLP grant. To properly fund the remaining cost of the two projects, it is recommended that the City Council, through the CIP process, consider re-sequencing the timing of the

funding of several other CIP projects, including the delaying and/or borrowing of existing funding from several sources, including borrowing $4 million in DIF Library funds, along with pushing back the timing of several projects—Reche Vista Alignment ($3.1 million), Corporate Yard ($2.5 million), Heacock Channel improvements ($1.3 million), and Kitching Street ($2.5 million). These four projects would remain in the CIP, but would be funded at a future time if the re-sequencing of CIP projects is supported by the City Council.

SUMMARY

Advancing economic development efforts should be a major goal for the City of Moreno Valley. Previously City staff had presented City Council with an Economic Development Plan-Areas of Opportunity. The formulation of an Economic Development Action Plan with five key initiatives is envisioned as a roadmap to guiding the City's short term economic development efforts. Included with the Action Plan is the re-sequencing of Capital Improvement Projects to better assist in economic development efforts. Investing in CIP Projects that enhance economic development through job creation and revenue generation will improve the economic condition of the City, along with enhancing the quality of life in Moreno Valley.

ATTACHMENTS/EXHIBITS

Attachment A—Economic Development Action Plan—Opportunity Areas
Attachment B—PowerPoint – Economic Development Action Plan

Prepared By/Department Head Approval:
Barry Foster
Community & Economic Development Director

Concurred By:
Henry Garcia
City Manager

Concurred By:
Chris Vogt
Public Works Director/City Engineer

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:

Moreno Valley
Economic Development Strategy

John Husing, Ph.D.

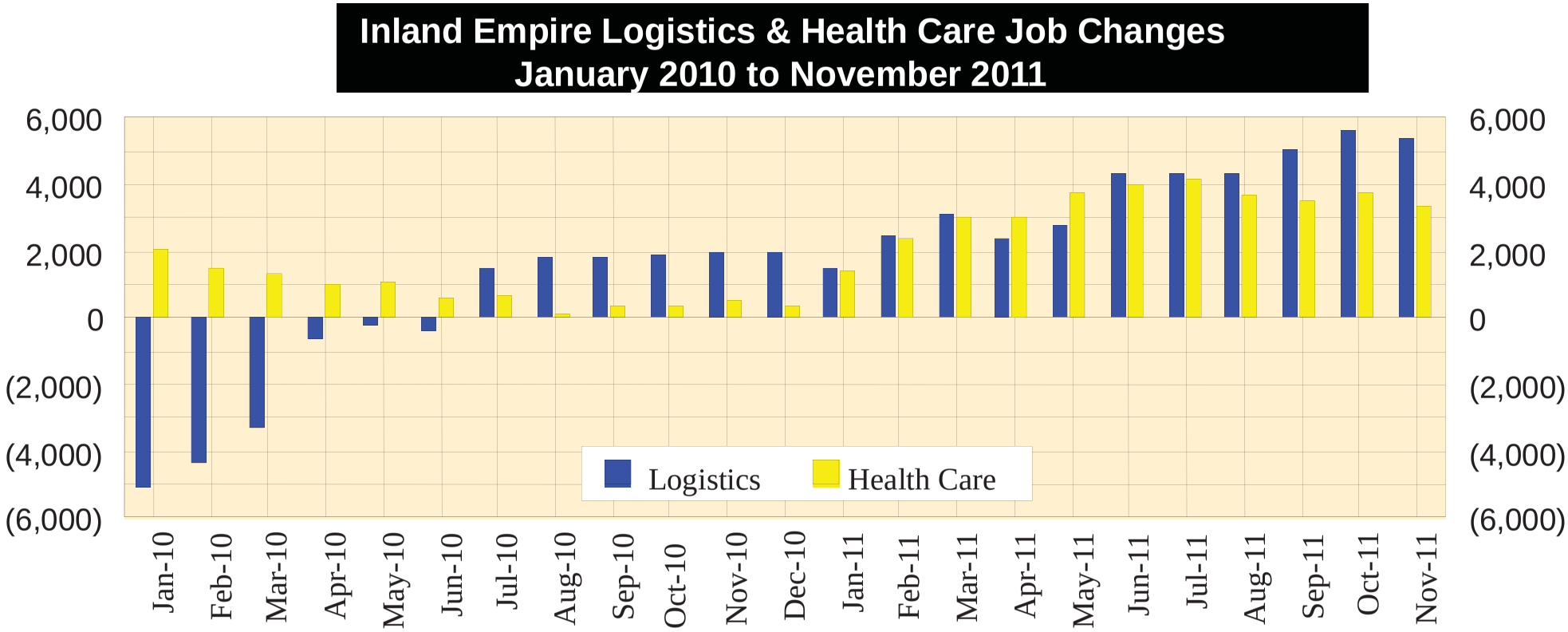
Economics & Politics, Inc.

Inland Empire Job Changes, 2007-2011

IE Construction Still Negative in 2011

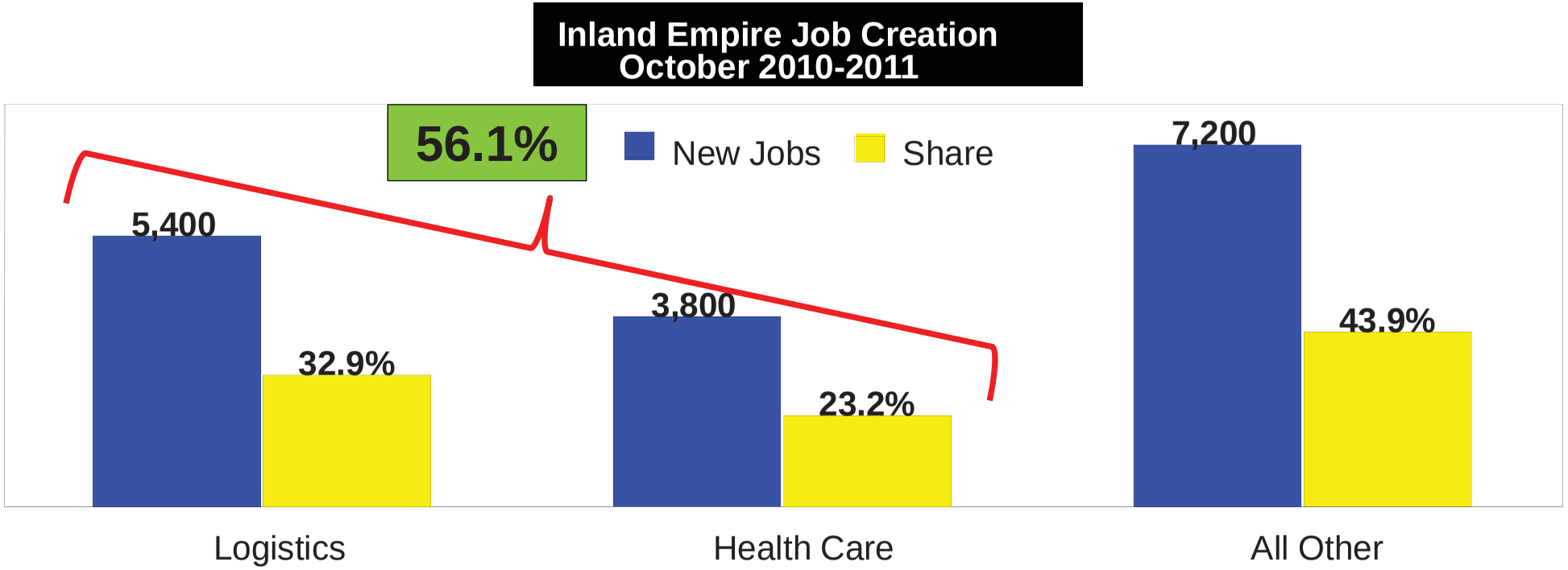
Note: 2011 average assuming December loss of -400
Source: CA Employment Development Department

IE Job Change: Key Economic Drivers



Source: CA Employment Development Department

Two Sectors Are Dominating Inland Empire Job Growth



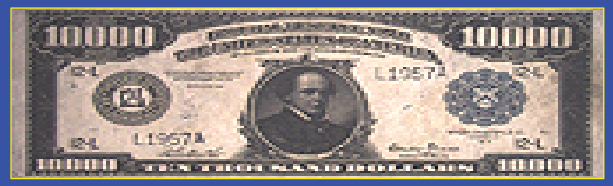
Source: CA Employment Development Department

Gold Mine Theory

Secondary Tier

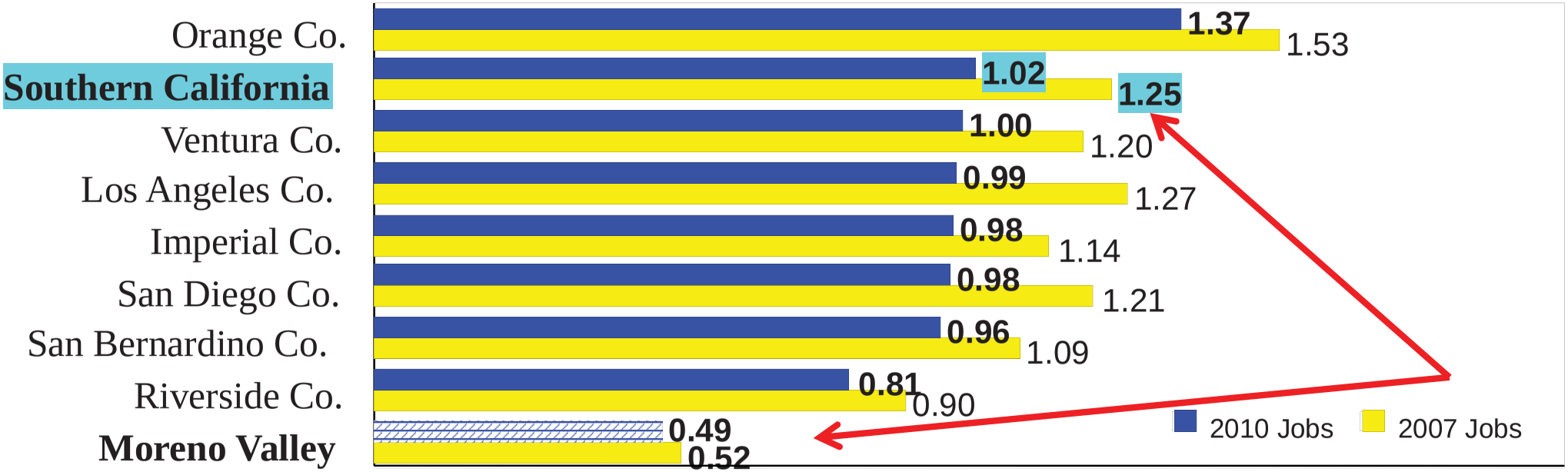
Another
-$10.6 Billion

Primary Tier



Moreno Valley Needs Jobs
Jobs:Housing Balance Extremely Low

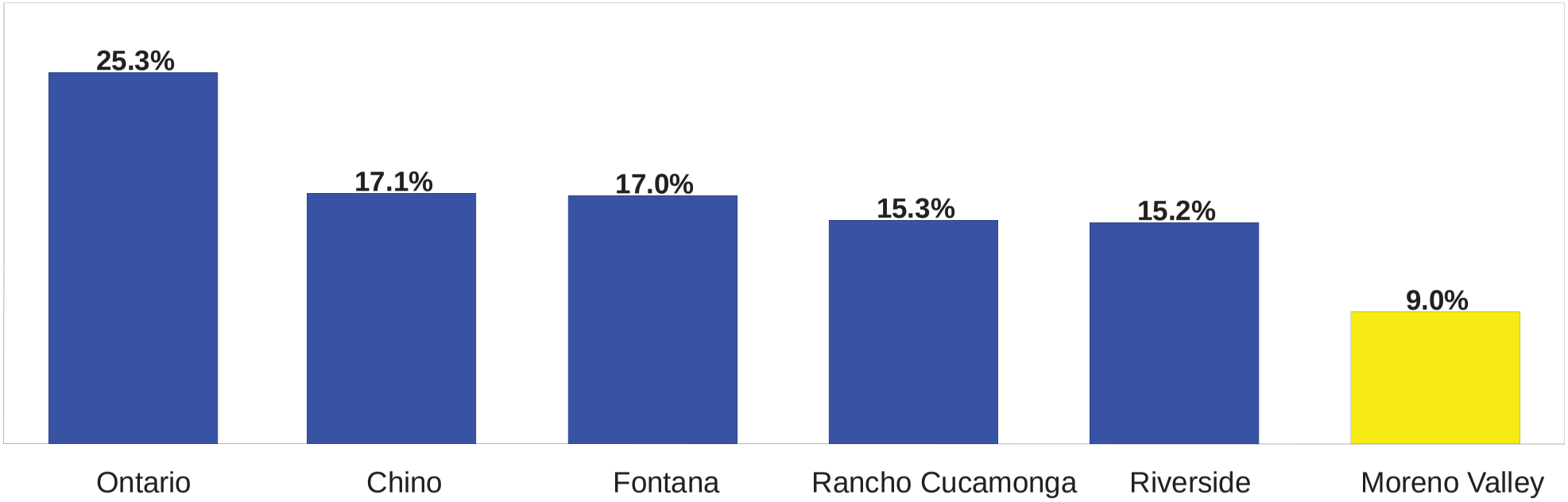
Jobs:Housing Balance, Southern California
2010 & 2007 Wage & Salary Jobs v. 2010 Occupied Housing



Sources: CA Department of Finance & CA Employment Development Department

Commuting Issue Is largely Self-Imposed By Zoning

Land Share with Industrial Zoning
Major Inland Empire Cities



Source: City of Moreno Valley

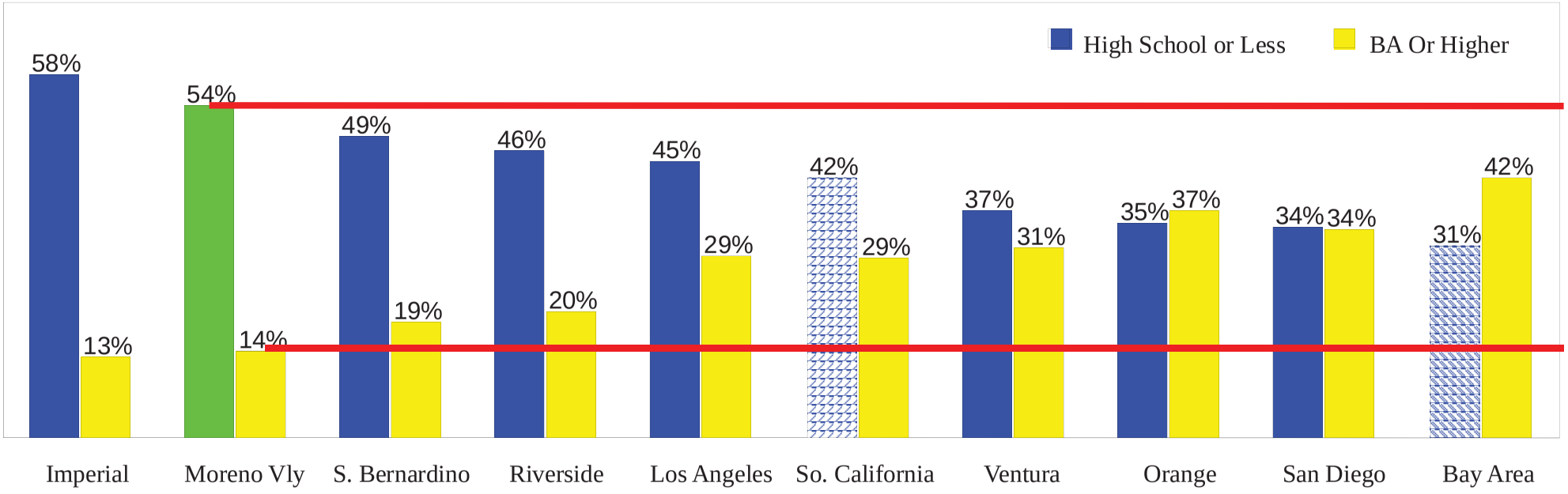
Moreno Valley Needs An Economic Boost

Economic Statistics

	Moreno Valley	Riv. County
Unemployment Rate (*Nov.*)	14.8%	12.8%
No Health Insurance	25.1%	21.1%
People Below Poverty Line	19.4%	16.3%
Notices of Default (*Nov. 2010-11*)	6.3%	5.8%
Retail Sales *(3rd Qtr-2010-11)*	6.9%	10.2%
Assessed Valuation	+0.7%	-1.6%

What Types of Jobs Do Residents Need?

Educational Attainment, Persons 25 & Over
Southern California Counties & Bay Area, 2010



Source: American Community Survey, 2010

Few Training Barriers To Beginning Employment

Mining	($65,268)	Blue Collar
Manufacturing	($49,884)	Blue Collar
Construction	($48,444)	Blue Collar
Logistics	($45,868)	Blue Collar
Gaming	($37,827)	Not Reach Middle Class
Retail Trade	($28,824)	
Agriculture	($24,552)	
Hotel/Motel	($16,026)	
Eating & Drinking	($16,026)	

Results Of Blue Collar Job Suppression

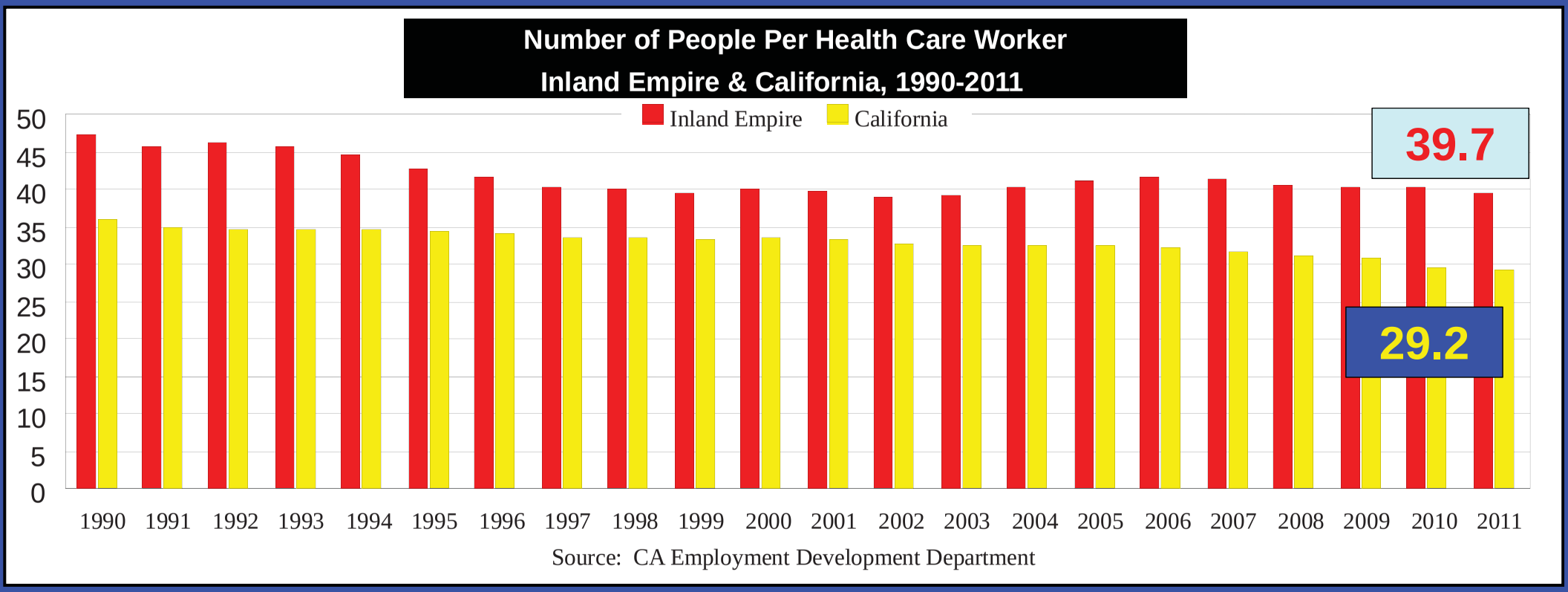
- Unemployment Higher Than It Needs To Be
- Underemployment A Constant Difficulty
- Lack of Access to Jobs Leading to the Middle Class

- Health Issues of Poverty
- Divorce
- Spousal Abuse
- Drug & Alcohol Abuse
- Suicide
- Lack of Timely Medical Care

Public Health Issues!

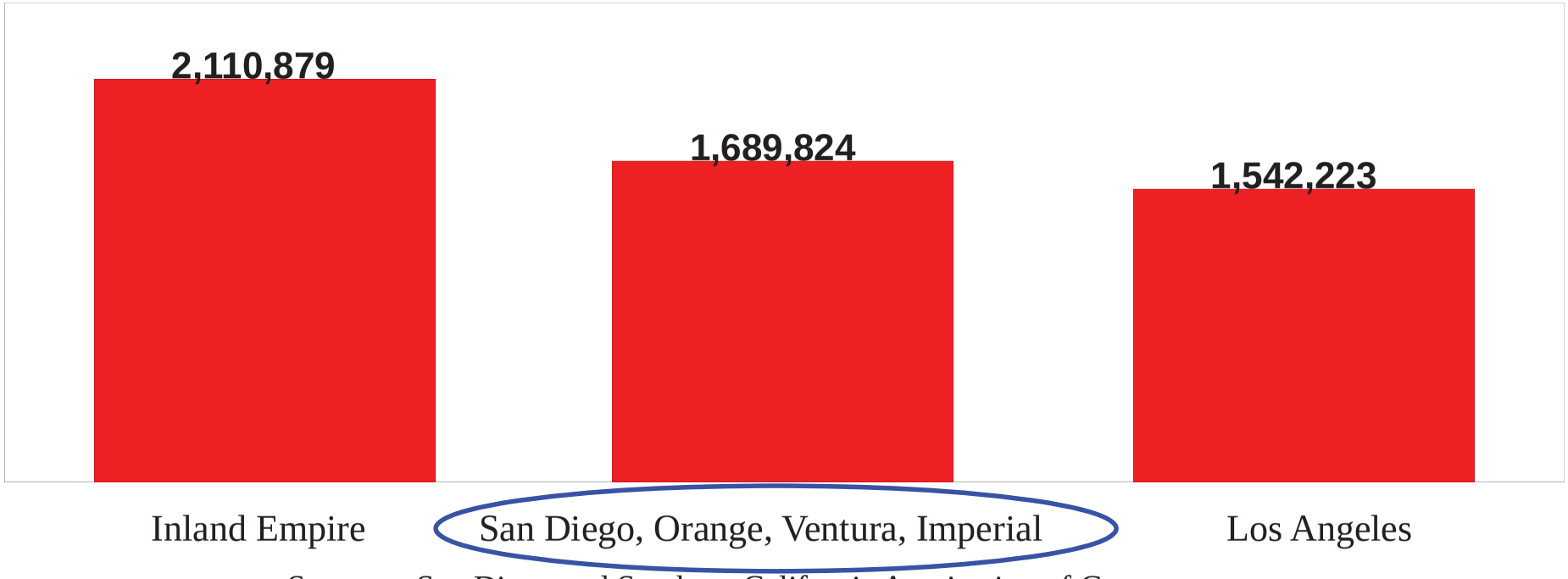
Why Demand For Inland Empire Health Care Workers

Too Many Inland Residents Per Health Care Worker



Demand For Health Care Will Increase

Population Forecasts
Southern California Areas, 2008-2035



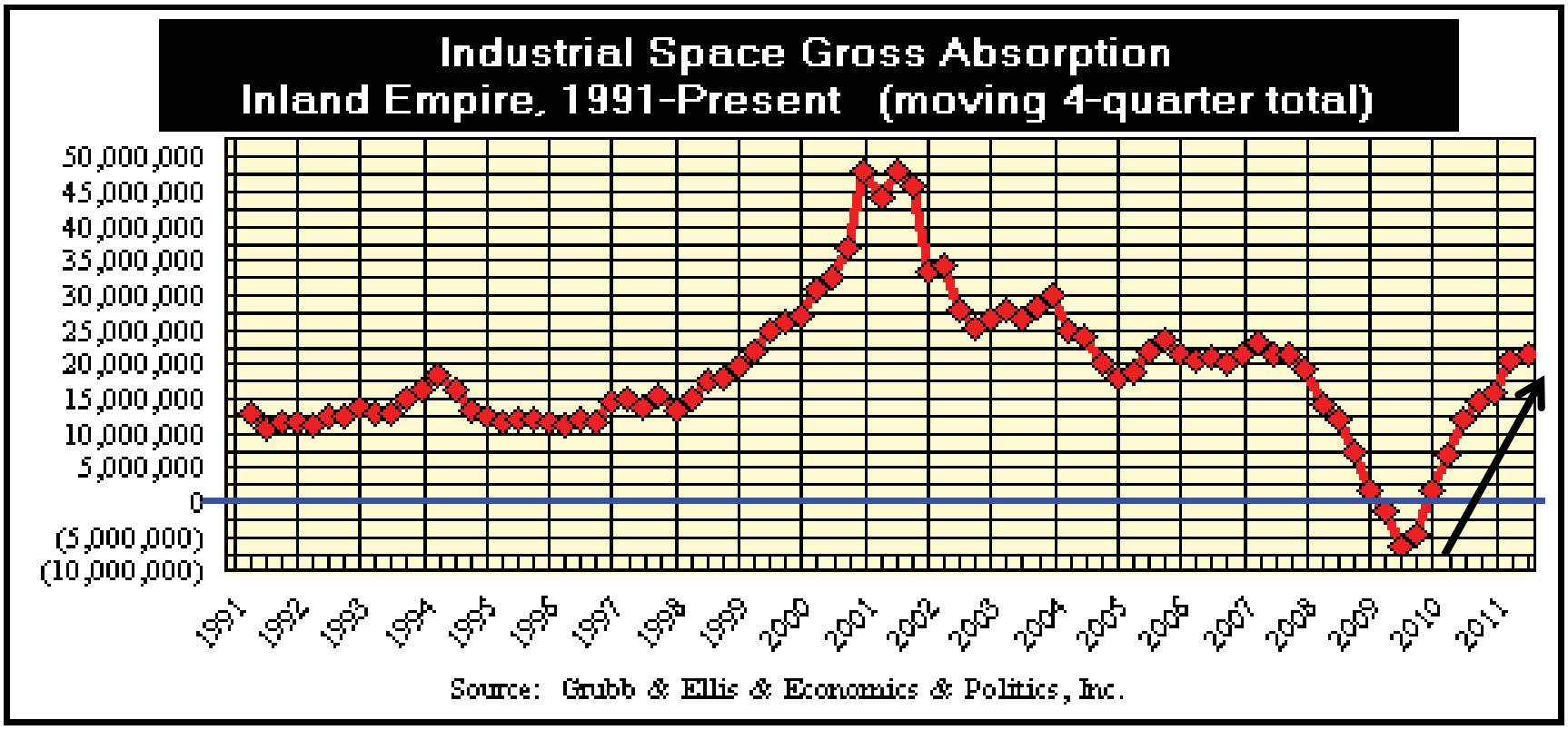
Sources: San Diego and Southern California Assoication of Governments

Hospitals: A Key Source of Upward Mobility

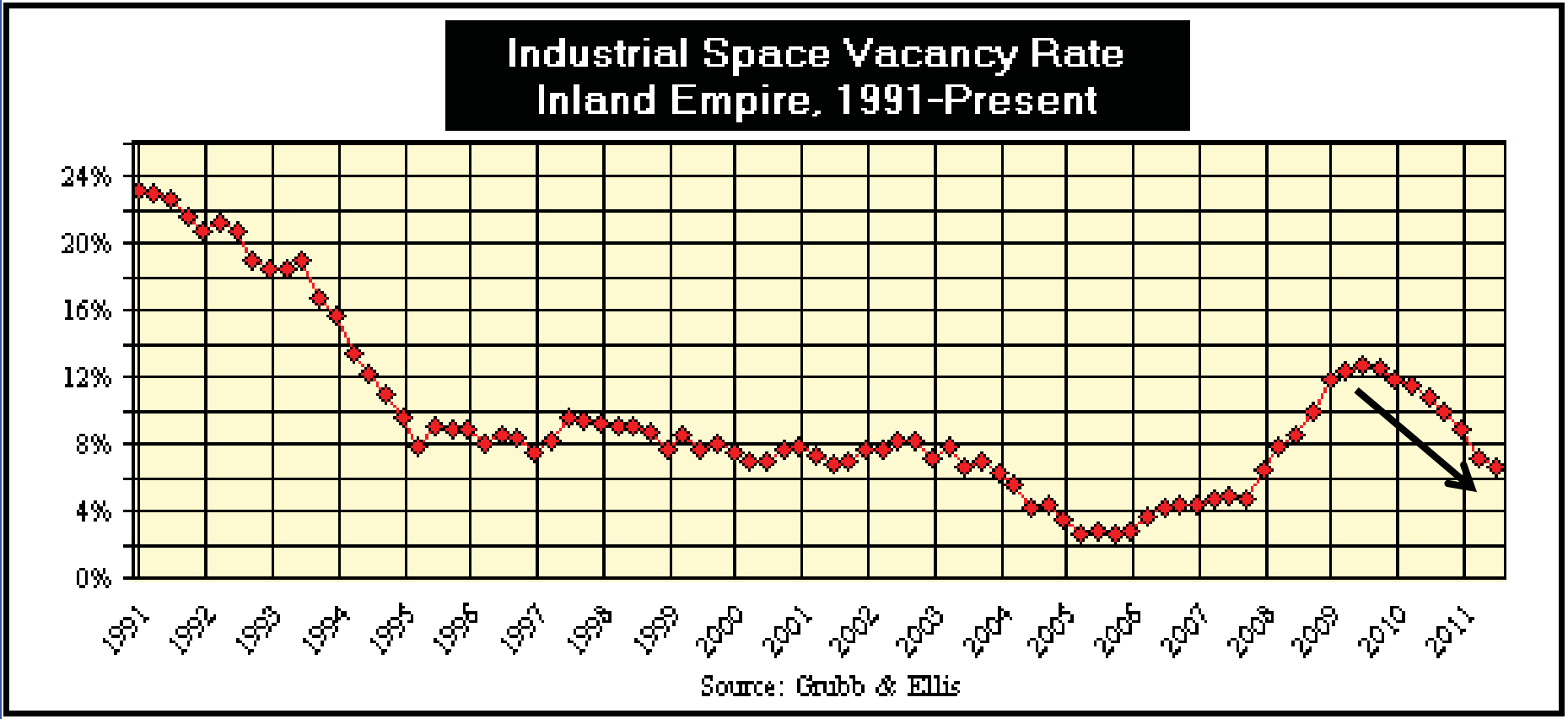
Medical and Health Services Managers	$43.48	$90,438
Registered Nurses	$38.29	$79,643
Medical and Clinical Laboratory Technologists	$36.94	$76,835
Medical Scientists, Except Epidemiologists	$35.43	$73,694
Healthcare Practitioners and Technical Workers, All Other	$33.42	$69,514
Health Diagnosing and Treating Practitioners, All Other	$32.40	$67,392
Respiratory Therapists	$30.63	$63,710
Respiratory Therapy Technicians	$26.62	$55,370
Medical and Public Health Social Workers	$26.52	$55,162
Medical Appliance Technicians	$21.84	$45,427
Licensed Practical and Licensed Vocational Nurses	$21.56	$44,845
Medical Equipment Repairers	$21.24	$44,179
Medical Transcriptionists	$19.68	$40,934
Medical Records and Health Information Technicians	$18.82	$39,146
Health Technologists and Technicians, All Other	$18.53	$38,542
Medical and Clinical Laboratory Technicians	$17.57	$36,546
Healthcare Support Workers, All Other	$16.51	$34,341
Emergency Medical Technicians and Paramedics	$15.17	$31,554
Medical Equipment Preparers	$14.32	$29,786
Medical Secretaries	$14.18	$29,494
Ambulance Drivers and Attendants	$13.78	$28,662
Medical Assistants	$12.99	$27,019
Healthcare Support Occupations	$12.76	$26,541
Nursing Aides, Orderlies, and Attendants	$11.83	$24,606

Why Demand For Inland Empire Logistics Workers

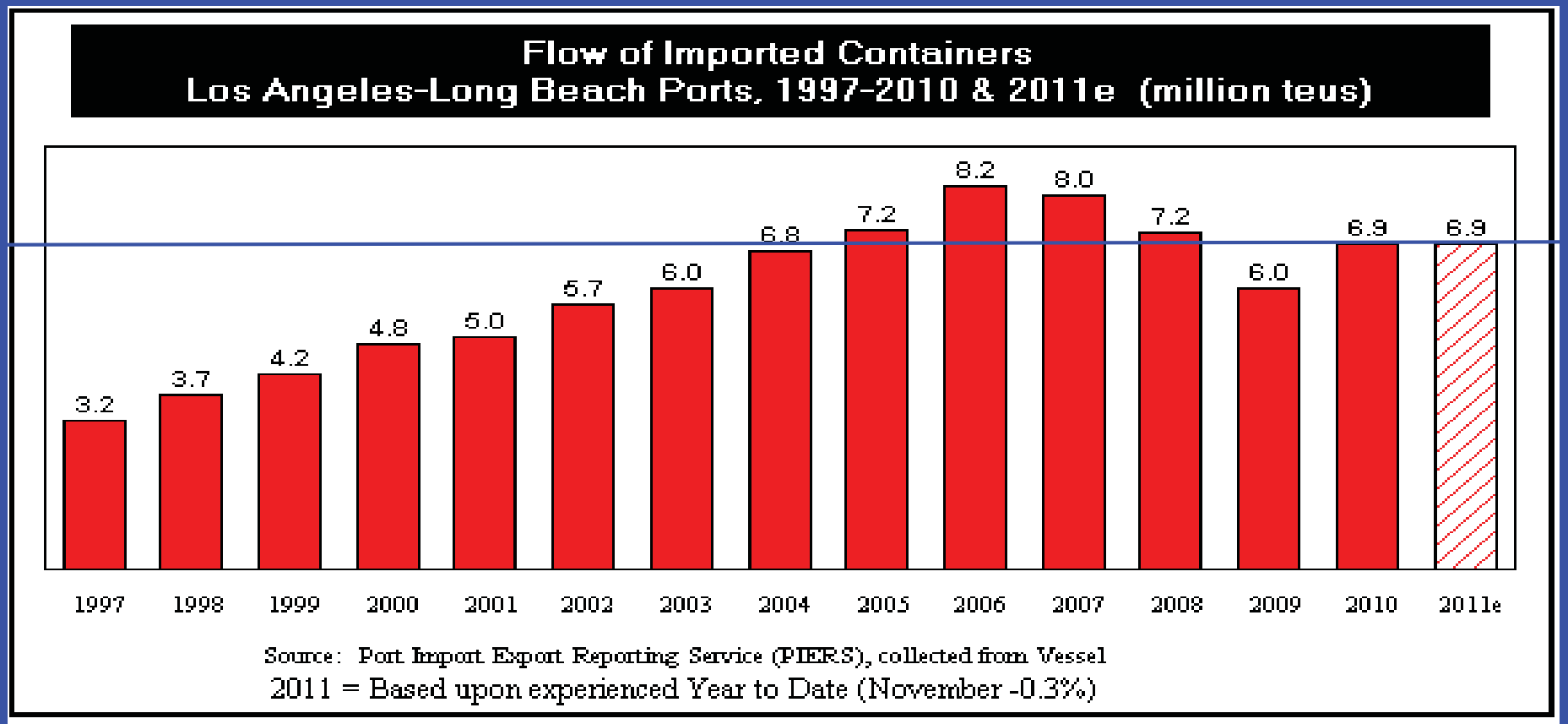
Industrial Space Absorption Rising



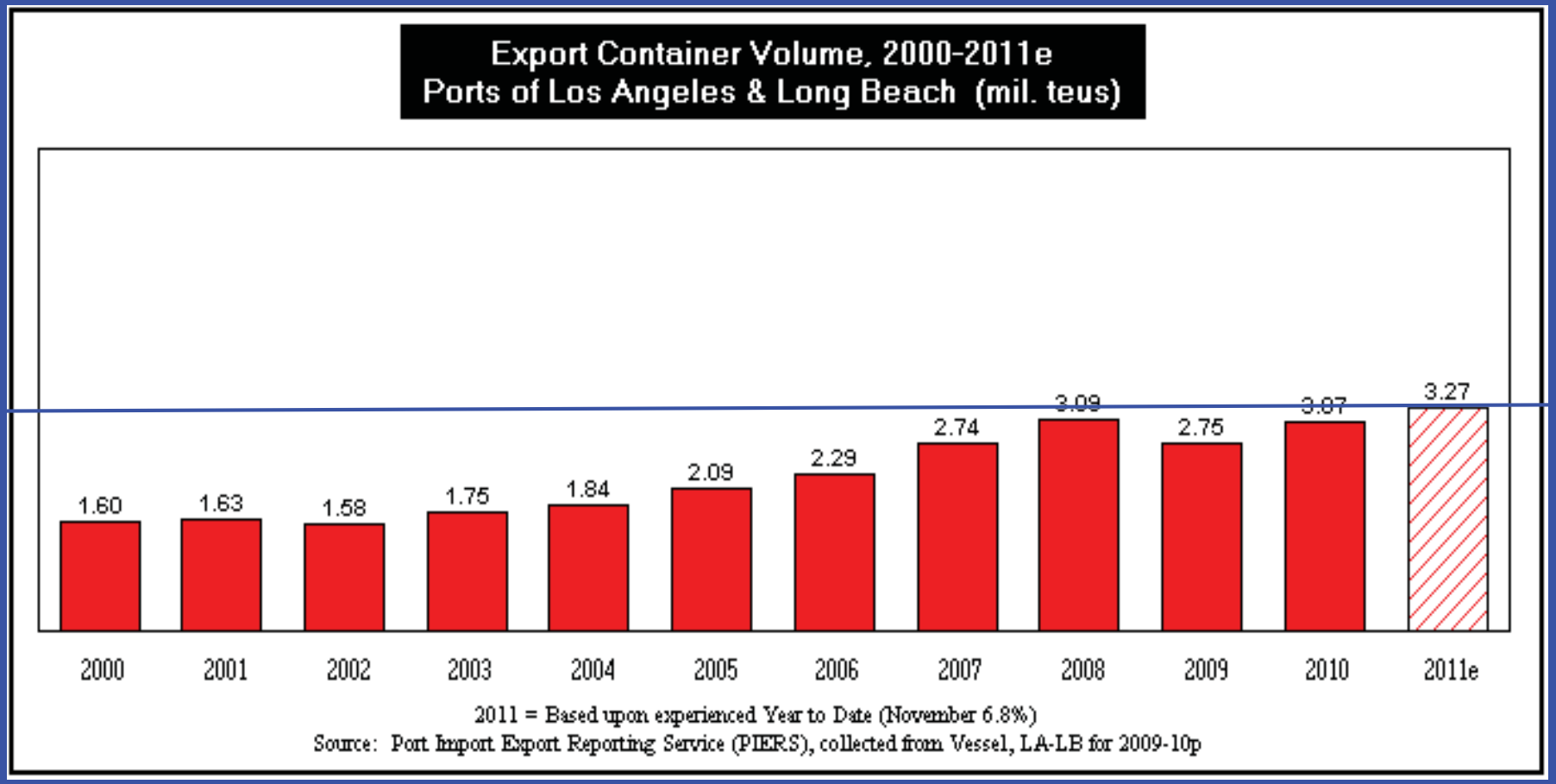
Industrial Space Vacancy Rate Falling



Strong Imported Container Levels



Record Export Container Volume



Job & Financial Impact: Logistics Alone

Direct New Construction Jobs

40,000,000 Square Feet

$93.69 Per Square Foot Of Construction

$3,747,600,000 Construction Activity

Sources: Construction Cost Per Square Foot, RSMeans September 2009 for Los Angeles Area

Direct & Secondary Construction Increase

	Jobs	Payroll	Output
Direct Effect	30,337	$ 1,808,715,704	$ 3,747,600,000
Indirect Effect	2,346	$ 112,232,486	$ 294,693,116
Induced Effect	7,634	$ 317,490,615	$ 958,408,543
Total Effect	40,316	$ 2,238,438,804	$ 5,000,701,659
Years	10	10	10
Each Year	4,032	$ 223,843,880	$ 500,070,166

Direct New Permanent Jobs, Income

40,000,000 Square Feet

2,000 Square Feet per Job

20,000 Direct New Jobs

$45,868 Income Per Logistics Job

$917,361,553 Annual Payroll

$118,438,872 Proprietorship Income

Sources

1,906 Jobs per square foot from 2003 Study By U.S. Energy Information Agency, Distribution & Shipping Centers from Table 5, increased 5% to 2,000

Weighted average of income per wholesale trade plus transportation & warehousing job from U.S. Census Bureau Longitudinal Employer Dynamics Reports, 2010 *(Riverside SMA)*

Direct & Secondary Permanent Increase

Moreno Valley	Jobs	Payroll/Proprietors	Output
Direct Effect	20,000	$1,035,800,425	$2,644,763,776
Indirect Effect	3,525	$153,904,228	$394,918,255
Induced Effect	4,653	$193,908,095	$584,309,881
Total Effect @ Build-Out	**28,178**	**$1,383,612,748**	**$3,623,991,912**
2010 Base	**25,440**	**$934,575,664**	
New Base At Build-Out	**53,618**	**$2,318,188,412**	
Increase from 2010	**111%**	**148%**	

Sources: IMPLAN Modeling For Moreno Valley Zip Codes; EDD data for 2010 Base

Riverside Co.	Jobs	Payroll/Proprietors	Output
Indirect & Induced over MV	**+4,335**	**+$191,821,792**	**+$602,565,124**
Total County Impact	**32,513**	**$1,575,434,540**	**$4,226,557,036**

Taxes:
City, Schools, County, Special Districts

40,000,000 Square Feet of Logistics Space

$178.01 Assessed Value Per SF

$7,120,400,000 New Assessed Valuation

1.15% Rate (Tax Zone 021-579)

$82,169,416 New Annual Taxes Revenue

Planning: Best Practices

<u>Isolate Industrial</u>

No Homes
No Schools
No Shopping Centers
Direct Freeway Access

john@johnhusing.com

BEACON ECONOMICS

Economic Impacts

The World Logistics Center

Jordan G. Levine
Director of Economic Research, Beacon Economics

BEACON ECONOMICS

Overview

- Motivation for study
  - Measure impact of WLC on Moreno Valley
- Economic impact
  - 3 primary sources of impact
  - Construction, Outfitting, and Operations
- Benefits
  - Jobs – jobs for Moreno Valley and region's residents
  - Output – demand for additional goods and services
  - State and local tax revenues

World Logistics Center

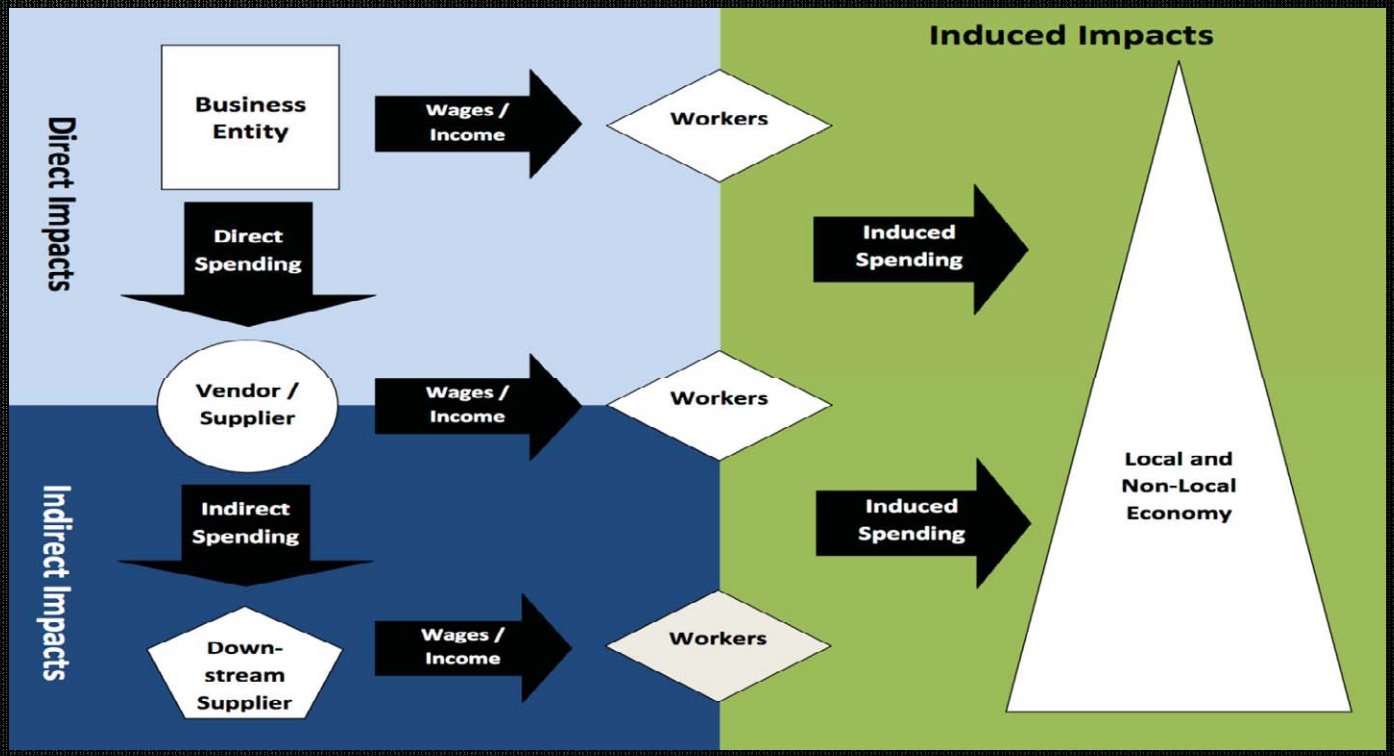
- 41.6 million sq. ft.
- 2,710 acres in East Moreno Valley
- Built with sustainable designs: solar, natural gas, efficient irrigation
- 22X larger than largest LEED-Gold building

BEACON ECONOMICS

Types of Economic Impact

- Three types of impacts:
  - Direct
  - Indirect
  - Induced
- Secondary Impact
  - The sum of indirect and induced impacts
- Total Impact
  - The sum of the direct and secondary impacts

Overview of Economic Impacts



BEACON ECONOMICS

1) Construction Impact

- Direct impact
  - Developer/construction company build facility
  - Provides jobs for city and county residents
- Indirect
  - Architectural and engineering services
  - Hiring of equipment
  - Purchase of building materials
- Induced
  - Spending by clientele in local economy
  - Spending by construction workers and suppliers
  - Tax revenues (Sales tax on goods purchased)
- Countywide
  - Earnings that leak out of Moreno Valley
  - Captured within Riverside County

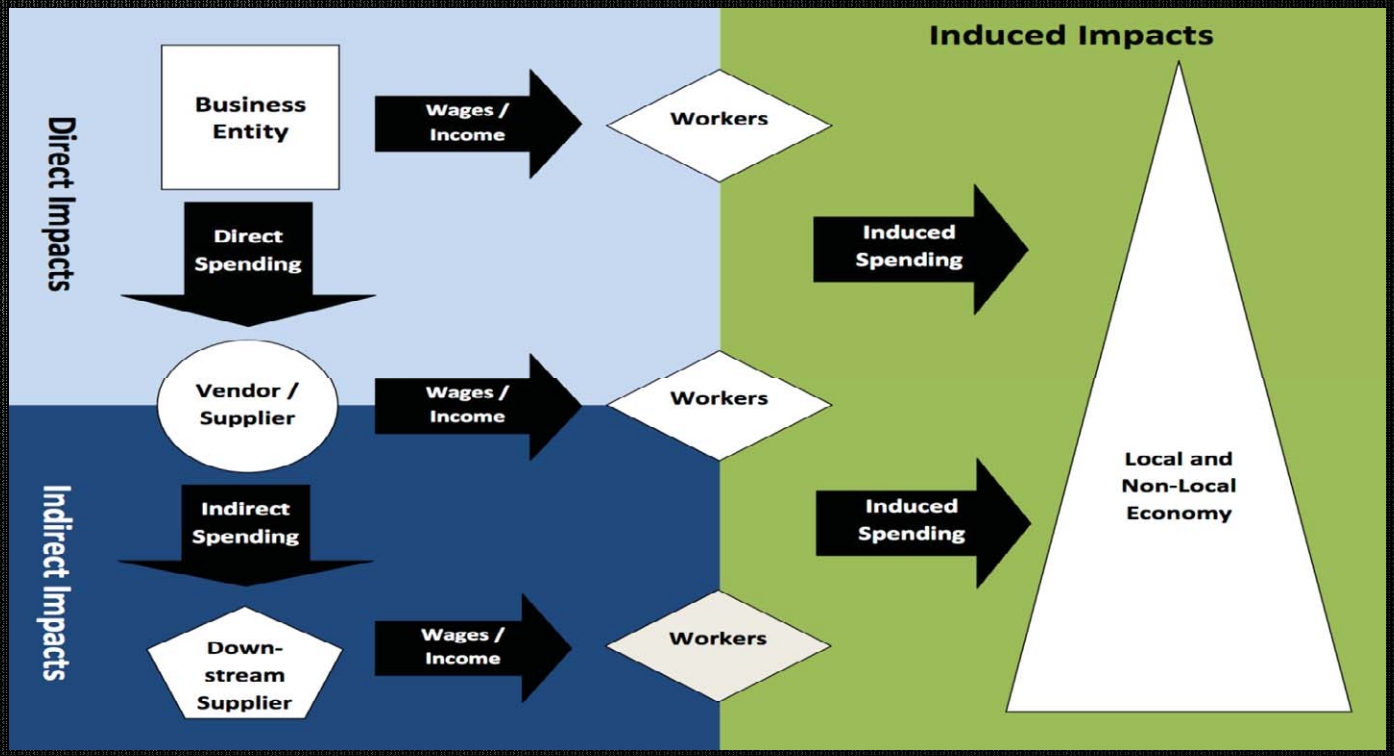
2) Improvements & Equipment

- Direct impact
  - Developer performs tenant improvements
  - Outfit/customize facility for operations
- Indirect
  - Additional construction and installation
  - Equipment and software vendors
  - Engineers and mechanics
- Induced
  - Spending by workers and vendors
  - Tax revenues (Sales tax on goods purchased)
- Countywide
  - Earnings that leak out of Moreno Valley
  - Captured within Riverside County

3) Ongoing Operations

- Direct impact
  - Tenants occupy space and hire workers
  - Provides permanent jobs for residents
- Indirect
  - Maintenance and housekeeping services
  - Accounting and payroll services
  - Legal and professional services
- Induced
  - Spending by workers and suppliers
  - Paying rent and buying cars
  - Shopping at the local retail establishments and eating out
- Countywide
  - Earnings that leak out of Moreno Valley
  - Captured within Riverside County

Overview of Economic Impacts



BEACON ECONOMICS

Overview of IMPLAN

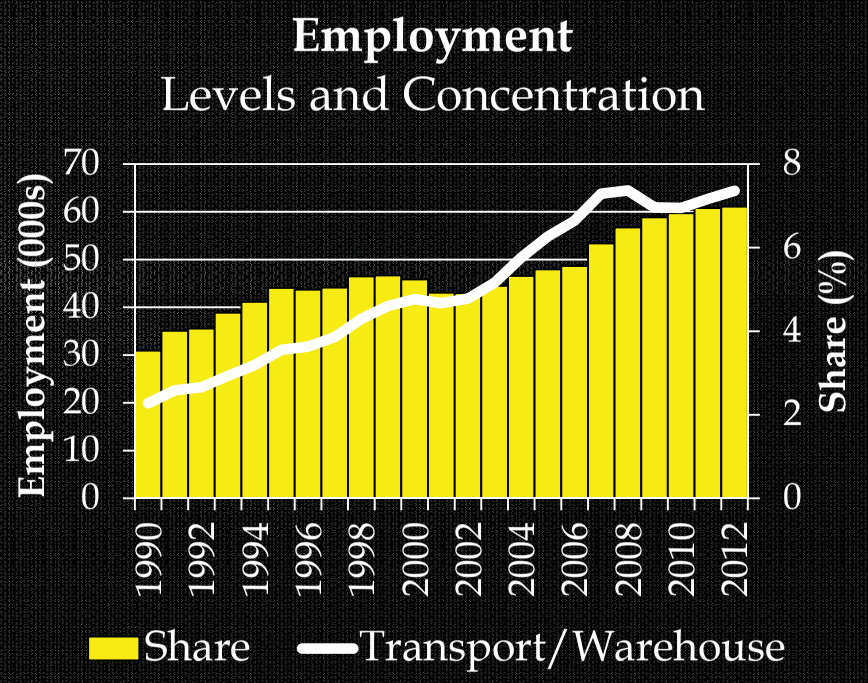
- Used to estimate economic impact on a particular geography of:
  - Business
  - Investment
- Typically constructed at the County level
  - Can also be done at zip code, state, or U.S. level
- Based on multipliers:
  - X dollars invested in the local economy
  - Generates $Y in output and Z jobs

IMPLAN Multipliers

- California vs. Riverside County
  - California has larger multipliers. Why?
  - Leakage into other regions
- Example: Aircraft manufacturing in Riverside
  - Requires steel as major input
  - Riverside has few steel manufacturing plants
  - Aircraft manufacturer has to buy steel from another state
  - Steel purchases do not impact Riverside ("leaks out")
- General rule of thumb:
  - Larger geography will have less leakage
  - More diverse local economy will have less leakage

Logistics: A Growing Force

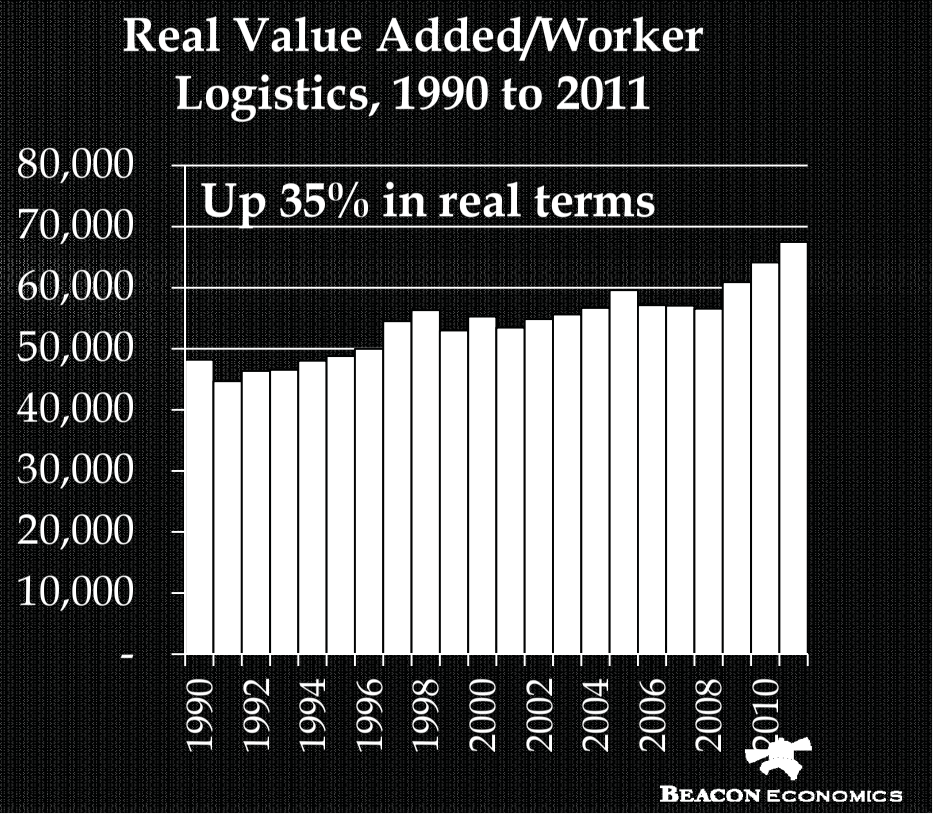
- Employment:
  - Doubled since 1990
- Almost 65,000 jobs
- Bigger share today
- Up from 3.5% to 7%
- Big part of recovery
  - Back to pre-recession peak



BEACON ECONOMICS

Brief History on Logistics

- Have become much more sophisticated
- Efficiency and automation have boosted productivity
- Less labor-intensive
- Quality of logistics jobs much better today



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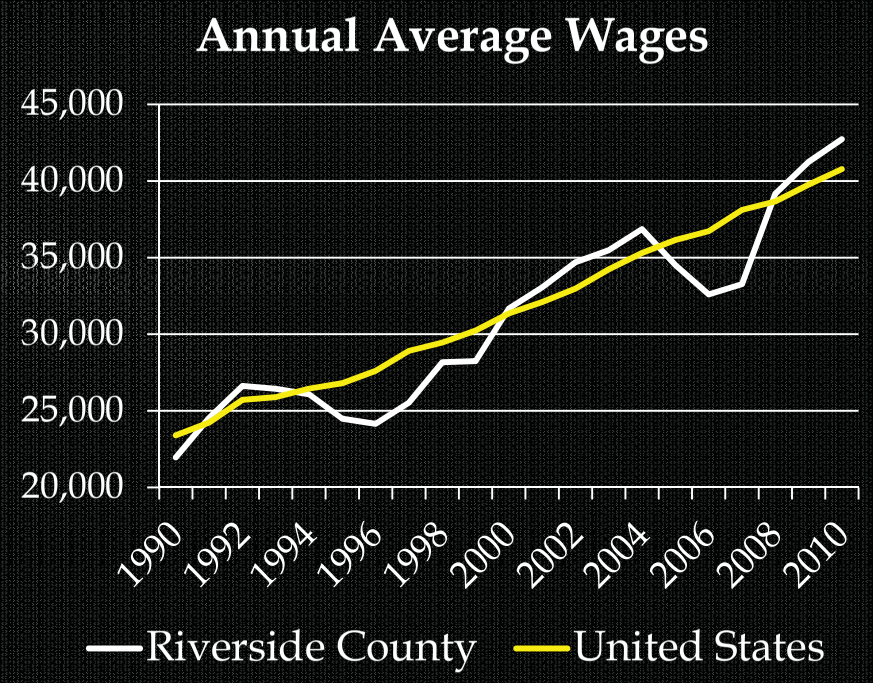


BEACON ECONOMICS

Two Scenarios for Impact

- Logistics have evolved tremendously
- Adopt two scenarios for impact
  - Provides a range of likely outcomes
- High-tech scenario
  - Closely resembles other highly automated facilities
  - Fewer direct jobs, but more overall output
- Traditional logistics operation
  - Larger number of direct jobs
  - Smaller equipment and automation budgets

Summary of Economic Impact

	High-Tech		Traditional Logistics	
Employment	**One-Time**	**Ongoing**	**One-Time**	**Ongoing**
Direct	43,895	16,000	34,713	25,488
Total	59,018	22,645	46,138	32,201
Earnings				
Direct ($ Mill.)	2,306.50	968.5	1,816.40	1,033.00
Total ($ Mill.)	2,871.20	1,205.70	2,240.70	1,272.50
Output				
Direct ($ Mill.)	5,824.00	1,596.90	4,368.00	1,515.40
Total ($ Mill.)	7,762.10	2,370.90	5,822.10	2,300.80

BEACON ECONOMICS

Construction

BEACON ECONOMICS

Costs of Construction & Improvements and Equipment

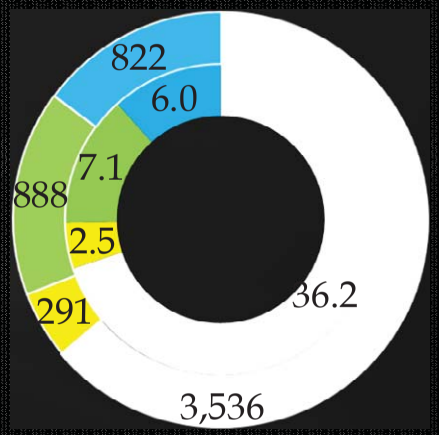
	High-Tech	Traditional Logistics
Square Footage (Mill.)	41.6	41.6
Construction		
Construction Costs per Sq. Ft.	$85	$70
Total Construction Costs ($ Bill.)	$3.54	$2.91
Outfitting		
TI/Equipment Costs per Sq. Ft.	$55	$35
Total TI/Equipment Costs ($ Bill.)	$2.29	$1.46

BEACON ECONOMICS

Construction Impact

	Jobs (000s)	Earnings ($ Mill.)	Output ($ Mill.)
Direct Effect	36.2	1,862.6	3,536.0
Indirect Effect	2.5	95.9	290.9
Induced Effect	7.1	251.0	887.5
Total City Impacts	45.8	2,209.5	4,714.4
County Impacts	6.0	231.1	821.6
Total Impact	51.9	2,440.6	5,536.0

Employment and Output



Direct Effect
Indirect Effect
Induced Effect
County Impacts

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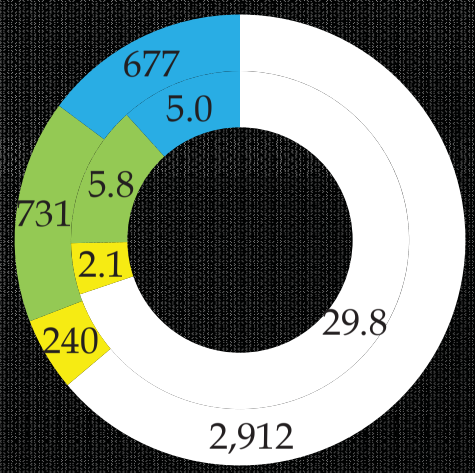
Traditional Logistics Alternative

Employment and Output



Direct Effect
Indirect Effect
Induced Effect
County Impacts

	Jobs (000s)	Earnings ($ Mill.)	Output ($ Mill.)
Direct Effect	29.8	1,533.9	2,912.0
Indirect Effect	2.1	79.0	239.6
Induced Effect	5.8	206.7	730.9
City Impacts	37.8	1,819.6	3,882.5
County Impact	5.0	190.3	676.6
Total Impact	42.7	2,009.9	4,559.1

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Tis and Equipment

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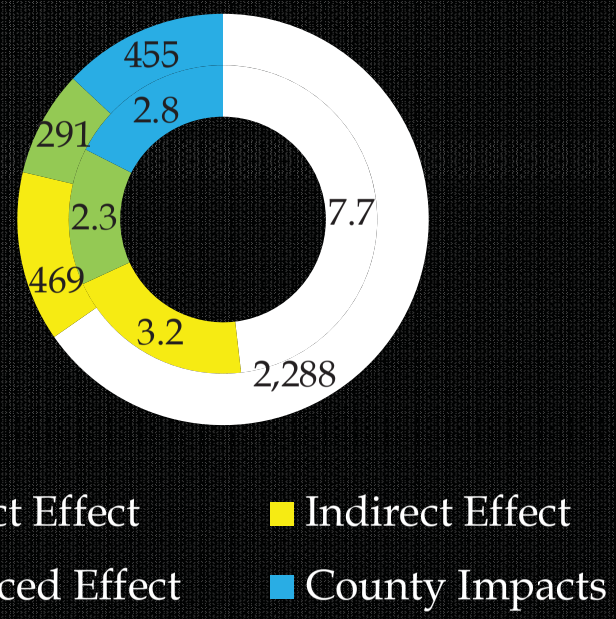
Impact of Improvements/Equipment

	Jobs (000s)	Earnings ($ Mill.)	Output ($ Mill.)
Direct Effect	7.7	443.9	2,288.0
Indirect Effect	3.2	135.5	468.6
Induced Effect	2.3	82.4	291.1
City Impacts	13.2	661.7	3,047.7
County Impacts	2.8	114.1	455.0
Total Impact	15.9	775.8	3,502.7

Employment and Output



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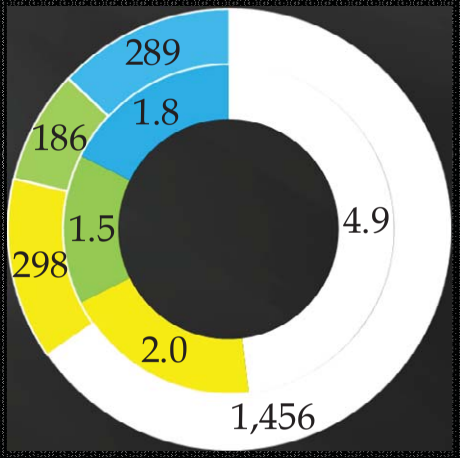
Traditional Logistics Alternative

Employment and Output



Direct Effect
Indirect Effect
Induced Effect
County Impacts

	Jobs (000s)	Earnings ($ Mill.)	Output ($ Mill.)
Direct Effect	4.9	282.5	1,456.00
Indirect Effect	2.0	86.2	298.2
Induced Effect	1.5	52.5	185.5
City Impacts	8.4	421.2	1,939.60
County Impact	1.8	72.5	289.4
Total Impact	10.1	493.7	2,229.00

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One-Time Economic Impacts

	High-Tech	Traditional Logistics
Employment		
Direct	43,895	34,713
Total	59,018	46,138
Earnings		
Direct ($ Mill.)	2,306.50	1,816.40
Total ($ Mill.)	2,871.20	2,240.70
Output		
Direct ($ Mill.)	5,824.00	4,368.00
Total ($ Mill.)	7,762.10	5,822.10

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Ongoing Operations

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Costs of Operations

	High-Tech	Traditional Logistics
Square Footage (Mill.)	41.6	41.6
Sq. Ft. per Job	2,600	1,635
Direct Jobs	16,000	25,448
Annual Wage	$60,000	$40,274
Labor Costs ($ Mill.)	960.0	1,024.9
External Costs per Worker	$39,803	$19,273
Operational Costs ($ Mill.)	$636.90	$490.50
Total Costs ($ Mill.)	$1,596.90	$1,515.40

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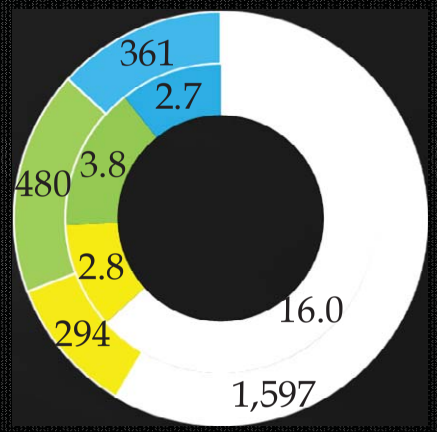
Impact of Ongoing Operations

	Jobs (000s)	Earnings ($ Mill.)	Output ($ Mill.)
Direct Effect	16.0	968.5	1,596.9
Indirect Effect	2.8	101.4	294.2
Induced Effect	3.8	135.8	479.9
City Impacts	22.6	1,205.7	2,370.9
County Impact	2.7	100.0	360.5
Total Impact	25.4	1,305.7	2,731.4

Employment and Output

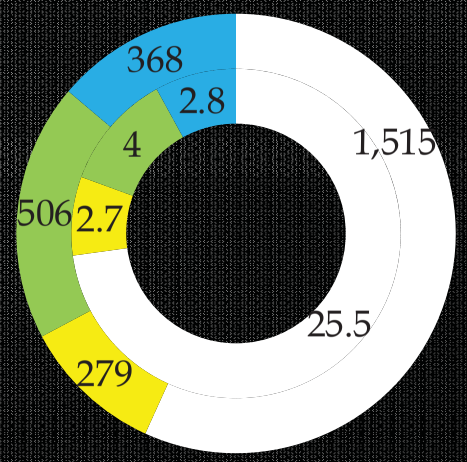


Direct Effect
Indirect Effect
Induced Effect
County Impacts

BEACON ECONOMICS

Traditional Logistics Alternative

Employment and Output



Direct Effect
Indirect Effect
Induced Effect
County Impacts

	Jobs (000s)	Earnings ($ Mill.)	Output ($ Mill.)
Direct Effect	25.5	1,033.0	1,515.4
Indirect Effect	2.7	96.2	279.2
Induced Effect	4.0	143.3	506.2
City Impacts	32.2	1,272.5	2,300.8
County Impact	2.8	102.4	368.3
Total Impact	35.0	1,374.9	2,669.0

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Total Economic Impact

	High-Tech		Traditional Logistics	
Employment	**One-Time**	**Ongoing**	**One-Time**	**Ongoing**
Direct	43,895	16,000	34,713	25,488
Total	59,018	22,645	46,138	32,201
Earnings				
Direct ($ Mill.)	2,306.50	968.5	1,816.40	1,033.00
Total ($ Mill.)	2,871.20	1,205.70	2,240.70	1,272.50
Output				
Direct ($ Mill.)	5,824.00	1,596.90	4,368.00	1,515.40
Total ($ Mill.)	7,762.10	2,370.90	5,822.10	2,300.80

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Summary

- World Logistics Center will have a significant economic impact on the City of Moreno Valley

- 3 Primary Sources of impacts:
  - Construction
  - Improvements and outfitting
  - Ongoing operations

Summary (Cont'd)

- World Logistics Center will have a significant economic impact on the City of Moreno Valley

- Key Benefits:
  - Jobs for Moreno Valley and Riverside County
  - Demand for goods/services throughout economy
  - Tax revenues for state and local governments

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