

JORDAN DOWNS REDEVELOPMENT PROJECT

GROSS FISCAL IMPACT & ECONOMIC BENEFIT ANALYSIS



AUGUST 2011



KOSMONT COMPANIES

Table of Contents

Section	Page
1.0 Executive Summary	3
2.0 Introduction	7
2.1 Background & Purpose	7
2.2 Site and Project Description	7
3.0 Methodology	14
3.1 General Assumptions	14
3.2 Fiscal Impact Analysis	14
3.3 IMPLAN Modeling	15
3.4 Measuring Economic Benefits (Impacts).....	15
4.0 Fiscal and Economic Impacts	17
4.1 Fiscal Revenue Impacts	17
4.2 Economic Benefits.....	19
Construction-Related Impacts.....	19
Permanent Job-Related Impacts.....	20
5.0 Appendices.....	21
Appendix A: Fiscal Revenue Analysis Assumptions	21
Appendix B: Summary of Total Project Value	22
Appendix C: Annual Property Tax Increment.....	23
Appendix D: Annual Sales Tax from On-Site Sales	24
Appendix E: Annual Project-Generated Utility User Tax (UUT).....	25
Appendix F: LADWP and SCE Electricity Rates	26
Appendix G: Annual Business Tax *	27
Appendix H: Permanent On-Site Job Creation	28
Appendix I: Temporary Construction Jobs for the City of Los Angeles	29
Appendix J: Construction-Generated Economic Output for the City of Los Angeles	30
Appendix K: On-Site Permanent Job Economic Output for the City of Los Angeles	31
Appendix L: Glossary of Terms.....	32

1.0 Executive Summary

The Housing Authority of the City of Los Angeles (“HACLA”) has retained Kosmont Companies (“Kosmont”) to conduct a Gross Fiscal Impact and Economic Benefit Analysis (“Analysis”) of the proposed redevelopment of the Jordan Downs housing community (“Project”). The purpose of this Analysis is to estimate the major annually-recurring gross fiscal revenues generated by the Project for the City of Los Angeles (“City”) (and potentially the City of Los Angeles Community Redevelopment Agency [“CRA/LA”]) as well as the Project’s estimated local economic benefits (direct, indirect, and induced economic benefits from the Project’s construction activity). This Analysis does not estimate net fiscal revenues, which are defined as total project-generated fiscal revenues minus total project-incurred fiscal expenditures (i.e. police, fire, and community programs).

For the purposes of this Analysis, the Project boundary is defined by the HACLA-owned properties associated with the Jordan Down housing community. Neighboring privately-owned parcels as well as the Los Angeles Unified School District properties are not included in this Analysis. A map of the Project area is included in this Analysis. The City of Los Angeles is currently in the process of annexing neighboring properties from the County of Los Angeles, some of which would be utilized for the Project. For this Analysis it is assumed that the entirety of the Project will be located within the City of Los Angeles.

Upon completion of the Jordan Downs redevelopment, the Project will include: replacement public housing, new rental and for-sale affordable housing, new market rate for-sale housing; a retail shopping center in addition to mixed-use retail included in the residential areas; and joint-use facilities shared with the adjacent Los Angeles Unified School District David Starr Jordan High School. Upon completion, the Project will expand the size of the existing Jordan Downs project footprint from 43.0 acres to 72.9 acres. This includes only properties that are owned by HACLA.

The findings of this Analysis rely on information from multiple sources including HACLA, the City of Los Angeles, WRT / Solomon E.T.C, Hogle Ireland, Terry Hayes and Associates, AECOM, and other industry technical sources.

Kosmont’s findings are summarized as follows:

Fiscal Revenue Impacts

The Project is expected to generate fiscal impacts to the City (and potentially CRA/LA) in the form of annually recurring tax revenues. These tax revenues include:

Property Tax Increment

Property Tax Increment refers to the property taxes accruing to a redevelopment agency from properties within a particular project area. Until recent enactment of the State Budget and related trailer bills (ABX1 26 and ABX1 27) signed into law on June 30, 2011, it had been anticipated that the Project would be located within a new CRA/LA project area currently proposed for implementation. It was originally estimated that annually, the Project would generate \$1.35 million in total property tax increment for CRA/LA. Of this amount, \$338,054 would be directed towards affordable housing set-aside funds and \$1.01 million would be available as unrestricted funds for CRA/LA. These amounts are net of other property tax revenues collected by the County and other taxing entities.

The ABX1 26 and ABX1 27 bills shut down all existing redevelopment agencies while at the same time providing them with a method to stay in existence if they are willing to give up a much larger portion of their property tax increment dollars. ABX1 26 clearly states that new redevelopment project areas cannot be created. ABX1 27 is ambiguous on this subject for agencies that elect to continue operating. The California Redevelopment Agency Association has filed a legal challenge in State court, which includes a request for a stay of the new legislation. If the lawsuit is unsuccessful, a new redevelopment project area that includes the Jordan Downs Project is prevented from being established, and the City would receive a considerably smaller portion of the property tax.

If a new redevelopment project area cannot be established, the property tax would be determined in the same manner that it is for other properties in the City that are not in redevelopment project areas. This amount is estimated to be \$400,600. Should the lawsuit be successful, it is assumed for the purposes of this analysis that redevelopment agencies will operate in the same manner that they did prior to the legislation. This would include the ability to form new project areas and collect property tax increment at the same levels as before the legislation.

Sales Tax

The Project is expected to generate sales tax revenues for the City in the form of on-site sales through 170,000 square feet of retail uses. It is estimated that annual on-site taxable sales will be \$51.37 million, thereby generating \$513,750 in sales tax revenue for the City's General Fund.

Utility User Tax

The City of Los Angeles levies a utility user tax based on the consumption of electricity, natural gas and telephone, which is paid by the end user and accrues to the City's General Fund. It is estimated that the Project will generate \$61,522 in annual utility user tax for the City.

Business Tax

The City of Los Angeles levies a tax on businesses based on the type of establishment and the amount of annual gross receipts generated. The total annual business tax revenue that would accrue to the City of Los Angeles' General Fund from the Project's ongoing operations is estimated at \$205,312.

In the following chart, the annual fiscal impacts generated by the Project are estimated. It should be noted that the category of revenues identified as 'Annual Additional Fiscal Revenues' (Prop A, C, and "Measure R" Sales Tax) are restricted to transportation projects.

Summary of Annual Fiscal Impacts Generated by Project

ANNUAL GENERAL FUND REVENUES		
Sales Tax	\$513,750	
Utility User Tax	\$61,522	
Business License Tax	\$205,312	
Total Annual General Fund Revenues		\$780,584
ANNUAL REDEVELOPMENT AGENCY REVENUES (From Property Tax Increment) *		
Low-Mod Housing Set-Aside	\$338,054	
Net Revenue to Agency	\$1,014,163	
Total Annual Redevelopment Agency Revenues		\$1,352,218
ANNUAL ADDITIONAL FISCAL REVENUES		
Prop A, C and "Measure R" Sales Tax to Local Jurisdictions	\$58,600	
Total Additional Fiscal Revenues		\$58,600

Source: Kosmont Companies, 2011

Note: All amounts in 2011 dollars

Columns may not total exactly due to rounding

* State Legislation adopted on June 30, 2011, prevents creation of any new redevelopment project area, including a redevelopment project area for the Jordan Downs Project. A legal challenge filed by the California Redevelopment Association is pending determination by state Supreme Court. In the event a new redevelopment project area cannot be formed, the Redevelopment Agency will not be able to collect the \$1,352,218 in tax increment identified.

Economic Benefits

The Project is expected to generate economic benefits (impacts) to the City through both its construction and its on-going operation. The Project's \$584.2 million construction program is expected to create short term construction-related benefits to the City of Los Angeles economy.



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Using a proprietary economic impact model (“IMPLAN”), the Analysis estimates that Project construction will generate \$1.0 billion in total economic output and approximately 7,549 jobs¹ through direct, indirect and induced economic activity to the City of Los Angeles. The Project is expected to be constructed in a to-be-determined number of phases over multiple years. As the Project is in the planning stages, the construction time frame has not been determined. The number of construction jobs created would be allocated over the duration of the Project’s construction phases.

Summary of Project Construction Economic Impacts

Component	Construction Jobs	Economic Output (\$ mil)
Direct	4,398.1	584.2
Indirect	1,219.1	174.3
Induced	1,932.5	257.9
Total	7,549.7	1,016.4

Source: IMPLAN Professional Input-Output Model

Permanent Jobs-Related Impacts

Upon completion and stabilized occupancy, the Project is expected to create 747 permanent direct jobs. The jobs created will be associated with the residential, retail and office uses of the Project. These permanent jobs will generate annual economic impacts to the City of Los Angeles. Using a proprietary economic impact model (“IMPLAN”), the Analysis estimates these permanent jobs will create a recurring annual economic impact of \$215.5 million within the City of Los Angeles.

Summary of Permanent On-Site Direct Jobs Economic Impacts

Component	Economic Output (\$ mil)
Direct	118.8
Indirect	61.5
Induced	35.2
Total	215.5

Source: IMPLAN Professional Input-Output Model

¹Full-time equivalent one-year jobs.



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

2.0 Introduction

2.1 Background & Purpose

This Housing Authority of the City of Los Angeles (“HACLA” or “Client”) has retained Kosmont Companies (“Kosmont” or “Consultant”) to conduct a Gross Fiscal Impact and Economic Benefit Analysis (“Analysis”) for the proposed four-phase Jordan Downs redevelopment project (“Project”). The purpose of this Analysis is to estimate the major annually-recurring gross fiscal revenues generated by the Project for the City of Los Angeles (“City”) (and potentially the City of Los Angeles Community Redevelopment Agency [“CRA/LA”]) as well as the Project’s estimated local economic benefits (direct, indirect, and induced economic benefits from the Project’s construction activity). This Analysis does not estimate net fiscal revenues, which are defined as total project-generated fiscal revenues minus total project-incurred fiscal expenditures (i.e. police, fire, and community programs). The findings of this Analysis rely on information from multiple sources including HACLA, the City of Los Angeles, WRT / Solomon E.T.C., Hogle Ireland, Terry Hayes and Associates, AECOM, and the Minnesota IMPLAN Group. A Glossary of terms is provided in Appendix L of the Analysis for reference.

The Analysis examines a development program provided by HACLA in December 2010 as laid out in the Draft Environmental Impact Report (“DEIR”) and Master Plan. HACLA has stated that program has the potential to be modified in the future. This Analysis does not evaluate alternative development scenarios.

2.2 Site and Project Description

The City of Los Angeles and HACLA have proposed to redevelop the existing Jordan Downs housing community which is comprised of 700 public housing residential units and a recreation center. The existing Jordan Downs project is currently located on four parcels east of Grape Street, between E 97th Street to the north and E 103rd Street to the south in the community of Watts (APN: 6046-019-903; 6046-021-917; 6046-021-915; and 6046-021-916). (See *Exhibit 1 & 2*).

For the purposes of this Analysis, the Project boundary is defined by the HACLA-owned properties associated with the Jordan Down housing community. Neighboring privately-owned parcels as well as the Los Angeles Unified School District properties are not included in this analysis. A map of the Project area is included in this Analysis (Exhibit 3).

Upon completion of the Jordan Downs redevelopment, the Project will include: replacement public housing, new rental and for-sale affordable housing, new market rate for-sale housing; a

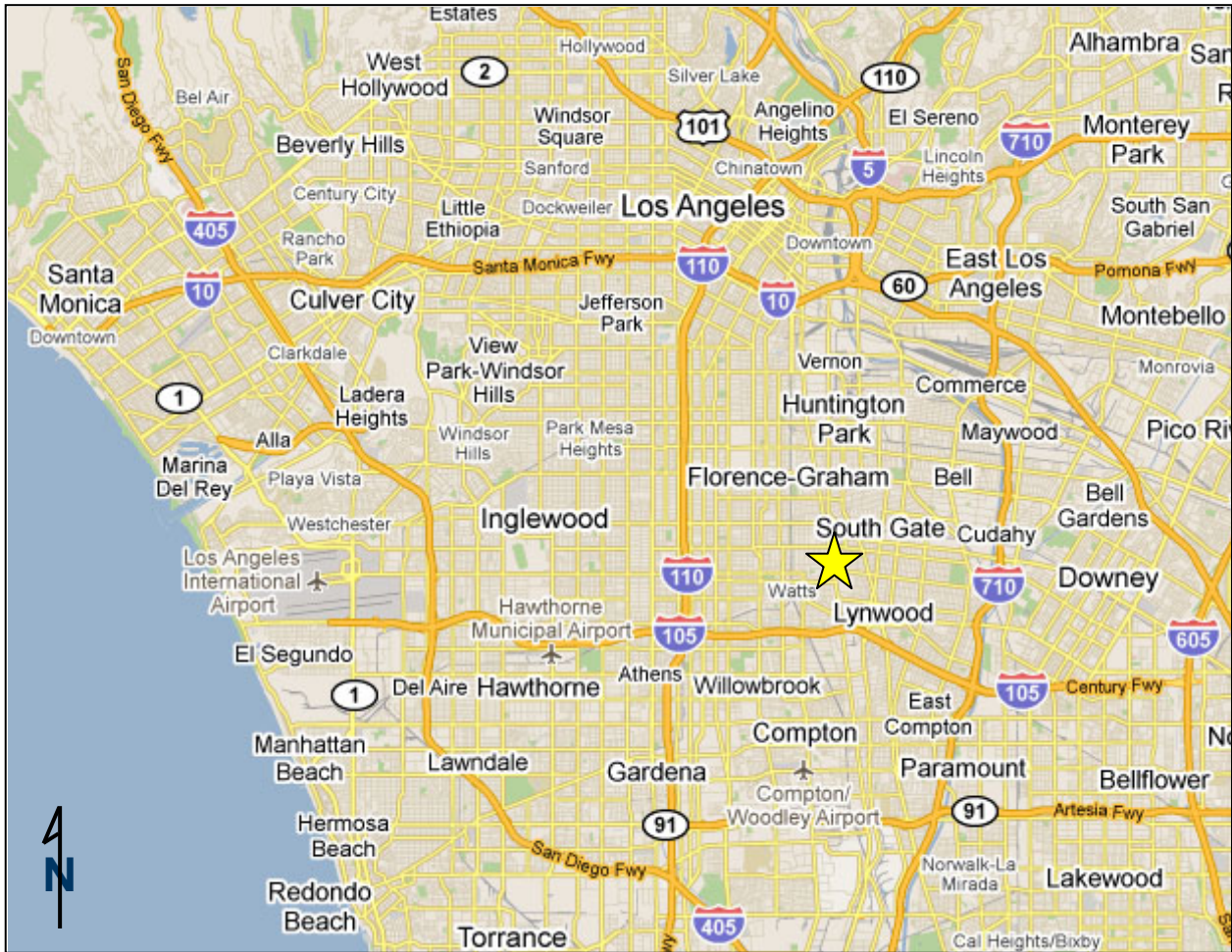
retail shopping center in addition to mixed-use retail included in the residential areas; and joint-use facilities shared with the adjacent Los Angeles Unified School District David Starr Jordan High School. Upon completion, the Project will expand the size of the existing Jordan Downs project footprint to 72.9 acres and include additional land parcels (APN: 6046-019-904; 6046-019-905; 6046-019-906). (See *Exhibit 3*). These properties are in the process of being annexed from the County of Los Angeles into the City of Los Angeles (See *Exhibit 4*).

According to the DEIR and information provided by HACLA, the Project will include the following components:

- 1,800 units of residential housing, consisting of:
 - 700 replacement public housing units
 - 250 affordable rental units for tenants at 30% of area median income
 - 450 affordable rental units for tenants at 60% of area median income
 - 400 for-sale housing units
 - 380 market rate for-sale housing units
 - 20 for-sale housing units for buyers at 80% of area median income
- 230,000 square feet of commercial uses
 - 150,000 square foot shopping center
 - 20,000 square feet of mixed-use retail
 - 60,000 square feet of office uses
 - 30,000 square foot jobs resource center
 - 30,000 square foot business incubator
- 70,000 square feet of community facilities (family resource center, fitness gym and pool)
- Extensive public infrastructure improvements including roadways, parks, and utilities

(See *Exhibit 5*)

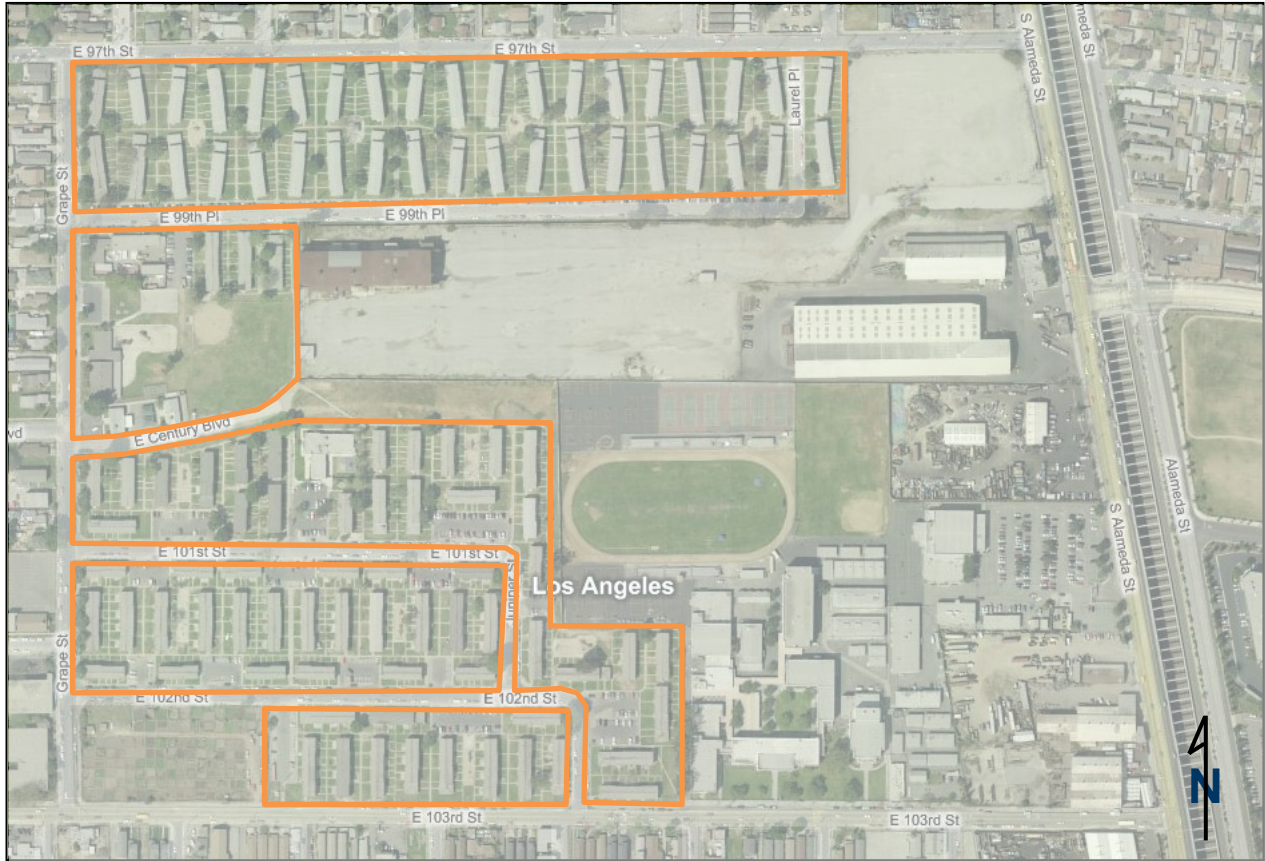
Exhibit 1: Proposed Project Location - Regional (★)




Source: Kosmont Companies, 2011

(Not to Scale)

Exhibit 2: Existing Jordan Downs Public Housing Community

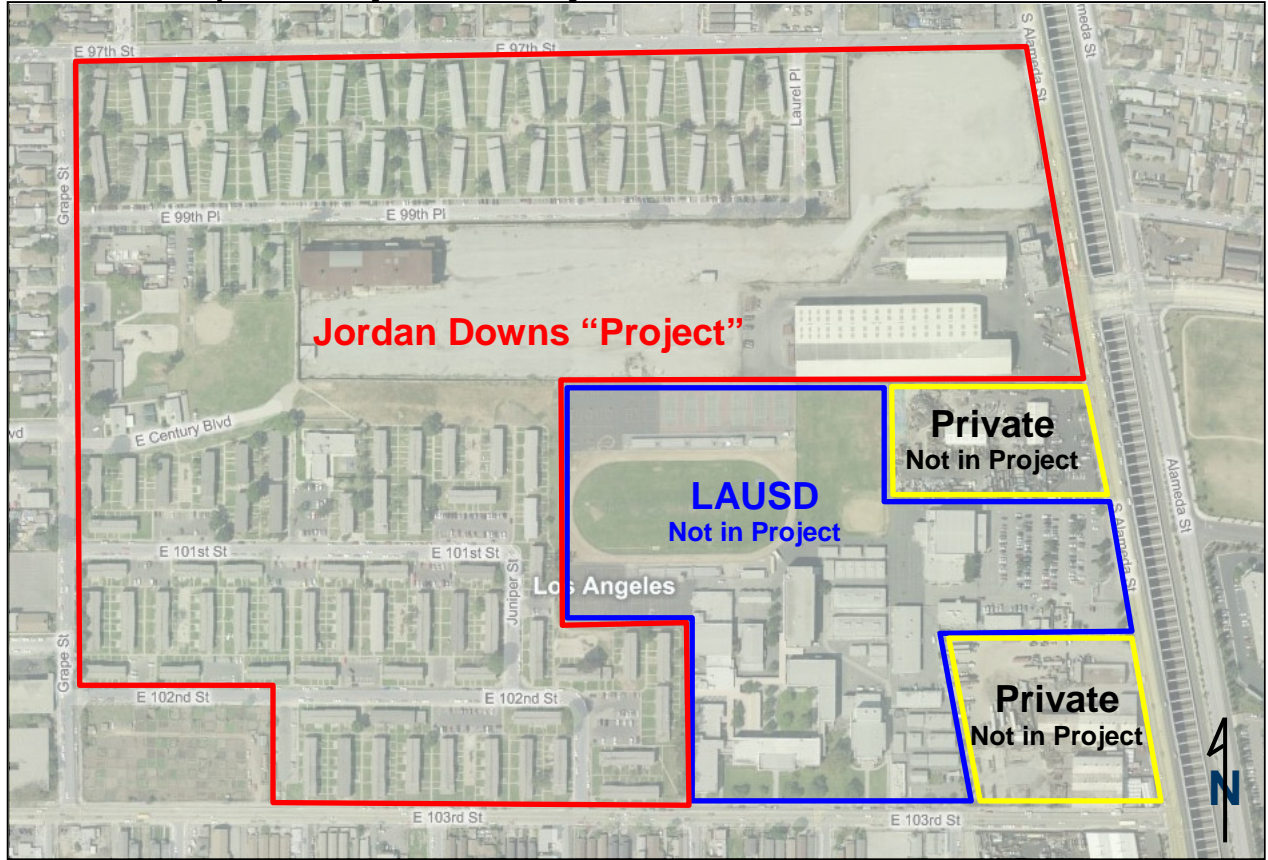


Legend

 Existing Jordan Downs Public Housing Community

Source: Kosmont Companies, 2011

Exhibit 3: Proposed Project Boundary

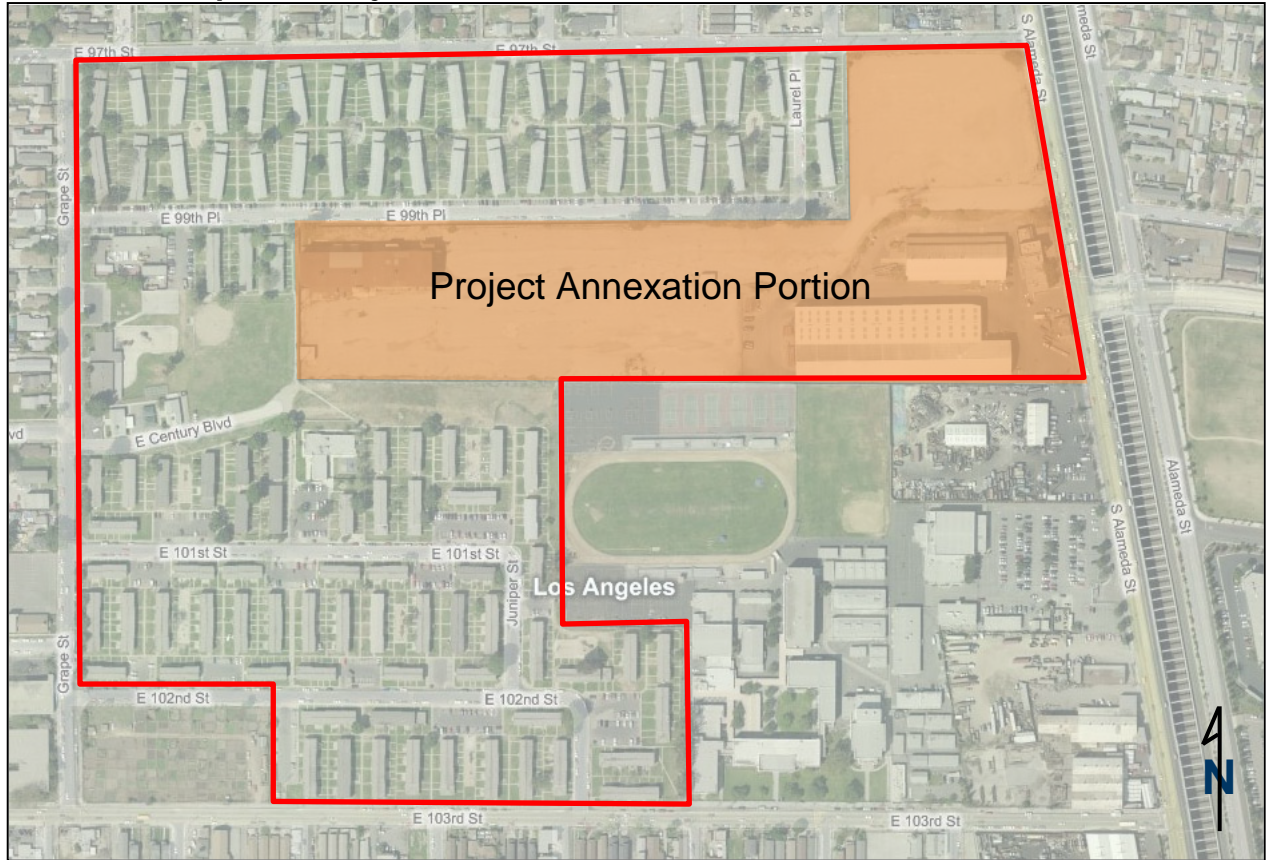


Legend



- Jordan Downs "Project"
- LAUSD Owned (Not in Project)
- Privately Owned Property (Not in Project)

Source: Kosmont Companies, 2011

Exhibit 4: Proposed Project - Annexation Portion

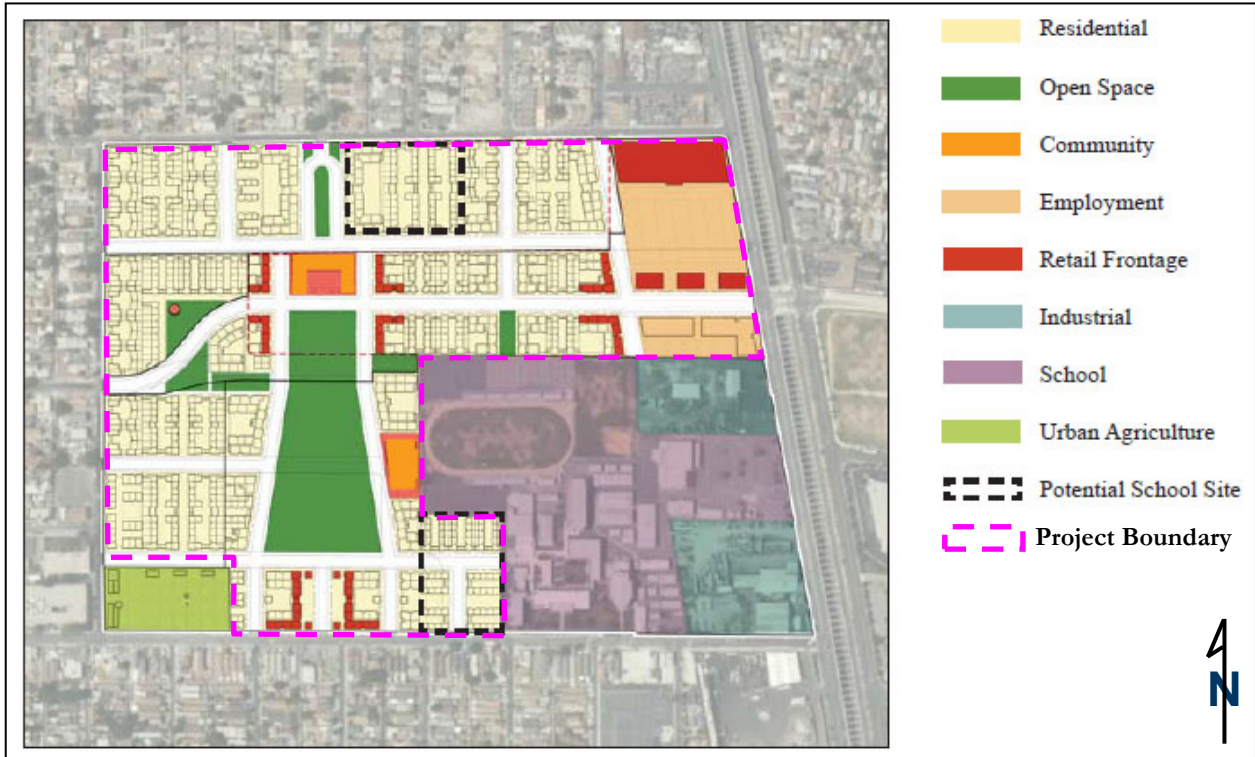


Legend

-  Jordan Downs "Project"
-  Project Annexation Portion

Source: Kosmont Companies, 2010

Exhibit 5: Proposed Project Land Use



Source: WRT / Solomon E.T.C, 2010

3.0 Methodology

This Analysis relies on information provided by HACLA, the City of Los Angeles, CRA/LA, WRT / Solomon E.T.C, Hogle Ireland, Terry Hayes and Associates, AECOM, and the Minnesota IMPLAN Group, Inc.

3.1 General Assumptions

- The Analysis measures gross economic impacts (unless otherwise noted).
- The Analysis examines the 1,800 residential unit Project alternative provided by HACLA.
- The entire Project is located within the City of Los Angeles following annexation.
- Fiscal revenues are estimated at full Project build-out and stabilized occupancy.
- Dollar amounts are expressed in 2011 dollars.
- Construction employment figures are one-year, full-time equivalent (“FTE”) jobs.

3.2 Fiscal Impact Analysis

3.2.1 Property Tax Increment

Property tax increment revenues are estimated based on the anticipated assessed value of all Project components at full build-out using the appropriate tax rates for the City and CRA/LA. Until recent enactment of the State Budget and related trailer bills (ABX1 26 and ABX1 27) which were signed into law on June 30, 2011, upon its completion it had been anticipated that the Project would be located within a new CRA/LA project area currently proposed for implementation. This assumption was based on approval from the State for CRA/LA to establish a new redevelopment project area that includes the Jordan Downs Project (AB1641).

ABX1 26 and ABX1 27 shut down all existing redevelopment agencies while at the same time providing them with a method to stay in existence if they are willing to give up a much larger portion of their property tax increment dollars. ABX1 26 clearly states that new redevelopment project areas cannot be created. ABX1 27 is ambiguous on this subject for agencies that elect to continue operating. The California Redevelopment Agency Association has filed a legal challenge in the state Supreme Court, which includes a request for a stay of the new legislation. If the lawsuit is unsuccessful, a new redevelopment project area that includes the Jordan Downs Project is prevented from being established, and the City would receive a considerably smaller portion of the property tax. The property tax would be determined in the same manner that it is for other properties in the City that are not in redevelopment project areas. Should the lawsuit be successful, it is assumed for the purposes of this analysis that redevelopment agencies will operate in the same manner that they did prior to the legislation. This would include the ability

to form new project areas and collect property tax increment at the same levels as before the legislation.

3.2.2 Sales Tax

Sales tax revenue projections are estimated based on the expected on-site sales generated by certain Project components. At full build-out, the Project is anticipated to have 170,000 square feet of commercial retail uses.

3.2.3 Utility User Tax

Utility user tax revenues are estimated based on the expected on-site utility consumption by Project components and the applicable tax rate for each utility, including electricity, natural gas and telephone.

3.2.4 Business Tax

The City of Los Angeles levies a tax on businesses based on the type of establishment and the amount of annual gross receipts generated. Business tax revenue projections are based on varying tax rates specific to business type that are applied to annual gross revenues generated from business operating in the Project.

3.3 IMPLAN Modeling

The Analysis uses an econometric tool known as IMPLAN (IMppact analysis for PLANning) input/output model to illustrate the economic impacts of anticipated construction activities and from the Project-generated permanent jobs. This proprietary model estimates the economic impacts on the industries in a given geographic area based on known economic inputs such as budgetary expenses or construction cost estimates. The model estimates direct, induced, and indirect impacts expressed in terms of increased economic activity (“output”) and job creation. The IMPLAN model is utilized in this Analysis to quantify the economic impact of the construction activity from the Project through the duration of its construction period to the City of Los Angeles.

3.4 Measuring Economic Benefits (Impacts)

3.4.1 Direct Impacts

Direct impacts refer to the change in total output and employment resulting from direct final demand changes in expenditures. Direct impacts include expenditures made by HACLA and the private developers involved in construction activities associated with the Project as well as the jobs created to carry out these construction activities.

3.4.2 Indirect Impacts

Indirect impacts refer to the impacts resulting from changes in inter-industry purchases as they respond to demands of the industries directly affected by the Project's activities. Indirect impacts include industries affected by the construction of the Project and its ongoing operations such as wholesale trade, architectural, and engineering services.

3.4.3 Induced Impacts

Induced impacts are the changes in local spending resulting from household income increases due to changes in production (i.e., for those households employed directly or indirectly in affected sectors). Individuals who are directly or indirectly employed as related to ongoing operation and construction activities will generate additional economic activity based on their personal expenditures proximate to the Project.

4.0 Fiscal and Economic Impacts

4.1 Fiscal Revenue Impacts

4.1.1 Property Tax Increment

Property Tax Increment refers to the property taxes accruing to a redevelopment agency from properties within a particular project area. Property tax increment revenues are estimated based on the anticipated assessed value of Project components at full build-out less the estimated existing level of property tax. The appropriate tax rates for the City and CRA/LA are applied, resulting in property tax increment.

The Analysis assumes that the existing public agency-owned Jordan Downs community and the property purchased for expansion do not currently produce property tax revenues². The replacement housing, affordable rental housing, jobs resource center, business incubator and, community facilities, are anticipated to remain as public facilities, and are expected to be tax exempt.

Of the total Project components, only the market rate housing and commercial retail developments are estimated to generate property tax. The total (“gross”) value of the taxable components is estimated at \$169.0 million (See Appendix B and Appendix C). CRA/LA would receive \$1.35 million in estimated tax increment from taxable Project components, which represent a portion of the total gross tax. The balance of the gross tax is allocated to other public agencies via pass-through payments. (For the purposes of this Analysis “gross tax” is defined as a property’s assessed value multiplied by the applicable general levy property tax rate).

Table 1: Project Generated Property Tax Increment Revenues*

Property Tax Increment Revenues	
Low-Mod Housing Set-Aside	\$338,054
Net Revenue to Agency	\$1,014,163
Total Increment to CRA/LA	\$1,352,217

Source: Kosmont Companies, 2011

* State Legislation adopted on June 30, 2011, prevents creation of any new redevelopment project area, including a redevelopment project area for the Jordan Downs Project. A legal challenge filed by the California Redevelopment Association is pending determination by state Supreme Court. In the event a new redevelopment project area cannot be formed, the Redevelopment Agency will not be able to collect the \$1,352,218 in tax increment identified.

² Los Angeles County Assessor, 2011

If the Jordan Downs redevelopment project area is not formed due to recent legislation, then the tax increment proceeds projected in the Analysis would not materialize. Alternatively, the City would receive property tax revenues based on the City's share of the property tax rate for the area. In this case, the City General Fund would receive 23.7% of the annual 1.00% general levy placed on the assessed value of the taxable components of the Project (\$0.237 of each \$1.00 of property tax revenue). The Project's value at full build-out is expected to be \$169.03 million. The City General Fund would therefore receive \$400,600 in annual property tax.

4.1.2 Sales Tax

The City of Los Angeles General Fund receives 1.0% of taxable sales generated within the City³. Direct sales tax to the City will be generated by the Project's on-site anticipated 170,000 square feet of commercial retail uses. Total taxable sales generated by these retail activities at full Project build-out will be approximately \$51.37 million annually resulting in \$513,750 of sales tax for the City's General Fund. Additionally, these taxable purchases will accrue approximately \$58,600 in total to the City for transportation improvements through Proposition A, Proposition C and Measure R, each of which accounts for 0.5% of Los Angeles County's 8.75% sales tax rate (the City of Los Angeles receives only a portion of the 1.5% in tax collected as the majority of it is used to fund regional transportation projects, See Appendix D).

4.1.3 Utility User Tax

Utility user tax in the City of Los Angeles is levied on utility consumption (i.e. electricity, gas, telephone) paid by end users. The applicable utility user tax rates are scheduled as follows:

Table 2: Utility User Tax Rates for the City of Los Angeles

Project Component	Tax Rate		
	Elec	Gas	Phone
Commercial Retail	12.5%	10%	9%
Commercial Office	12.5%	10%	9%
Market Rate Residential	10.0%	10%	9%

Source: City of Los Angeles, 2011

In order to determine the Utility User Tax (UUT) generated by the Project's market rate housing and commercial retail uses, the estimated utility usage was multiplied by the applicable utility rates. The estimated utility usage levels are based on electric rate charges from the Los Angeles Department of Water and Power and Southern California Edison, which will both serve portions of the Project. Natural gas and telephone usage was estimated on market data estimates of per-square footage use. The total utility usage charges for the project at build-out

³The City's effective sales tax allocation is 1.00%. Due to the "Triple Flip" legislation passed in 2004, the City gives 0.25% of sales tax to the State Fiscal Recovery Fund with the same amount returned through a property tax reimbursement.

are estimated at \$627,910. Based on this usage, the Project will generate \$61,522 in total annual Utility User Tax (See Appendix E and Appendix F).

4.1.4 Business Tax

The City of Los Angeles levies a tax on businesses based on the type of establishment and the amount of annual gross receipts generated. The total business tax revenue that would accrue to the City of Los Angeles from the Project’s ongoing business operations is estimated at \$205,312 (see Appendix G).

4.2 Economic Benefits

Construction-Related Impacts

The Project’s approximately \$584.2 million construction cost is expected to create a significant number of one-year equivalent jobs and fuel the local economy through spending. To illustrate the economic benefits of construction, this Analysis uses an econometric tool known as an “Input-Output” (IO) model, which computes the construction-related impacts of industries in the City of Los Angeles, and includes the estimated local expenditures of employees of both the construction and supplier firms. The Project is expected to be constructed in phases over multiple years. As the Project is in the planning stages, the construction time frame has not been determined. The approximate jobs identified would be spread over the entire duration of the Project’s construction phases.

The Project’s economic benefits are expressed in terms of increased economic activity (“output”) and job creation. The Project will generate economic impacts in the form of total economic output (i.e., dollars spent locally within the City on goods and services) and employment for the duration of the construction period. As a result of the Project’s construction, there will be 7,549 jobs created and a total economic output of \$1.0 billion dollars (The full range of impacts are provided in Appendices I and J).

Table 3: Summary of Project Construction Economic Impacts (City of Los Angeles)

Component	Construction Jobs	Economic Output (\$ mil)
Direct	4,398.1	584.2
Indirect	1,219.1	174.3
Induced	1,932.5	257.9
Total	7,549.7	1,016.4

Source: IMPLAN Professional Input-Output Model



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Permanent Job-Related Impacts

The Project's permanent jobs will generate economic impacts for the City of Los Angeles. It is estimated that once operational, the fully built-out Project will have 747 permanent direct jobs. These jobs created will be associated with the residential, retail, and office uses in the Project. (See Appendix H for a chart of jobs by land use type). Using IMPLAN, it was determined the 747 permanent jobs would result in an annual total economic output of \$215.5 million. This reflects both the spending of these employees in the local economy as well as the spending by the employers at the Project to support these jobs.

The direct economic output of \$118.8 million identified represents the direct annual operating costs of the facility. In addition to labor costs this includes operational related purchasing and capital expenditures. (The full range of impacts is provided in Appendix K).

Table 4: Summary of Permanent Direct Jobs Economic Impacts (City of Los Angeles)

Component	Economic Output (\$ mil)
Direct	118.8
Indirect	61.5
Induced	35.2
Total	215.5

Source: IMPLAN Professional Input-Output Model

5.0 Appendices

Appendix A: Fiscal Revenue Analysis Assumptions

A. Project Description				
Total Project Area	72.9 Acres			HACLA, Jan 2011
Residential				
<i>Net New Residential Units</i>	1,800 DU			HACLA, Jan 2011
Commercial				
<i>Total Building square footage</i>	230,000 SF			HACLA, Jan 2011
Shopping Center	150,000 SF			HACLA, Jan 2011
Mixed Use Retail	20,000 SF			HACLA, Jan 2011
Office	60,000 SF			HACLA, Jan 2011
Jobs Resource Center	30,000 SF			HACLA, Jan 2011
Incubator	30,000 SF			HACLA, Jan 2011
Community Facilities (Family Resource Center, Gym and Pool)				
<i>Total Building square footage</i>	70,000 SF			HACLA, Jan 2011
B. Project Value Assumptions				
Residential				
Buildings/Site Work/Soft Cost				\$429,000,000 Davis Langdon Report, March 2010
Land	\$10,000/DU			\$18,000,000 AECOM Report, Sept 2010
Commercial				
Buildings/Site Work/Soft Cost				\$46,500,000 Davis Langdon Report, March 2010
Land	5% of dev cost			\$2,300,000 AECOM Report, Sept 2010
Public				
Project Base Year Tax Increment Financing Value				\$0 LA County Assessor, Jan 2011
C. Sales Tax				
Taxable Sales to City of Los Angeles General Fund		1.00%		City of LA - City Admin Officer
D. Property Tax Increment				
Gross Tax increment		1.0%		CRA/LA, Jan 2011
Low-Mod Housing Set Aside		20.0%		CRA/LA, Jan 2011
Net Revenue to Agency		60.0%		CRA/LA, Jan 2011
E. Utility User Tax				
Annual Usage Rates				
Electric - Annexation Area	SCE Rates	See Appendix F		HACLA, Jan 2011
Electric - Balance of Jordan Downs Project	LADWP Rates	See Appendix F		HACLA, Jan 2011
	Gas	Phone		
Commercial Retail	\$0.15 PSF	\$0.25 PSF		Market Research
Commercial Office	\$0.50 PSF	\$0.50 PSF		Market Research
Market Rate Housing	\$500 /DU	\$500 /DU		Market Research
Usage Tax Rate				
Electric Tax - Commercial			12.50%	City of LA Finance Dept. , Jan 2011
Electric Tax - Residential			10.00%	City of LA Finance Dept. , Jan 2011
Gas Tax			10.00%	City of LA Finance Dept. , Jan 2011
Phone Tax			9.00%	City of LA Finance Dept. , Jan 2011
F. Business License Tax				
Office/Commercial Bdg. Rental	\$1.27 / \$1000 of receipts	\$	0.00127	City of LA Finance Dept., Jan 2011
Hotel/Apartment	\$1.27 / \$1000 of receipts	\$	0.00127	City of LA Finance Dept., Jan 2011
Retail Sales	\$1.27 / \$1000 of receipts	\$	0.00127	City of LA Finance Dept., Jan 2011
Professions & Occupations	\$5.07 / \$1000 of receipts	\$	0.00507	City of LA Finance Dept., Jan 2011
Sale of Real Property	\$2.55 / \$1000 of receipts	\$	0.00255	City of LA Finance Dept., Jan 2011
Annual Turnover of For-Sale Units	15% Per Year			Market Research
Annual Commercial Office Rents	\$36.00 Per square foot			Market Research
Number of Incubator Businesses	30 Total			Market Research
Annual Sales per Incubator Business	\$500,000 Per Year			Market Research

Appendix B: Summary of Total Project Value

	Total Value
<u>Residential</u>	
RENTALS - AFFORDABLE (1,400 Units)	
<i>Land Value</i>	\$14,000,000
<i>Building Improvements</i>	\$249,862,628
<i>Parking</i>	\$53,563,301
<i>Site Improvements + Financing</i>	\$28,594,122
Subtotal	\$346,020,051
FOR-SALE (400 Units)	
<i>Land Value</i>	\$4,000,000
<i>Building Improvements</i>	\$73,152,502
<i>Parking</i>	\$15,741,699
<i>Site Improvements + Financing + Dev. Profit</i>	\$23,566,898
Subtotal	\$116,461,098
Total Residential Value	\$462,481,149
<hr/>	
<u>Commercial (230,000 SF)</u>	
<i>Land Value</i>	\$2,325,935
<i>Building Improvements</i>	\$43,700,000
<i>Site Improvements, Parking & Financing</i>	\$6,540,202
Subtotal	\$52,566,138
Total Commercial Value	\$52,566,138
<hr/>	
<u>Public Infrastructure</u>	
<i>Site Preparation and Building Demolition</i>	\$14,888,063
<i>Back-bone Infrastructure</i>	\$42,197,708
<i>Community Facilities</i>	\$34,348,069
<i>Open Space</i>	\$13,305,188
Subtotal	\$104,739,028
Total Public Value	\$104,739,028
Grand Total Value	\$619,786,315

Note: All amounts in 2011 dollars
 Columns may not total exactly due to rounding
 Source: HACLA; Hogle-Ireland, 2011



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Appendix C: Annual Property Tax Increment

Taxable Components (Land and Improvement Value)	
For-Sale Residential Value	\$116,461,098
Commercial Office/Retail Value	\$52,566,138
Total Unadjusted Taxable Value	\$169,027,236
(Less) Base Year Taxable Value (1)	\$0
Total Adjusted Taxable Value	\$ 169,027,236
Property Tax Increment Rates	
Gross Tax Rate	1.00%
Low-Mod Housing Set-Aside	20.0%
Net Revenue to Agency	60.0%
Property Tax Increment Revenues (2)	
Gross Tax	\$1,690,272
Low-Mod Housing Set-Aside	\$338,054
Net Revenue to Agency	\$1,014,163
Total Increment to CRA/LA (3)	\$1,352,218

Note: All amounts in 2011 dollars
 Source: HACLA; Hogle-Ireland; Kosmont Companies 2011

- (1) Base year tax value is noted as \$0 since land area at the time the proposed redevelopment agency project area will be formed will be publically owned and as such, Assessor roll values are \$0.
- (2) Subject to the creation of a new redevelopment project area that includes the Jordan Downs Project. In the event a new redevelopment project area cannot be formed, the Redevelopment Agency will not be able to collect the \$1,352,218 in tax increment identified
- (3) Total tax increment revenue to CRA/LA is less than the total gross tax increment collected because other public agencies are eligible to receive portions of the tax increment by way of pass-through payments. The County of Los Angeles also receives an administration fee.



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Appendix D: Annual Sales Tax from On-Site Sales

Project Component	SF	% of SF Sales	% Taxable	PSF Sales (1)	Ann. Tax Sales	Ann. Gross Sales
Retail - Grocery	30,000	100%	30%	\$500	\$4,500,000	\$15,000,000
Retail - Arts & Crafts	20,000	100%	100%	300	6,000,000	6,000,000
Retail - Office Supply	40,000	100%	100%	400	16,000,000	16,000,000
Retail - Drug Store	25,000	100%	70%	500	8,750,000	12,500,000
Restaurant - Sit down	10,000	100%	100%	300	3,000,000	3,000,000
Restaurant - Takeout	10,000	100%	100%	300	3,000,000	3,000,000
Other Retail	15,000	100%	100%	275	4,125,000	4,125,000
Retail Mixed-Use	20,000	100%	100%	300	6,000,000	6,000,000
Total/Average	170,000	--	--	\$302 (2)	\$51,375,000	\$65,625,000
Total Taxable Sales					\$51,375,000	
Total Annual Sales Tax to City General Fund					\$513,750 (3)	
Total Annual Sales Tax to City Transportation Fund from Prop A, C and Measure R					\$58,600 (4)	

Note: All amounts in 2011 dollars
 Source: HACLA; Hogle-Ireland; Kosmont Companies, 2011

- (1) 'PSF Sales' values are estimates based on national average data by space use type.
- (2) Average 'PSF Sales' is calculated as a weighted average
- (3) Calculated as 1.0% of Total Taxable Sales
- (4) Prop A, Prop C and Measure R collectively account for 1.5% of Los Angeles County's 8.75% sales tax rate. Each respectively makes up 0.5% of the 1.5%. The three initiatives respectively remit 25%, 20% and 15% of their 0.5% back to local cities within the County. Cities are then allocated a share of these funds based on their pro rata population within the County. Los Angeles comprises approximately 38% of the County's total population (based on 2008 SCAG Regional Transportation Plan estimates). These revenues are restricted to transit related uses in the City of Los Angeles and are not General Fund revenues.



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Appendix E: Annual Project-Generated Utility User Tax (UUT)

Project Component	SF / Units	Ann. kWh	Utility Usage			Tax Rate			Total Utility Tax
			Elec (1)	Gas (2)	Phone (2)	Elec	Gas	Phone	
Commercial Retail	170,000 SF	744,100 kWh	\$50,178	\$25,500	\$42,500	12.5%	10%	9%	\$12,647
Commercial Office	60,000 SF	119,500 kWh	\$8,066	\$30,000	\$30,000	12.5%	10%	9%	6,708
For-Sale Residential	400 DU	1,143,100 kWh	\$41,666	\$200,000	\$200,000	10.0%	10%	9%	42,167
Total Utility Usage			\$99,910	\$255,500	\$272,500				
Total Annual Utility User Tax									\$61,522

Note: All amounts in 2011 dollars

Source: HACLA; Hogle-Ireland; Kosmont Companies; 2011

- (1) Electricity cost is based on per kilowatt-hour (kWh) consumption rates. Parts of the Project are served by Southern California Edison while other portions are served by LADWP. See Appendix F for applicable rates
- (2) Natural gas and telephone usage are based on average per-dwelling unit and per-square foot costs. (See Appendix A – Fiscal Revenue Analysis Assumptions)



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Appendix F: LADWP and SCE Electricity Rates

SCE Electric Rates

GS-1 Small Size Commercial Service	\$0.12 per kWh
GS-2 Medium Size Commercial Service	\$0.07 per kWh
Multifamily Housing	\$0.10 per kWh

LAWDP Electric Rates

R-1 Residential Service	\$0.07 per kWh
R-3 Residential Service	\$0.04 per kWh
A-1 Small General Service	\$0.07 per kWh
A-2 Primary Service	\$0.04 per kWh
A-3 Sub-Transmission Service	\$0.04 per kWh
A-4 Transmission Service	\$0.04 per kWh

Components of Project Serviced by SCE

Commercial Retail	150,000 square feet
Commercial Office	60,000 square feet

Components of Project Serviced by LADWP

Commercial Retail (Mixed-use)	20,000 square feet
For-Sale Residential	400 units

Appendix G: Annual Business Tax *

Project Component	Rate per \$1,000 of Gross Receipts	Annual Gross Receipts	Annual Total
Retail	\$1.27	\$59,625,000	\$75,724
Restaurant	1.27	6,000,000	7,620
Office - Building Rental (1)	1.27	1,080,000	1,372
Office - Operating Business	5.07	15,000,000	76,050
Residential For-Sale (2)	2.55	17,469,165	44,546
Subtotal	--	\$99,174,165	\$205,312
Total Annual Business License Tax			\$205,312

Note: All amounts in 2011 dollars

Source: City of Los Angeles Finance Department, 2011; Kosmont Companies, 2011

- (1) Assumed commercial office space (30,000 square feet, See Appendix A) rents for \$3.00 per square foot per month (\$36 per square foot annually).
- (2) Assumed that 15% of market rate units turnover each year.

Note: Additional assumptions are identified in Appendix A



This analysis is for illustrative purposes and is not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

Appendix H: Permanent On-Site Job Creation

Project Component	Bldg SF	SF/Empl	Total
Commercial Office (Jobs Resource Center)	30,000	600	50
Commercial Office (Incubator)	30,000	300	100
Commercial Retail	170,000	333	511
Residential Rental	1,688,261	30,000	56
Residential For-Sale	494,274	30,000	16
Community Facilities	70,000	5,000	14
Subtotal	2,482,535	--	747
Total On-Site Permanent Jobs			747

Source: Market Data; Kosmont Companies, 2011

Note: 'SF/Empl' values are estimates based on national average data by space use type.

Appendix I: Temporary Construction Jobs for the City of Los Angeles

NAICS Industry		Direct	Indirect	Induced	Total
11	Ag, Forestry, Fish & Hunting	0.0	0.1	0.7	0.8
21	Mining	0.0	1.6	0.9	2.5
22	Utilities	0.0	0.7	2.3	3.0
23	Construction	4,224.5	6.4	7.3	4,238.2
31-33	Manufacturing	0.0	84.5	80.2	164.7
42	Wholesale Trade	0.0	78.0	89.6	167.6
48-49	Transportation & Warehousing	0.0	64.6	55.1	119.7
44-45	Retail trade	0.0	214.7	330.8	545.5
51	Information	0.0	14.7	23.9	38.6
52	Finance & insurance	173.6	53.8	95.8	323.2
53	Real estate & rental	0.0	49.3	75.2	124.5
54	Professional- scientific & tech svcs	0.0	353.7	85.2	438.9
55	Management of companies	0.0	12.5	13.6	26.1
56	Administrative & waste services	0.0	197.8	76.8	274.6
61	Educational svcs	0.0	2.4	86.8	89.2
62	Health & social services	0.0	0.0	407.2	407.2
71	Arts- entertainment & recreation	0.0	6.5	52.9	59.4
72	Accommodation & food services	0.0	28.8	231.1	259.9
81	Other services	0.0	39.2	191.7	230.9
92	Government & non NAICS	0.0	9.8	25.4	35.2
Total		4,398.1	1,219.1	1,932.5	7,549.7

Source: IMPLAN Professional Input-Output Model
 NAICS = North American Industry Classification System

**Appendix J: Construction-Generated Economic Output for the City of Los Angeles
 (In Millions of Dollars)**

NAICS Industry		Direct	Indirect	Induced	Total
11	Ag, Forestry, Fish & Hunting	0.0	0.0	0.0	0.0
21	Mining	0.0	1.3	0.7	2.0
22	Utilities	0.0	0.7	2.2	2.8
23	Construction	548.7	0.9	0.9	550.5
31-33	Manufacturing	0.0	32.3	28.2	60.5
42	Wholesale Trade	0.0	13.3	15.2	28.5
48-49	Transportation & Warehousing	0.0	7.3	6.4	13.7
44-45	Retail trade	0.0	17.9	27.5	45.4
51	Information	0.0	5.4	9.5	14.9
52	Finance & insurance	35.5	12.4	23.1	70.9
53	Real estate & rental	0.0	11.0	14.8	25.8
54	Professional- scientific & tech svcs	0.0	49.8	11.6	61.4
55	Management of companies	0.0	2.7	2.9	5.7
56	Administrative & waste services	0.0	10.6	4.8	15.4
61	Educational svcs	0.0	0.2	5.1	5.3
62	Health & social services	0.0	0.0	37.3	37.3
71	Arts- entertainment & recreation	0.0	0.5	3.7	4.2
72	Accommodation & food services	0.0	2.1	14.1	16.3
81	Other services	0.0	3.3	10.6	13.9
92	Government & non NAICS	0.0	2.6	39.2	41.8
Total		584.2	174.3	257.9	1,016.4

Source: IMPLAN Professional Input-Output Model
 NAICS = North American Industry Classification System

**Appendix K: On-Site Permanent Job Economic Output for the City of Los Angeles
 (In Millions of Dollars)**

NAICS Industry		Direct	Indirect	Induced	Total
11	Ag, Forestry, Fish & Hunting	0.0	0.0	0.0	0.0
21	Mining	0.0	0.1	0.1	0.2
22	Utilities	0.0	0.4	0.3	0.7
23	Construction	0.0	0.6	0.1	0.7
31-33	Manufacturing	0.0	2.7	3.8	6.6
42	Wholesale Trade	0.0	1.0	2.1	3.0
48-49	Transportation & Warehousing	0.0	2.4	0.9	3.3
44-45	Retail trade	30.8	1.2	3.7	35.7
51	Information	0.0	6.9	1.3	8.2
52	Finance & insurance	0.0	4.8	3.1	7.9
53	Real estate & rental	0.0	9.5	2.0	11.5
54	Professional- scientific & tech svcs	72.0	17.5	1.6	91.0
55	Management of companies	0.0	2.2	0.4	2.6
56	Administrative & waste services	15.4	7.6	0.7	23.7
61	Educational svcs	0.0	0.1	0.7	0.8
62	Health & social services	0.0	0.0	5.1	5.1
71	Arts- entertainment & recreation	0.0	0.4	0.5	0.9
72	Accommodation & food services	0.0	1.4	1.9	3.3
81	Other services	0.7	1.0	1.4	3.1
92	Government & non NAICs	0.0	1.8	5.3	7.1
Total		118.8	61.5	35.2	215.5

Source: IMPLAN Professional Input-Output Model
 NAICS = North American Industry Classification System

Appendix L: Glossary of Terms

Direct Impacts - Direct impacts refer to the change in total output and employment resulting from direct final demand changes in expenditures and/or production values. Direct benefits include expenditures made by the HACLA and its development partners in construction activities associated with the Project as well as the jobs created to carry out these construction activities.

Full-Time Equivalent Employment - the number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in fulltime jobs.

Gross Tax - a property's assessed value multiplied by the applicable general levy property tax rate (i.e. \$40 million of assessed value x 1.0% = \$400,000 of gross tax).

IMPLAN - (IMpact analysis for PLANning) – an economic impact modeling system used to create complete, detailed Social Accounting Matrices and Multiplier models of local economies.

Induced Impacts - Induced impacts are the changes in local spending resulting from household income increases due to changes in production (i.e., for those households employed directly or indirectly in affected sectors). Individuals who are directly or indirectly employed as related to ongoing operation and construction activities will generate additional economic activity based on their personal expenditures proximate to the Project.

Indirect Benefits - Indirect impacts refer to the impacts resulting from changes in inter-industry purchases as they respond to demands of the industries directly affected by the Project's activities. Indirect impacts include industries affected by the construction of the Project and its ongoing operations such as wholesale trade, architectural, and engineering services.

Leakage – The leak or departure of spending dollars from within a given economic study area to regions outside the given economic study area (i.e. dollars that are spent by someone living in a given economic study area at retail stores outside of the given economic study area) (Referenced in 'Multiplier' definition)

Multipliers - Social Accounting Matrices can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from region specific Social Accounting Matrices, they will reflect the region's unique structure and trade situation. Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the Analysis. These are the direct, indirect, and induced changes within the economy. Direct effects are determined by the Event as defined by the user (i.e. a \$10 million dollar order is a \$10 million dollar direct effect). The indirect effects are determined

by the amount of the direct effect spent within the study region on supplies, services, labor and taxes. Finally the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Among other factors, each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually these leakages will stop the cycle.

Output - represents the economic value of industry production. In IMPLAN these are annual production estimates for the year of the data set and are in producer prices. For manufacturers this would be sales plus/minus change in inventory. For service sectors production = sales. For Retail and wholesale trade, output = gross margin and not gross sales.

Permanent Jobs - a job that once created is maintained for an indefinite period of time. An example would be an office manager or retail store employee. In contrast, a temporary job is a job that only exists for a defined period of time. An example of a temporary worker would be a construction worker.

Property Tax Increment - Property taxes accruing to a redevelopment agency from properties within a particular project area.

Social Accounting Matrices (SAMs) - capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies from the region. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include “non-market” inputs/transactions. Examples of these would be taxes and unemployment benefits. (Referenced in ‘Multiplier’ definition).