ATTACHMENT F

FISCAL AND ECONOMIC IMPACT ANALYSIS

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FISCAL IMPACT REPORT

ARMORLITE LOFTS PROJECT

PROPOSED SP23-0001

SAN MARCOS, CALIFORNIA

June 24, 2024

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FISCAL IMPACT REPORT

ARMORLITE LOFTS

(SP22-0001)

Prepared for:

City of San Marcos

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San Marcos, CA

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I EXECUTIVE SUMMARY

A Purpose of the Report

The objective of this Fiscal Impact Study (the "Study") is to analyze the fiscal impacts to the City of San Marcos (the "City") from the zoning and land use change proposed for the development on the 2.44-acre project site (the "Project").

The project consists of a General Plan Amendment ("GPA"), Rezone ("R"), Site Development Plan (MFSDP), and Conditional Use Permit ("CUP") to develop a 165-unit residential apartment development (17-units for very low-income) and 5,600 square feet of commercial floor area on a 2.44-acre project site 45 dwelling units per acre (45 du/ac). The project includes a request to change the General Plan land use and Zoning designations of part of the project site from Public Institutional ("PI") to Specific Plan ("SPA").

The project was formerly a part of the adjacent parcel on N. Las Posas Road. As such, it shared to PI designation to allow the future expansion of the telecommunication facility. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include a 160,000 square foot data center (maximum allowed building area in the P-1 zone). Data Centers are facilities that house computers that store and process data. In 2020, the project site parcel was split off, to allow private development. The proposed project would redesignate the project site to Specific Plan Area to allow development to occur under the Armorlite Lofts Specific Plan.

The project applicant is requesting approval of a Specific Plan (SP23-0001) General Plan Amendment (GPA23-0002), Rezone (R23-0001), Site Development Plan (SDP23-0003) and a Conditional Use Permit (CUP23-0002) for use of a potential rock crusher during construction. If approved, these entitlements would allow for the development of 165 apartment units and 5,600 square feet of commercial use.

The proposed project (the "Proposed Plan") consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development. The project utilizes a base density consistent with the Mixed-Use 2 (MU-2) zone of 45 dwelling units per acre, with a density bonus for a proposed density of 67 dwelling units/acre. As proposed, 15% of units calculated from the base density would be affordable units at the very low-income level (30% to 50% of the Area Median Income or "AMI").

One building is proposed and would have four stories of stacked flats over one level of podium parking (five stories total). The building would have a maximum height of 57 to 65 feet, due to site topography. Overall, the project proposes 93 one bedroom/one bath units (ranging from 620 SF to 670 SF) and 72 two bedroom/one bath units (ranging from 875 SF. to 1,020 SF). All units would be single story. Proposed materials include stucco walls, siding, stone veneer, metal and glass railings, metal or stucco awnings, decorative stucco frame and the use of decorative metal grilles.

The project proposes 5,600 square feet of Ground-Floor Commercial use. This would be on the ground floor facing Armorlite Drive adjacent to the project's entrance. The Specific Plan includes a provision for Flex Space. Flex Space allows for the temporary use of commercial space as apartments, depending on market conditions and subject to approval of a CUP. Section 3.2.1 of the Specific Plan provides more detail supporting documentation on the market conditions affecting commercial vacancies.

A total of 47,375 SF of open space is proposed. The proposed open space includes 34,894 SF of common outdoor open space, which covers approximately 32% of the site. The common outdoor space includes ground-level passive areas (18,291 SF) and a dog park with dog washing station (1,905 SF). On the second level will be a pool and spa area, courts (13,198 SF), an indoor-outdoor lounge open to the pool area (700 SF), and a roof deck (800 SF). The proposed project also includes 2,050 SF of common indoor space (fitness area and lounge), and 10,431 SF of private open space. The private open space consists of balconies and patios ranging from 55 SF to 80 SF, depending on the unit type and location.

An approximate 100 SF area would be set aside on the project site should repatriation of cultural resources be the preferred approach for any found resources. This area would be subject to a conservation easement. Primary access to the project site would be via one unsignalized driveway on Armorlite Drive. The entrance driveway would be ungated and would be 24-feet wide. Internal vehicular movement would be via a minimum 24-foot-wide drive aisle. Secondary emergency-only access would be provided at the northwest corner of the project site and would be accessed through the adjacent AT&T parcels (APN 219-162-61-00) via an easement, providing access to N. Las Posas Road. Consequently, the Study estimates the fiscal impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

B Types of Fiscal Impacts Evaluated in this Study

The fiscal impacts identified in this Study include recurring municipal revenues and costs to the City General Fund that result from the Project. The recurring revenues to the City identified in this Study are generated from a variety of sources, including property taxes, sales taxes, licenses and permits, franchise fees, fines, and other revenues. Although these revenues vary from year to year, they occur on a regular basis and are part of the City's budgeting plans on a yearly basis. The recurring General Fund expenditures for the City are equally important in this analysis. These recurring costs are associated with a variety of other services including public safety, public works maintenance, and general government administrative services. Like the General Fund revenues, these are costs that the City must anticipate and plan for on a yearly basis.

Revenues that are considered non-recurring to the City, such as various permitting fees, are excluded from this Study. The reason for excluding them is because new development is generally required to pay specific fees such as grading and building prior to the construction of a project. As these are considered one-time revenues, there is no expectation that new development will need to pay these fees a second time. In addition, expenditures resulting from the Project that are considered to be non-recurring are also excluded from the Study.

C Fiscal Impact on City General Fund (Approved Plan vs. Proposed Plan)

The following table displays the annual net fiscal impact to the City under the Approved Plan and the Proposed Plan.

Table ES-1: Annual Net Fiscal Impact (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	$241,224	$301,226
Total Recurring General Fund Expenditures	**($44,154)**	**($301,007)**
Net Fiscal Impact	$197,070	$219
Revenue to Expense Ratio	5.46	1.00

As indicated in **Table ES-1** above, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development and the recurring costs associated with the Project, is an annual recurring fiscal surplus of $197,070. This total is based on $241,224 in recurring annual revenue and $44,154 in recurring annual costs. In this analysis, the total annual revenue-to-cost ratio is projected to equal 5.46, which represents a positive impact to the City.

Under the Proposed Plan, the overall fiscal impact to the City General Fund, resulting from revenues generated by the Project and the recurring costs associated with this area is a recurring fiscal surplus of $219. This amount is based on $301,226 in recurring annual revenues and $301,007 in recurring current annual costs (expenditures). In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.0, which is also represents a positive impact on the City.

D Market Considerations

The primary advantage of the Proposed Plan over the Approved Plan is that the planned site can provide residential rental product to San Marcos, which currently has limited new rental multifamily product and limited multifamily for-sale communities. The residential rental component will provide an opportunity for residents of the City, especially as the San Diego market has seen double digit growth for rentals and higher demand. Comparable apartments in the submarket have healthy occupancy rates above 94.5%, and overall occupancy in San Marcos is 95.9%. In addition, higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing, and the need for more income-restricted housing units in the city of San Marcos is very high. In terms of location, the proximity to Grand Plaza and other nearby retail, services, and food supports apartment tenancy at this location. This scenario is also favorable as the proposed plan includes a commercial element and maximizes tax revenue potential at this site. As to the approved plan, although Data Centers are among the hottest, best performing non-residential markets, and the site is "right sized" for a data center which is one of the most profitable commercial land use sectors in today's market, the subject's potential as a secondary data center is not viable based on the lack of requisite proximity to large scale internet origination grids such as AWS, Google and MSN. In addition, there is an insufficient presence of Fortune 500 companies locally to purchase the data center internet output, and there are other areas which are either cheaper (such as the Inland Empire), have more space, or a close proximity to internet giants (like Silicon beach in Los Angeles) and have the market share in the data center space.

Figure 1: Net Fiscal Impact (City General Fund) – Approved Plan

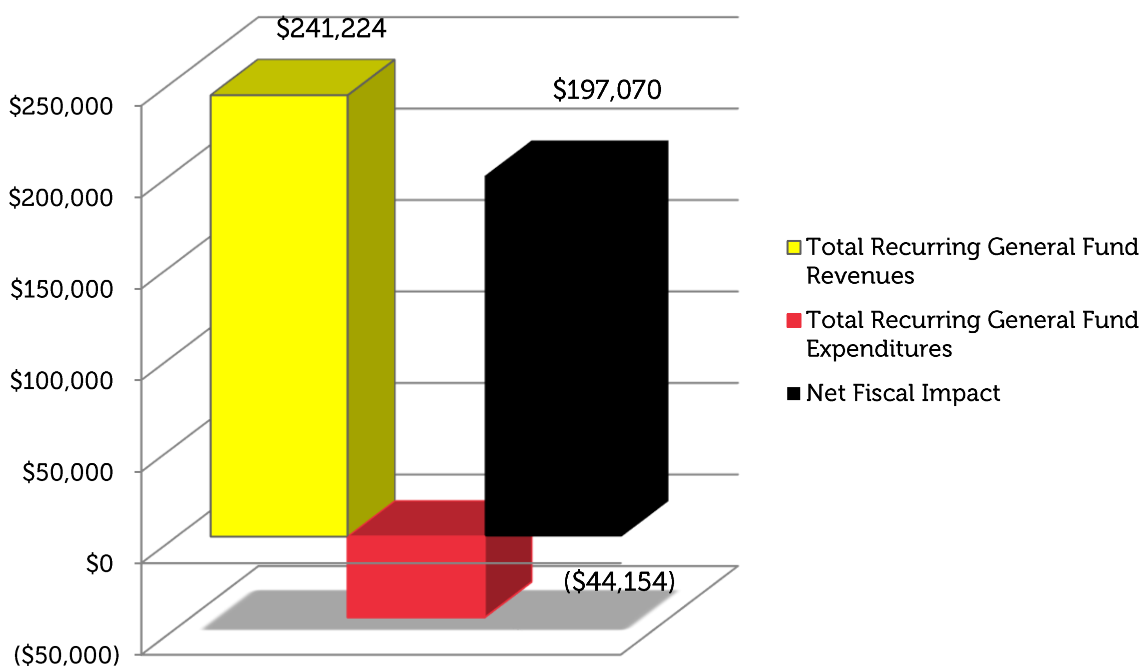
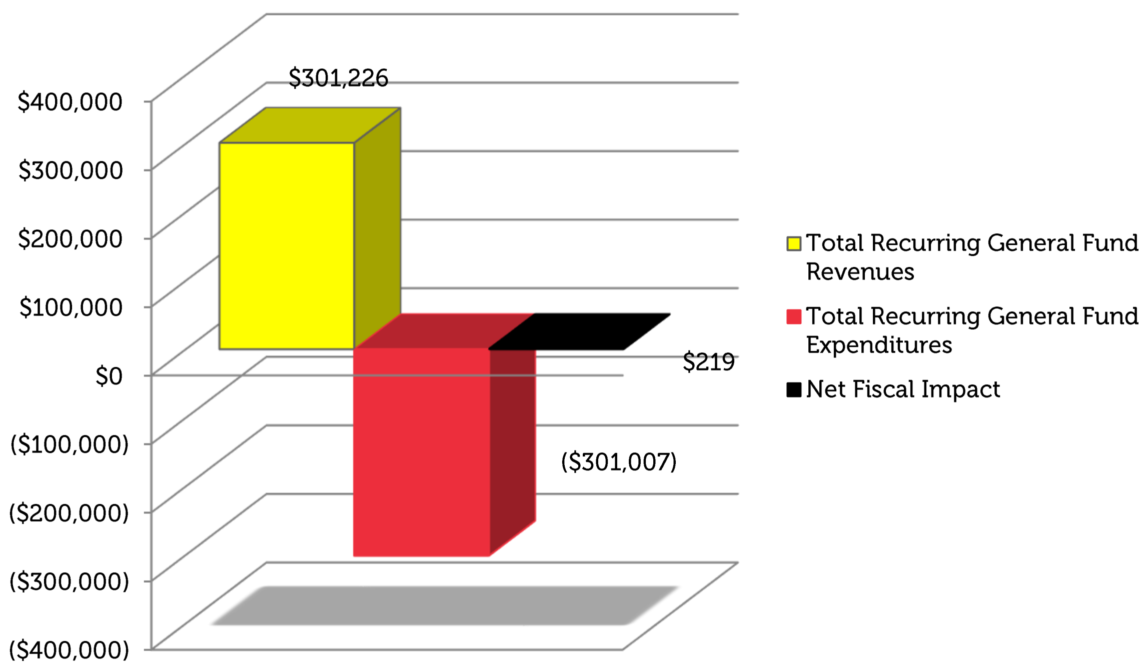


Figure 2: Net Fiscal Impact (City General Fund) – Proposed Plan



II INTRODUCTION

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A Scope and Methodology – 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 types may, in turn, be divided into a revenue component and a cost component. In this Study, it is assumed that one-time revenues would directly offset one-time costs; thus, the fiscal impacts considered focus on ongoing, or recurring, fiscal impacts of the Project on the City General Fund. Revenues that are generated outside of the City's General Fund (e.g., special district revenues) or costs incurred by the City outside of the General Fund (e.g., costs financed through a special district) are not included in the fiscal impact analysis.

The fiscal impact analysis presented in this Study utilizes two specific methods of analysis: The Multiplier approach (consisting of three separate methodologies, specifically "Per Capita", "Per Employee", and "Per Capita/Employee") and the Case Study approach. Notably, the primary Multiplier approach used in this Study is the Per Capita/Employee methodology, which recognizes the fact that the exact relationship of service demands and revenue generating potential between residents and employees is difficult to quantify. In order to address this challenge, several assumptions are employed.

B Persons Served Calculation

DTA has determined that utilizing a Per Capita/Employee, or Persons Served population, comprised of all residents and 50% of employees is common fiscal practice in quantifying the impact of a new development in a given service area. This number suggests that a resident generally has twice the fiscal impact of an employee. This methodology involves calculating the average Citywide revenues/costs per Persons Served, utilizing the City's Operating Budget for fiscal year ("FY") 2023-2024 (the "City Budget"), and applying these revenue/cost assumptions to the specific number of Persons Served projected for the Project.

According to information provided by the California Department of Finance Housing and Population Information and the State of California Employees Development Department (EDD), as of 2024, the City of San Marcos has a resident population of 95,998 and an employee population base of 41,300 persons. Given the assumptions presented in the previous paragraph; the City population of 95,998 plus the employee base of (41,300 x 50%), results in a current Persons Served population of 116,648 for the City of San Marcos.

Table 1: Persons Served (Approved Plan)

Land Use [1]	Direct Employees	Persons Served
Commercial Data Center [2]	133	67
Total	**133**	**67**

Notes:

1. Numbers may not sum due to rounding.
2. Data Centers employ security staff, operations staff, on-site IT engineering and management staff. Most positions are 24x7x365 to maintain and operate data centers nonstop.

Both Approved and Proposed plans presented in this report will generate a Persons Served total, which will be used to calculate recurring fiscal revenue and expenditures to the City General fund. As indicated earlier, the Approved Plan consists of 160,00 square feet of commercial data on a 2.44 acre proposed project site.

As illustrated in **Table 1** above, this scenario projects 133 employees in commercial data development x (50%) resulting in 67 persons served. The persons served totals presented in this table are used in the following sections of the report to generate both revenue and expenditures totals to the City's General Fund as a result of the implementation of the Approved Plan scenario. In contrast, the Proposed Plan development scenario consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development.

Proposed residential units would include a mix of 148 Market Rate Apartments and 17 Affordable Apartments. The 2.44-acre subject property as indicated in **Table 2** below, generates 457 persons served. The persons served total presented in both of these tables is used in each of the following sections of this report to generate both revenue and expenditures totals to the City's General Fund due to the implementation of the Proposed Plan scenario.

Table 2: Persons Served (Proposed Plan)

Land Use [1]	Direct Employees	Residents	Persons Served
Ground-Floor Commercial	5		3
Market Rate Apartments		407	407
Affordable Apartments		47	47
Total	**5**	**454**	**457**

Note:

1. Numbers may not sum due to rounding.

If necessary, DTA will also use the Per Employee methodology to project recurring fiscal factors based on employment only, in areas such as business license revenues. Similarly, DTA will use the Per Capita methodology where appropriate to project recurring fiscal factors based on population only. Again, the Per Employee methodology or Per Capita methodology, involve calculating the average Citywide revenues/costs per employee or per capita, utilizing the City Budget, and applying these factors to the specific number of residents or employees, respectively, projected under each Scenario.

Finally, certain revenues and expenditures for which the Multiplier methodology was utilized, were not expected to increase one-to-one with new development. Therefore, in order to accurately account for this, DTA applied a series of discount rates to specific revenues/costs. Generally, if needed, a discount rate would be applied to revenues or expenditures to exclude an administrative/overhead component of the revenue or expenditure that would likely not increase one-to-one with population or employment growth.

C Case Study Methodology

While most recurring revenues analyzed in this Study are projected using the Multiplier methodology, some major revenue sources, including Property Taxes and Sales Taxes, were calculated using a Case Study methodology that involves calculating marginal revenues to be specifically generated by a particular land use, instead of applying an average Citywide revenue factor. For purposes of this Study, all recurring revenues and costs are stated in current (un-inflated) 2024 dollars, based on the assumption that the relative impacts of inflation in future years will be the same for both fiscal impact categories.

D Limitations – Accuracy of Information

The fiscal models in this Study contain an analysis of revenues, service costs (expenditures), and impacts to the City resulting from the Project. These models are based on both (i) information provided to DTA by City staff, and (ii) certain DTA assumptions compiled by DTA from various sources including 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.

Furthermore, the analysis of fiscal impacts contained in this Study 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 Study relates to broad expectations of future events and/or market conditions. Since the analysis contained herein is 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 over time from the projections stated throughout this Study.

III DESCRIPTION OF RECURRING FISCAL REVENUES/COSTS

This section presents recurring revenue and service cost (expenditure) impacts to the City General Fund for both the Approved Plan and the Proposed Plan, along with the methodology and assumptions utilized to project these impacts. Detailed numerical analyses of anticipated revenue and service cost (expenditure) impacts are contained in **Appendix A**.

A Analysis of Recurring Revenues - Case Study Method

A.1 Property Taxes – Secured and Unsecured

Secured property tax revenues are projected based on the City's estimated share of the general 1% property tax levy. Total projected secured property tax revenues to the City from the Project are estimated at 15.152% of the basic 1% property tax levy, for Tax Rate Area ("TRA") 13115. Please refer to **Table 3** on the next page and **Attachment 5** of **Appendix A** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

The assessed value for the project site, a 2.44-acre parcel (APN 219-162-61-00), has not yet been determined by the County of San Diego Tax Assessor. The previous owner, AT&T, is obligated to continue their tax assessments through 2024. As a public utility, AT&T pays property taxes to the State of California based on a single aggregated value of all its real estate holdings. Therefore, an assessed value of the project site will not be available until it is assessed by the County after 2024. For the purposes of this study, the assessed value of the project site will be based on the sales price of $1,750,000 for the parcel ($717,213 per acre). This valuation is consistent with seven other recent project sites within the same Tax Rate Area (TRA 13115), which have an assessed value of $734,408 per acre, a difference of approximately 2.5% from the proposed value of the project site.

Unsecured property taxes collected in the City are levied on tangible personal property that is not secured by real estate. Examples of unsecured property include 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 2.75% of the secured value for residential land uses and 10.00% of the secured value for non-residential land uses. Unsecured property tax revenue generated for both the Approved Plan and Proposed Plan are presented in **Attachment 5** of **Appendix A.**

A.2 Property Transfer Tax

Per California Revenue & Taxation Code §11901 et seq. and the San Marcos Municipal Code §3.12.030, sales of real property are taxed by the County of San Diego (the "County") at a rate of $1.10 per $1,000 of property value. 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 residential development changes ownership at an average rate of 10% per year. DTA also assumes that non-residential development changes ownership at an average rate of 5% per year, and that continuing liens and encumbrances are insignificant.

A.3 Property Taxes in Lieu of Vehicle License Fees (VLF)

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 Citywide gross assessed valuation of taxable property from the prior fiscal year.

Table 3: Property Tax Assumptions

Property Tax Assumptions	Approved Plan	Proposed Plan
Assessed Valuation		
Residential (Includes Estimated Exemptions)	$0	$64,716,160
Non-Residential	$58,560,000	$2,380,000
Secured Property Tax (Assumptions Apply to Both Scenarios) (As a Portion of the 1% General Property Tax Levy)		
TRA 13115 City of San Marcos	8.832%	8.832%
TRA 13115 Fire District	6.320%	6.320%
Unsecured Property Tax (Assumptions Apply to Both Scenarios)		
Residential	2.75%	2.75%
Non-Residential	10.0%	10.0%
Property Transfer Tax (Assumptions Apply to Both Scenarios)		
Residential Property Turnover Rate	10.0%	10.0%
Non-Residential Property Turnover Rate	5.0%	5.0%
Transfer Tax As a % of Assessed Value	0.11%	0.11%
Property Transfer Tax Passed Through to the City	50.0%	50.0%
Property Tax In Lieu of Vehicle License Fee (VLF) (Assumptions Apply To Both Scenarios)		
Total San Marcos Gross Assessed Value (VLF Base Year)	$7,756,621,947	$7,756,621,947
Total City Property Tax In Lieu of VLF Revenues	$5,191,930	$5,191,930
Property Tax In Lieu of VLF Increase Per $1,000 Of AV	$0.67	$0.67

Property tax in lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this Study at $0.67 per $1,000 increase in assessed valuation on a Citywide basis. **Table 3 above** presents details regarding the property tax assumptions utilized in the fiscal impact analysis.

A.4 Sales Taxes

Direct sales tax revenues are generated by retail sales from businesses within City limits, with 1.00% of taxable sales receipts passed through to the City. **Attachment 6** of **Appendix A** reflects estimated taxable sales 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 Projects (2018) publication and total estimated taxable sales for the Project, based on development assumptions provided by the City and the Zonda Analysis.

Indirect sales tax revenues, as also summarized in **Attachment 6** of **Appendix A**, are projected based on estimated purchases made by residents and employees of the Project within the City. Based on information outlined in the International Council of Shopping Centers' Office-Worker Retail Spending in a Digital Age (2023), DTA assumed that each on-site employee spends approximately $6,867 within the City, while local household Residential spending is ranging from $9,438 to $15,535 depending on income level. The assumed capture rate for employee spending in the City is 50%. Sales tax assumptions presented in this Study are summarized in **Table 4** below.

Table 4: Sales Tax Assumptions

Sales Tax Assumptions	Approved Plan	Proposed Plan
Percentage of Sales Tax Passed through City of San Marcos	1.00%	1.00%
Local Employee Spending [1]	$6,867	$6,867
Local Residential Spending (Market Rate Apartments) [2,]	NA	$15,535
Local Residential Spending (Affordable Rate Apartments)[2,3]	NA	$9,438
Capture Rate of Retail Spending (Within the City)	50%	50%
Displacement Rate (Approved Taxable Sales within the City)	20%	20%
Taxable Sales Per Square Foot – Industrial Park	N/A	N/A

Notes:

1. Local Employee spending was calculated by DTA and presented in the Appendix.
2. Residential spending based on US Census median income levels for San Marcos
3. Residential spending based on qualifying income requirements.

A.5 Community Facilities District ("CFD") Special Tax Revenue

The Project is currently located in five (5) separate Community Facilities Districts (collectively, the "CFDs") and will be subject to the applicable special tax for each CFD based on the land uses anticipated under each Scenario. Notably, revenues generated from CFD No. 98-02 and CFD No. 2011-01 will not be deposited in the City's General Fund and have therefore been excluded from this analysis. **Table 5** below and **Attachment 7** of **Appendix A** summarize the CFD assumptions utilized for the Approved Plan and the Proposed Plan.

Table 5: CFD Assumptions

Community Facilities District	Approved Plan	Proposed Plan	Fund Designation
CFD 98-01 IA 1			General Fund
Industrial (Per Acre)	$1,012		
Residential (Per Unit)		$191,.06	
CFD 98-02 (Zones A-E)			Non-General Fund
Industrial (Per Acre)	$781,46		
Residential (Per Unit)		$282.28	
CFD 98-02 (Zone F)			Non-General Fund
Industrial (Per Acre)	N/A		
Residential (Per Unit)		N/A	
CFD 2001-01			General Fund
Industrial (Per Acre)	$936.09		
Residential (Per Unit)		$166.43	
CFD 2011-01			Non-General Fund
Industrial (Per Sq. Ft.)	$0.09		
Residential (Sq. Ft.)		$388.57	

B Analysis of Recurring Revenues – Multiplier Method

Utilizing the Multiplier methodology discussed in Section II(A) of this Study, the multipliers presented in this section and illustrated in **Table 6** below quantify the marginal increase in revenue for each specific revenue category as a result of the proposed development Scenario(s). Additional details on each revenue category are also provided below.

Table 6: General Fund Revenues (Multiplier Method)

Revenue Category	Amount	Methodology	Discount
Franchise Fees	$36.88	Persons Served	0%
Licenses and Permits	$13.01	Persons Served	0%
Fines and Forfeitures	$2.38	Persons Served	0%

B.1 Franchise Fees

The City receives franchise fee revenue from a variety of sources including utility companies (e.g., electricity, water, trash, etc.), pipelines that run under the City's streets, cable TV, taxi, and from companies that operate in the City's right-of-way to provide services for residents (e.g., tow trucks and solid waste haulers). Some franchise taxes (fees) are set dollar amounts that increase each year according to changes in some index, such as the Consumer Price Index. Other franchise fees are based on a percentage of utility revenues.

Using the *Per Capita/Employee Multiplier* approach, DTA has projected Franchise fees at $36.88 per persons served. This number represents the marginal increase in revenue per additional persons served in this category.

B.2 Licenses and Permits

Although Licenses and Permits made up only a small portion of the City's revenue in FY 2023-2024, it is considered an important source of income to the City's General Fund. In addition to business licenses, the city imposes fees on a variety of permits including building, electrical, plumbing, grading, construction, and many other areas. DTA projects Licenses and Permits at $13.01 per persons served using the *Per Capita/Employee Multiplier* approach.

B.3 Fines and Forfeitures

To ensure the payment of various licenses and fees, the City's Municipal Code empowers the City to impose penalties and to collect fines in several areas. Among the significant categories in this section are parking fines, traffic fines, and forfeitures/penalties for business licenses and franchises. After a careful review of this revenue source, Fines and Forfeiture have also been projected using the *Per Capita/Employee Multiplier* approach, at $2.38 per persons served.

C Analysis of Recurring Costs – Case Study Method

C.1 General Government

According to the City Budget, the percentage of recurring General Government overhead (percentage of total recurring General Fund expenditures) to the City General Fund non-government expenditures, is 26.16%. This is based on total general government expenditures of $20,110,184 and non-general government expenditure of $76,869,537. General Government costs are generated from several areas including City Council, Administration, Economic Development, City Attorney, City Clerk, Human Resources/Risk Management, Finance/Information Systems, and Real Property Services. Non-general government costs include Public Works, Development Services, Public Safety, Parks and Recreation, and other Financing Sources.

D Analysis of Recurring Costs – Multiplier Method

Table 7 below quantifies the marginal increase in expenditures for specific expenditure category as a result of the proposed development Scenario(s). A detailed description of each category is also provided below.

Table 7: General Fund Costs (Multiplier Method)

Categories	Amount	Methodology	Discount
Public Works	$95.85	Persons Served	0%
Development Services	$52.62	Persons Served	0%
Public Safety	$321.69	Persons Served	0%
Parks and Recreation	$16.45	Persons Served	0%
Other Financing Sources	$0.00	Persons Served	90%

D.1 Public Works

The Public Works Department is responsible for the design, construction, maintenance and management of the City's vital municipal infrastructure system. It is composed of two divisions, Operations and Engineering. The Operations divisions includes administration, right-of-way maintenance, facilities maintenance, fleet maintenance, and parks and landscape maintenance, and is responsible for the maintenance and repair of City streets, buildings, flood control, storm drains, street lights, traffic signals, public places, parks, special districts, vehicles and equipment. The Engineering division administers and coordinates the capital improvement program, traffic engineering, stormwater maintenance, and construction inspection and management.

The Department also oversees the drafting and execution of related contracts and agreements; coordination with outside agencies; preparation and administration of capital grant funding; management of City-owned asset data; and provides inspection and acceptance services for development and public infrastructure improvements in the City.

DTA projects the combined Public Works Department multiplier at $95.85 per persons served using the *Per-Capita/Employee Multiplier* approach. Again, this represents the marginal increase in expenditure per additional persons served in this category.

D.2 Development Services

The duties of the Development Services Department range from project entitlement approvals to approvals of construction permits and City ordinances related to land use and development. The department is made up of four divisions: (1) the Building Division that enforces laws, codes and ordinances for all building and parking activities in the City; (2) the Planning Division that administers the City's General Plan and various zoning and environmental regulation by analyzing and recommending measures to protect Approved resources; (3) the Land Development Engineering Division that ensures compliance with City codes and ordinances, as well as the Subdivision Map Act, National Pollutant Discharge Elimination System ("NPES") permit, and Federal Emergency Management System ("FEMA") floodplain requirements; and (4) the Housing Division that provides programs that include the development of new affordable housing units, the Down Payment Assistance Program and the Homeowner Rehabilitation Program.

Notably, DTA projects the combined Development Services multiplier at $52.62 per persons served using the *Per-Capita/Employee Multiplier* approach.

D.3 Public Safety

The Public Safety division discussed in this section is made up of both Law Enforcement and Fire services. According to the City Budget, this division accounts for the City's largest General Fund expenditure (over 50.0% of the City's annual General Fund expenditure). The City currently has a contract for police services with the San Diego County Sherriff's Department. The City contract for law enforcement services includes patrol, traffic, community-oriented policing, gang and narcotics details, detectives, and clerical and supervisory personnel. In contrast, the City operates its own Fire Department, which provides services to over 100,000 residents in the 33 square mile San Marcos Fire Protection District ("SMFPD"). The City itself, comprises 24 square miles of the SMFPD.

Based on the City Budget, DTA projects the combined Public Safety multiplier at $321.69 per persons served using the *Per Capita/Employee Multiplier* approach.

D.4 Parks and Recreation

The Parks and Recreation department is responsible for providing programs and services at the City's parks and recreation facilities. Among the specific elements of the department's work, are pre-school and youth programming, holiday celebrations, special events, cultural and performing arts activities, parks and trails planning, as well as aquatics and other programs. Additionally, the department oversees 17 neighborhood/community parks, 12 mini parks, and more than 60 miles of trails. Based on the City Budget, DTA projects the Parks and Recreation multiplier at $16.45 per persons served using the *Per Capita/Employee Multiplier* approach.

D.5 Other Financing Services

The Other Financial Services category is comprised of Transfers Out, Annual Replacement, and Rehab Transfers. In FY 2023-24 it is not projected to have a multiplier effect using the *Per Capita/Employee Multiplier* approach as no other financing sources were reported in the 2023-2024 budget. However, as explained in the earlier Scope and Methodology section, a discount rate of 90% would have been applied to this expenditure to exclude an administrative/overhead component of the expenditure that would not increase one-to-one with population or employment growth.

IV FISCAL IMPACTS TO THE CITY

A Total Recurring Revenues

Under the Approved Plan, total annual incremental recurring revenues are projected to total $241,224. Secured Property Tax revenue makes up the largest percentage total (73.6%). In addition, as shown in the table below, Property In Lieu of Vehicle License Fees (15.8%) also make up significant portions of the revenue to the City.

Under the Proposed Plan, annual incremental recurring revenues total $301,226. As illustrated below in **Table 8**, the largest percentage of revenue generated under the Proposed Plan is attributed to Secured Property Tax revenue (34.9%). Other areas making up a significant portion of the revenue to the City include Property In Lieu of Vehicle License fee (20.1%) and CFD Revenues (20.2%). **Attachments 1 and 11,** in **Appendix A** provide additional details regarding all recurring revenues and the assumptions used in their derivation.

Table 8: Recurring Fiscal Revenues (City General Fund)

Revenue Category	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Secured Property Tax	$177,458	73.6%	$105,269	34.9%
Unsecured Property Tax	$8,873	3.7%	$3,057	1.0%
Property Transfer Tax	$1,610	0.7%	$3,625	1.2%
Property In Lieu of Vehicle License Fee	$38,026	15.8%	$43,740	14.5%
Direct and Indirect Sales tax	$2,300	1.0%	$60,662	20.1%
Franchise Fees	$2,471	1.0%	$16,845	5.6%
Licenses and Permits	$872	0.4%	$5,942	2.0%
Fines and Forfeitures	$159	0.1%	$1,087	0.4%
CFD Revenue	$9,454	3.9%	$60,998	20.2%
Total Revenues	**$241,224**	**100.0%**	**$301,226**	**100.0%**

B Total Recurring Costs

As illustrated in **Table 9** below, under the Approved Plan, the total annual incremental recurring costs are projected to be $44,154 per year. Public Safety (48.8%), Public Works (14.5%) and General Government (26.2%) make up the largest cost percentages in this category. Under the Proposed Plan, the total annual recurring costs are projected to be $301,007 per year. Like the Approved Plan, the largest annual costs are expected to be Public Safety, General Government, and Public Works. **Attachments 1 and 12**, in **Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

Table 9: Recurring Fiscal Costs (City General Fund)

Categories	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Public Works	$6,422	14.5%	$43,779	14.5%
Development Services	$3,526	8.0%	$24,034	8.0%
Public Safety	$21,553	48.8%	$146,932	48.8%
Parks and Recreation	$1,102	2.5%	$7,514	2.5%
Other Financing Sources	$0	0.0%	$0	0.0%
General Government	$11,551	26.2%	$78,748	26.2%
Total Revenues	**$44,154**	**100.0%**	**$301,007**	**100.0%**

C Overall Net Fiscal Impact

Table 10 presented below, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development and the recurring costs associated with the Project, is an annual recurring fiscal surplus of $197,070. This total is based on $241,224 in recurring annual revenue and $44,154 in recurring annual costs. In this analysis, the total annual revenue-to-cost ratio is projected to equal 5.46, which represents a positive impact to the City.

Under the Proposed Plan, the overall fiscal impact to the City General Fund, resulting from revenues generated by the Project and the recurring costs associated with this area is a recurring fiscal surplus of $219. This amount is based on $301,226 in recurring annua revenues and $301,007 in recurring current annual costs (expenditures). In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.00, which also represents a positive impact to the City.

Table 10: Annual Net Fiscal Impact (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	$241,224	$301,226
Total Recurring General Fund Expenditures	**($44,154)**	**($301,007)**
Net Fiscal Impact	$197,070	$219
Revenue to Expense Ratio	**5.46**	**1.00**

D Market Considerations

The primary advantage of the Proposed Plan over the Approved Plan is that the planned site can provide residential rental product to San Marcos, which currently has limited new rental multifamily product and limited multifamily for-sale communities. The rental component will provide an opportunity for residents of the City, especially as the San Diego market has seen double digit growth for rentals and higher demand. Comparable apartments in the submarket have healthy occupancy rates above 94.5%, and overall occupancy in San Marcos is 95.9%. In addition, higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing, and the need for more income-restricted housing units in the city of San Marcos is very high. In terms of location, the proximity to Grand Plaza and other nearby retail, services, and food supports apartment tenancy at this location. This scenario is also favorable as the proposed plan includes a commercial element and maximizes tax revenue potential at this site. As to the approved pan, although Data Centers are among the hottest, best performing non-residential markets, and the site is the "right size" for a data center which is one of the most profitable commercial land use sectors in today's market, the subject's potential as a secondary data center is not viable based on the lack of requisite proximity to large scale internet origination grids such as AWS, Google and MSN. In addition, there is an insufficient presence of Fortune 500 companies locally to purchase the data center internet output, and there are other areas which are either cheaper (such as the Inland Empire), have more space, or close proximity to internet giants (like Silicon beach in Los Angeles) and have the market share in the data center space.

APPENDIX A

City of San Marcos
Pacific Specific Plan Project
Fiscal Impact Report

FISCAL IMPACT STUDY

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CITY OF SAN MARCOS

San Marcos
Discover Life's Possibilities

FISCAL IMPACT REPORT

ARMORLITE LOFTS

(SP22-0001)

Prepared for:

City of San Marcos

1 Civic Center Drive

San Marcos, CA

Attention: Sean del Solar

TABLE OF CONTENTS

I EXECUTIVE SUMMARY

A Purpose of the Report

The objective of this Fiscal Impact Study (the "Study") is to analyze the fiscal impacts to the City of San Marcos (the "City") from the zoning and land use change proposed for the development on the 2.44-acre project site (the "Project").

The project consists of a General Plan Amendment ("GPA"), Rezone ("R"), Site Development Plan (MFSDP), and Conditional Use Permit ("CUP") to develop a 165-unit residential apartment development (17-units for very low-income) and 5,600 square feet of commercial floor area on a 2.44-acre project site 45 dwelling units per acre (45 du/ac). The project includes a request to change the General Plan land use and Zoning designations of part of the project site from Public Institutional ("PI") to Specific Plan ("SPA").

The project was formerly a part of the adjacent parcel on N. Las Posas Road. As such, it shared to PI designation to allow the future expansion of the telecommunication facility. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include a 160,000 square foot data center (maximum allowed building area in the P-1 zone). Data Centers are facilities that house computers that store and process data. In 2020, the project site parcel was split off, to allow private development. The proposed project would redesignate the project site to Specific Plan Area to allow development to occur under the Armorlite Lofts Specific Plan.

The project applicant is requesting approval of a Specific Plan (SP23-0001) General Plan Amendment (GPA23-0002), Rezone (R23-0001), Site Development Plan (SDP23-0003) and a Conditional Use Permit (CUP23-0002) for use of a potential rock crusher during construction. If approved, these entitlements would allow for the development of 165 apartment units and 5,600 square feet of commercial use.

The proposed project (the "Proposed Plan") consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development. The project utilizes a base density consistent with the Mixed-Use 2 (MU-2) zone of 45 dwelling units per acre, with a density bonus for a proposed density of 67 dwelling units/acre. As proposed, 15% of units calculated from the base density would be affordable units at the very low-income level (30% to 50% of the Area Median Income or "AMI").

One building is proposed and would have four stories of stacked flats over one level of podium parking (five stories total). The building would have a maximum height of 57 to 65 feet, due to site topography. Overall, the project proposes 93 one bedroom/one bath units (ranging from 620 SF to 670 SF) and 72 two bedroom/one bath units (ranging from 875 SF. to 1,020 SF). All units would be single story. Proposed materials include stucco walls, siding, stone veneer, metal and glass railings, metal or stucco awnings, decorative stucco frame and the use of decorative metal grilles.

The project proposes 5,600 square feet of Ground-Floor Commercial use. This would be on the ground floor facing Armorlite Drive adjacent to the project's entrance. The Specific Plan includes a provision for Flex Space. Flex Space allows for the temporary use of commercial space as apartments, depending on market conditions and subject to approval of a CUP. Section 3.2.1 of the Specific Plan provides more detail supporting documentation on the market conditions affecting commercial vacancies.

A total of 47,375 SF of open space is proposed. The proposed open space includes 34,894 SF of common outdoor open space, which covers approximately 32% of the site. The common outdoor space includes ground-level passive areas (18,291 SF) and a dog park with dog washing station (1,905 SF). On the second level will be a pool and spa area, courts (13,198 SF), an indoor-outdoor lounge open to the pool area (700 SF), and a roof deck (800 SF). The proposed project also includes 2,050 SF of common indoor space (fitness area and lounge), and 10,431 SF of private open space. The private open space consists of balconies and patios ranging from 55 SF to 80 SF, depending on the unit type and location.

An approximate 100 SF area would be set aside on the project site should repatriation of cultural resources be the preferred approach for any found resources. This area would be subject to a conservation easement. Primary access to the project site would be via one unsignalized driveway on Armorlite Drive. The entrance driveway would be ungated and would be 24-feet wide. Internal vehicular movement would be via a minimum 24-foot-wide drive aisle. Secondary emergency-only access would be provided at the northwest corner of the project site and would be accessed through the adjacent AT&T parcels (APN 219-162-61-00) via an easement, providing access to N. Las Posas Road. Consequently, the Study estimates the fiscal impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

B Types of Fiscal Impacts Evaluated in this Study

The fiscal impacts identified in this Study include recurring municipal revenues and costs to the City General Fund that result from the Project. The recurring revenues to the City identified in this Study are generated from a variety of sources, including property taxes, sales taxes, licenses and permits, franchise fees, fines, and other revenues. Although these revenues vary from year to year, they occur on a regular basis and are part of the City's budgeting plans on a yearly basis. The recurring General Fund expenditures for the City are equally important in this analysis. These recurring costs are associated with a variety of other services including public safety, public works maintenance, and general government administrative services. Like the General Fund revenues, these are costs that the City must anticipate and plan for on a yearly basis.

Revenues that are considered non-recurring to the City, such as various permitting fees, are excluded from this Study. The reason for excluding them is because new development is generally required to pay specific fees such as grading and building prior to the construction of a project. As these are considered one-time revenues, there is no expectation that new development will need to pay these fees a second time. In addition, expenditures resulting from the Project that are considered to be non-recurring are also excluded from the Study.

C Fiscal Impact on City General Fund (Approved Plan vs. Proposed Plan)

The following table displays the annual net fiscal impact to the City under the Approved Plan and the Proposed Plan.

Table ES-1: Annual Net Fiscal Impact (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	$241,224	$301,226
Total Recurring General Fund Expenditures	**($44,154)**	**($301,007)**
Net Fiscal Impact	$197,070	$219
Revenue to Expense Ratio	5.46	1.00

As indicated in **Table ES-1** above, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development and the recurring costs associated with the Project, is an annual recurring fiscal surplus of $197,070. This total is based on $241,224 in recurring annual revenue and $44,154 in recurring annual costs. In this analysis, the total annual revenue-to-cost ratio is projected to equal 5.46, which represents a positive impact to the City.

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The primary advantage of the Proposed Plan over the Approved Plan is that the planned site can provide residential rental product to San Marcos, which currently has limited new rental multifamily product and limited multifamily for-sale communities. The residential rental component will provide an opportunity for residents of the City, especially as the San Diego market has seen double digit growth for rentals and higher demand. Comparable apartments in the submarket have healthy occupancy rates above 94.5%, and overall occupancy in San Marcos is 95.9%. In addition, higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing, and the need for more income-restricted housing units in the city of San Marcos is very high. In terms of location, the proximity to Grand Plaza and other nearby retail, services, and food supports apartment tenancy at this location. This scenario is also favorable as the proposed plan includes a commercial element and maximizes tax revenue potential at this site. As to the approved plan, although Data Centers are among the hottest, best performing non-residential markets, and the site is "right sized" for a data center which is one of the most profitable commercial land use sectors in today's market, the subject's potential as a secondary data center is not viable based on the lack of requisite proximity to large scale internet origination grids such as AWS, Google and MSN. In addition, there is an insufficient presence of Fortune 500 companies locally to purchase the data center internet output, and there are other areas which are either cheaper (such as the Inland Empire), have more space, or a close proximity to internet giants (like Silicon beach in Los Angeles) and have the market share in the data center space.

Figure 1: Net Fiscal Impact (City General Fund) – Approved Plan

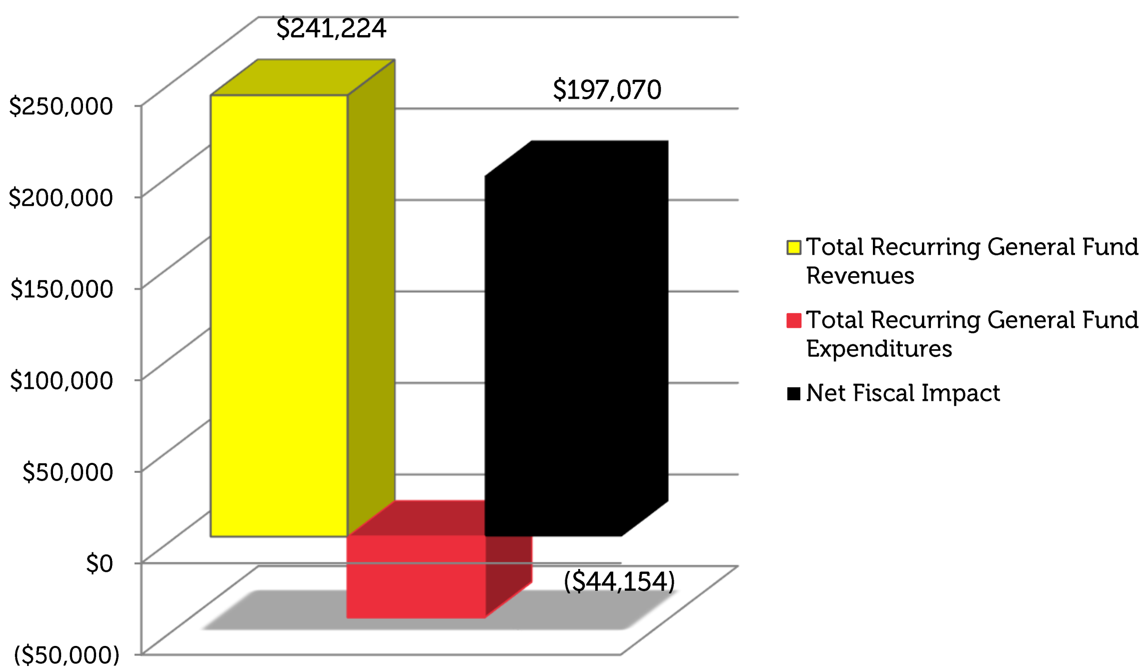
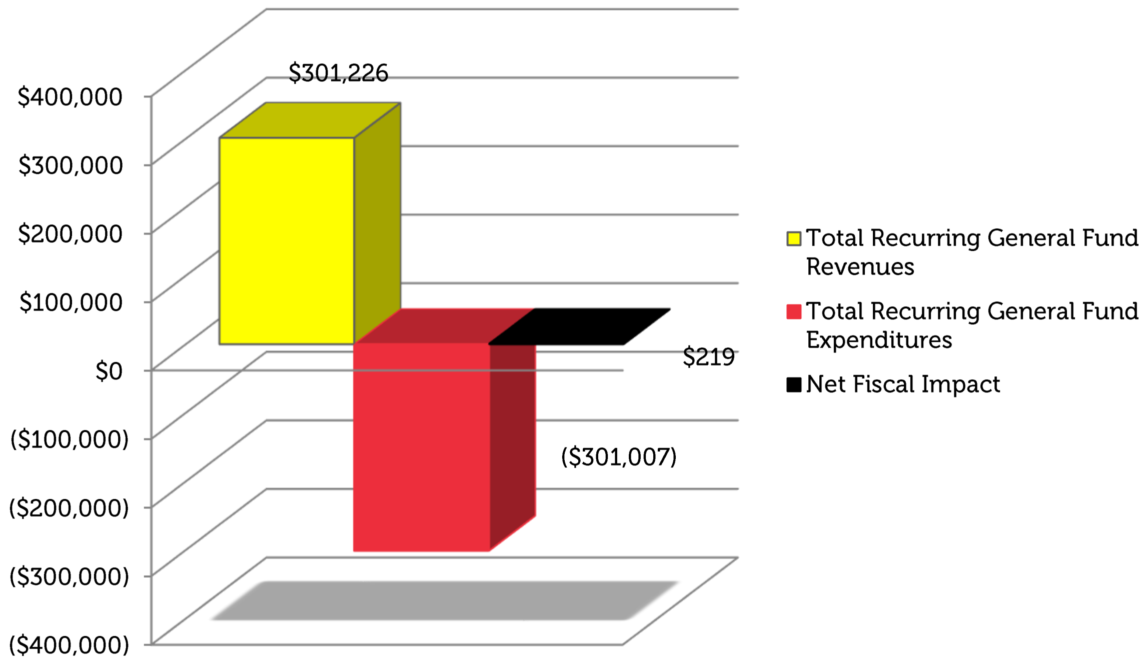


Figure 2: Net Fiscal Impact (City General Fund) – Proposed Plan



II INTRODUCTION

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A Scope and Methodology – 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 types may, in turn, be divided into a revenue component and a cost component. In this Study, it is assumed that one-time revenues would directly offset one-time costs; thus, the fiscal impacts considered focus on ongoing, or recurring, fiscal impacts of the Project on the City General Fund. Revenues that are generated outside of the City's General Fund (e.g., special district revenues) or costs incurred by the City outside of the General Fund (e.g., costs financed through a special district) are <u>not</u> included in the fiscal impact analysis.

The fiscal impact analysis presented in this Study utilizes two specific methods of analysis: The Multiplier approach (consisting of three separate methodologies, specifically "Per Capita", "Per Employee", and "Per Capita/Employee") and the Case Study approach. Notably, the primary Multiplier approach used in this Study is the Per Capita/Employee methodology, which recognizes the fact that the exact relationship of service demands and revenue generating potential between residents and employees is difficult to quantify. In order to address this challenge, several assumptions are employed.

B Persons Served Calculation

DTA has determined that utilizing a Per Capita/Employee, or Persons Served population, comprised of all residents and 50% of employees is common fiscal practice in quantifying the impact of a new development in a given service area. This number suggests that a resident generally has twice the fiscal impact of an employee. This methodology involves calculating the average Citywide revenues/costs per Persons Served, utilizing the City's Operating Budget for fiscal year ("FY") 2023-2024 (the "City Budget"), and applying these revenue/cost assumptions to the specific number of Persons Served projected for the Project.

According to information provided by the California Department of Finance Housing and Population Information and the State of California Employees Development Department (EDD), as of 2024, the City of San Marcos has a resident population of 95,998 and an employee population base of 41,300 persons. Given the assumptions presented in the previous paragraph; the City population of 95,998 plus the employee base of (41,300 x 50%), results in a current Persons Served population of 116,648 for the City of San Marcos.

Table 1: Persons Served (Approved Plan)

Land Use [1]	Direct Employees	Persons Served
Commercial Data Center [2]	133	67
Total	**133**	**67**

Notes:

1. Numbers may not sum due to rounding.
2. Data Centers employ security staff, operations staff, on-site IT engineering and management staff. Most positions are 24x7x365 to maintain and operate data centers nonstop.

Both Approved and Proposed plans presented in this report will generate a Persons Served total, which will be used to calculate recurring fiscal revenue and expenditures to the City General fund. As indicated earlier, the Approved Plan consists of 160,00 square feet of commercial data on a 2.44 acre proposed project site.

As illustrated in **Table 1** above, this scenario projects 133 employees in commercial data development x (50%) resulting in 67 persons served. The persons served totals presented in this table are used in the following sections of the report to generate both revenue and expenditures totals to the City's General Fund as a result of the implementation of the Approved Plan scenario. In contrast, the Proposed Plan development scenario consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development.

Proposed residential units would include a mix of 148 Market Rate Apartments and 17 Affordable Apartments. The 2.44-acre subject property as indicated in **Table 2** below, generates 457 persons served. The persons served total presented in both of these tables is used in each of the following sections of this report to generate both revenue and expenditures totals to the City's General Fund due to the implementation of the Proposed Plan scenario.

Table 2: Persons Served (Proposed Plan)

Land Use [1]	Direct Employees	Residents	Persons Served
Ground-Floor Commercial	5		3
Market Rate Apartments		407	407
Affordable Apartments		47	47
Total	**5**	**454**	**457**

Note:

1. Numbers may not sum due to rounding.

If necessary, DTA will also use the Per Employee methodology to project recurring fiscal factors based on employment only, in areas such as business license revenues. Similarly, DTA will use the Per Capita methodology where appropriate to project recurring fiscal factors based on population only. Again, the Per Employee methodology or Per Capita methodology, involve calculating the average Citywide revenues/costs per employee or per capita, utilizing the City Budget, and applying these factors to the specific number of residents or employees, respectively, projected under each Scenario.

Finally, certain revenues and expenditures for which the Multiplier methodology was utilized, were not expected to increase one-to-one with new development. Therefore, in order to accurately account for this, DTA applied a series of discount rates to specific revenues/costs. Generally, if needed, a discount rate would be applied to revenues or expenditures to exclude an administrative/overhead component of the revenue or expenditure that would likely not increase one-to-one with population or employment growth.

C Case Study Methodology

While most recurring revenues analyzed in this Study are projected using the Multiplier methodology, some major revenue sources, including Property Taxes and Sales Taxes, were calculated using a Case Study methodology that involves calculating marginal revenues to be specifically generated by a particular land use, instead of applying an average Citywide revenue factor. For purposes of this Study, all recurring revenues and costs are stated in current (un-inflated) 2024 dollars, based on the assumption that the relative impacts of inflation in future years will be the same for both fiscal impact categories.

D Limitations – Accuracy of Information

The fiscal models in this Study contain an analysis of revenues, service costs (expenditures), and impacts to the City resulting from the Project. These models are based on both (i) information provided to DTA by City staff, and (ii) certain DTA assumptions compiled by DTA from various sources including 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.

Furthermore, the analysis of fiscal impacts contained in this Study 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 Study relates to broad expectations of future events and/or market conditions. Since the analysis contained herein is 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 over time from the projections stated throughout this Study.

III DESCRIPTION OF RECURRING FISCAL REVENUES/COSTS

This section presents recurring revenue and service cost (expenditure) impacts to the City General Fund for both the Approved Plan and the Proposed Plan, along with the methodology and assumptions utilized to project these impacts. Detailed numerical analyses of anticipated revenue and service cost (expenditure) impacts are contained in **Appendix A**.

A Analysis of Recurring Revenues - Case Study Method

A.1 Property Taxes – Secured and Unsecured

Secured property tax revenues are projected based on the City's estimated share of the general 1% property tax levy. Total projected secured property tax revenues to the City from the Project are estimated at 15.152% of the basic 1% property tax levy, for Tax Rate Area ("TRA") 13115. Please refer to **Table 3** on the next page and **Attachment 5** of **Appendix A** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

The assessed value for the project site, a 2.44-acre parcel (APN 219-162-61-00), has not yet been determined by the County of San Diego Tax Assessor. The previous owner, AT&T, is obligated to continue their tax assessments through 2024. As a public utility, AT&T pays property taxes to the State of California based on a single aggregated value of all its real estate holdings. Therefore, an assessed value of the project site will not be available until it is assessed by the County after 2024. For the purposes of this study, the assessed value of the project site will be based on the sales price of $1,750,000 for the parcel ($717,213 per acre). This valuation is consistent with seven other recent project sites within the same Tax Rate Area (TRA 13115), which have an assessed value of $734,408 per acre, a difference of approximately 2.5% from the proposed value of the project site.

Unsecured property taxes collected in the City are levied on tangible personal property that is not secured by real estate. Examples of unsecured property include 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 2.75% of the secured value for residential land uses and 10.00% of the secured value for non-residential land uses. Unsecured property tax revenue generated for both the Approved Plan and Proposed Plan are presented in **Attachment 5** of **Appendix A.**

A.2 Property Transfer Tax

Per California Revenue & Taxation Code §11901 et seq. and the San Marcos Municipal Code §3.12.030, sales of real property are taxed by the County of San Diego (the "County") at a rate of $1.10 per $1,000 of property value. 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 residential development changes ownership at an average rate of 10% per year. DTA also assumes that non-residential development changes ownership at an average rate of 5% per year, and that continuing liens and encumbrances are insignificant.

A.3 Property Taxes in Lieu of Vehicle License Fees (VLF)

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 Citywide gross assessed valuation of taxable property from the prior fiscal year.

Table 3: Property Tax Assumptions

Property Tax Assumptions	Approved Plan	Proposed Plan
Assessed Valuation		
Residential (Includes Estimated Exemptions)	$0	$64,716,160
Non-Residential	$58,560,000	$2,380,000
Secured Property Tax (Assumptions Apply to Both Scenarios) (As a Portion of the 1% General Property Tax Levy)		
TRA 13115 City of San Marcos	8.832%	8.832%
TRA 13115 Fire District	6.320%	6.320%
Unsecured Property Tax (Assumptions Apply to Both Scenarios)		
Residential	2.75%	2.75%
Non-Residential	10.0%	10.0%
Property Transfer Tax (Assumptions Apply to Both Scenarios)		
Residential Property Turnover Rate	10.0%	10.0%
Non-Residential Property Turnover Rate	5.0%	5.0%
Transfer Tax As a % of Assessed Value	0.11%	0.11%
Property Transfer Tax Passed Through to the City	50.0%	50.0%
Property Tax In Lieu of Vehicle License Fee (VLF) (Assumptions Apply To Both Scenarios)		
Total San Marcos Gross Assessed Value (VLF Base Year)	$7,756,621,947	$7,756,621,947
Total City Property Tax In Lieu of VLF Revenues	$5,191,930	$5,191,930
Property Tax In Lieu of VLF Increase Per $1,000 Of AV	$0.67	$0.67

Property tax in lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this Study at $0.67 per $1,000 increase in assessed valuation on a Citywide basis. **Table 3 above** presents details regarding the property tax assumptions utilized in the fiscal impact analysis.

A.4 Sales Taxes

Direct sales tax revenues are generated by retail sales from businesses within City limits, with 1.00% of taxable sales receipts passed through to the City. **Attachment 6** of **Appendix A** reflects estimated taxable sales 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 Projects (2018) publication and total estimated taxable sales for the Project, based on development assumptions provided by the City and the Zonda Analysis.

Indirect sales tax revenues, as also summarized in **Attachment 6** of **Appendix A**, are projected based on estimated purchases made by residents and employees of the Project within the City. Based on information outlined in the International Council of Shopping Centers' Office-Worker Retail Spending in a Digital Age (2023), DTA assumed that each on-site employee spends approximately $6,867 within the City, while local household Residential spending is ranging from $9,438 to $15,535 depending on income level. The assumed capture rate for employee spending in the City is 50%. Sales tax assumptions presented in this Study are summarized in **Table 4** below.

Table 4: Sales Tax Assumptions

Sales Tax Assumptions	Approved Plan	Proposed Plan
Percentage of Sales Tax Passed through City of San Marcos	1.00%	1.00%
Local Employee Spending [1]	$6,867	$6,867
Local Residential Spending (Market Rate Apartments) [2,]	NA	$15,535
Local Residential Spending (Affordable Rate Apartments)[2,3]	NA	$9,438
Capture Rate of Retail Spending (Within the City)	50%	50%
Displacement Rate (Approved Taxable Sales within the City)	20%	20%
Taxable Sales Per Square Foot – Industrial Park	N/A	N/A

Notes:

1. Local Employee spending was calculated by DTA and presented in the Appendix.
2. Residential spending based on US Census median income levels for San Marcos
3. Residential spending based on qualifying income requirements.

A.5 Community Facilities District ("CFD") Special Tax Revenue

The Project is currently located in five (5) separate Community Facilities Districts (collectively, the "CFDs") and will be subject to the applicable special tax for each CFD based on the land uses anticipated under each Scenario. Notably, revenues generated from CFD No. 98-02 and CFD No. 2011-01 will not be deposited in the City's General Fund and have therefore been excluded from this analysis. **Table 5** below and **Attachment 7** of **Appendix A** summarize the CFD assumptions utilized for the Approved Plan and the Proposed Plan.

Table 5: CFD Assumptions

Community Facilities District	Approved Plan	Proposed Plan	Fund Designation
CFD 98-01 IA 1			General Fund
Industrial (Per Acre)	$1,012		
Residential (Per Unit)		$191,.06	
CFD 98-02 (Zones A-E)			Non-General Fund
Industrial (Per Acre)	$781,46		
Residential (Per Unit)		$282.28	
CFD 98-02 (Zone F)			Non-General Fund
Industrial (Per Acre)	N/A		
Residential (Per Unit)		N/A	
CFD 2001-01			General Fund
Industrial (Per Acre)	$936.09		
Residential (Per Unit)		$166.43	
CFD 2011-01			Non-General Fund
Industrial (Per Sq. Ft.)	$0.09		
Residential (Sq. Ft.)		$388.57	

B Analysis of Recurring Revenues – Multiplier Method

Utilizing the Multiplier methodology discussed in Section II(A) of this Study, the multipliers presented in this section and illustrated in **Table 6** below quantify the marginal increase in revenue for each specific revenue category as a result of the proposed development Scenario(s). Additional details on each revenue category are also provided below.

Table 6: General Fund Revenues (Multiplier Method)

Revenue Category	Amount	Methodology	Discount
Franchise Fees	$36.88	Persons Served	0%
Licenses and Permits	$13.01	Persons Served	0%
Fines and Forfeitures	$2.38	Persons Served	0%

B.1 Franchise Fees

The City receives franchise fee revenue from a variety of sources including utility companies (e.g., electricity, water, trash, etc.), pipelines that run under the City's streets, cable TV, taxi, and from companies that operate in the City's right-of-way to provide services for residents (e.g., tow trucks and solid waste haulers). Some franchise taxes (fees) are set dollar amounts that increase each year according to changes in some index, such as the Consumer Price Index. Other franchise fees are based on a percentage of utility revenues.

Using the *Per Capita/Employee Multiplier* approach, DTA has projected Franchise fees at $36.88 per persons served. This number represents the marginal increase in revenue per additional persons served in this category.

B.2 Licenses and Permits

Although Licenses and Permits made up only a small portion of the City's revenue in FY 2023-2024, it is considered an important source of income to the City's General Fund. In addition to business licenses, the city imposes fees on a variety of permits including building, electrical, plumbing, grading, construction, and many other areas. DTA projects Licenses and Permits at $13.01 per persons served using the *Per Capita/Employee Multiplier* approach.

B.3 Fines and Forfeitures

To ensure the payment of various licenses and fees, the City's Municipal Code empowers the City to impose penalties and to collect fines in several areas. Among the significant categories in this section are parking fines, traffic fines, and forfeitures/penalties for business licenses and franchises. After a careful review of this revenue source, Fines and Forfeiture have also been projected using the *Per Capita/Employee Multiplier* approach, at $2.38 per persons served.

C Analysis of Recurring Costs – Case Study Method

C.1 General Government

According to the City Budget, the percentage of recurring General Government overhead (percentage of total recurring General Fund expenditures) to the City General Fund non-government expenditures, is 26.16%. This is based on total general government expenditures of $20,110,184 and non-general government expenditure of $76,869,537. General Government costs are generated from several areas including City Council, Administration, Economic Development, City Attorney, City Clerk, Human Resources/Risk Management, Finance/Information Systems, and Real Property Services. Non-general government costs include Public Works, Development Services, Public Safety, Parks and Recreation, and other Financing Sources.

D Analysis of Recurring Costs – Multiplier Method

Table 7 below quantifies the marginal increase in expenditures for specific expenditure category as a result of the proposed development Scenario(s). A detailed description of each category is also provided below.

Table 7: General Fund Costs (Multiplier Method)

Categories	Amount	Methodology	Discount
Public Works	$95.85	Persons Served	0%
Development Services	$52.62	Persons Served	0%
Public Safety	$321.69	Persons Served	0%
Parks and Recreation	$16.45	Persons Served	0%
Other Financing Sources	$0.00	Persons Served	90%

D.1 Public Works

The Public Works Department is responsible for the design, construction, maintenance and management of the City's vital municipal infrastructure system. It is composed of two divisions, Operations and Engineering. The Operations divisions includes administration, right-of-way maintenance, facilities maintenance, fleet maintenance, and parks and landscape maintenance, and is responsible for the maintenance and repair of City streets, buildings, flood control, storm drains, street lights, traffic signals, public places, parks, special districts, vehicles and equipment. The Engineering division administers and coordinates the capital improvement program, traffic engineering, stormwater maintenance, and construction inspection and management.

The Department also oversees the drafting and execution of related contracts and agreements; coordination with outside agencies; preparation and administration of capital grant funding; management of City-owned asset data; and provides inspection and acceptance services for development and public infrastructure improvements in the City.

DTA projects the combined Public Works Department multiplier at $95.85 per persons served using the *Per-Capita/Employee Multiplier* approach. Again, this represents the marginal increase in expenditure per additional persons served in this category.

D.2 Development Services

The duties of the Development Services Department range from project entitlement approvals to approvals of construction permits and City ordinances related to land use and development. The department is made up of four divisions: (1) the Building Division that enforces laws, codes and ordinances for all building and parking activities in the City; (2) the Planning Division that administers the City's General Plan and various zoning and environmental regulation by analyzing and recommending measures to protect Approved resources; (3) the Land Development Engineering Division that ensures compliance with City codes and ordinances, as well as the Subdivision Map Act, National Pollutant Discharge Elimination System ("NPES") permit, and Federal Emergency Management System ("FEMA") floodplain requirements; and (4) the Housing Division that provides programs that include the development of new affordable housing units, the Down Payment Assistance Program and the Homeowner Rehabilitation Program.

Notably, DTA projects the combined Development Services multiplier at $52.62 per persons served using the *Per-Capita/Employee Multiplier* approach.

D.3 Public Safety

The Public Safety division discussed in this section is made up of both Law Enforcement and Fire services. According to the City Budget, this division accounts for the City's largest General Fund expenditure (over 50.0% of the City's annual General Fund expenditure). The City currently has a contract for police services with the San Diego County Sherriff's Department. The City contract for law enforcement services includes patrol, traffic, community-oriented policing, gang and narcotics details, detectives, and clerical and supervisory personnel. In contrast, the City operates its own Fire Department, which provides services to over 100,000 residents in the 33 square mile San Marcos Fire Protection District ("SMFPD"). The City itself, comprises 24 square miles of the SMFPD.

Based on the City Budget, DTA projects the combined Public Safety multiplier at $321.69 per persons served using the *Per Capita/Employee Multiplier* approach.

D.4 Parks and Recreation

The Parks and Recreation department is responsible for providing programs and services at the City's parks and recreation facilities. Among the specific elements of the department's work, are pre-school and youth programming, holiday celebrations, special events, cultural and performing arts activities, parks and trails planning, as well as aquatics and other programs. Additionally, the department oversees 17 neighborhood/community parks, 12 mini parks, and more than 60 miles of trails. Based on the City Budget, DTA projects the Parks and Recreation multiplier at $16.45 per persons served using the *Per Capita/Employee Multiplier* approach.

D.5 Other Financing Services

The Other Financial Services category is comprised of Transfers Out, Annual Replacement, and Rehab Transfers. In FY 2023-24 it is not projected to have a multiplier effect using the *Per Capita/Employee Multiplier* approach as no other financing sources were reported in the 2023-2024 budget. However, as explained in the earlier Scope and Methodology section, a discount rate of 90% would have been applied to this expenditure to exclude an administrative/overhead component of the expenditure that would not increase one-to-one with population or employment growth.

IV FISCAL IMPACTS TO THE CITY

A Total Recurring Revenues

Under the Approved Plan, total annual incremental recurring revenues are projected to total $241,224. Secured Property Tax revenue makes up the largest percentage total (73.6%). In addition, as shown in the table below, Property In Lieu of Vehicle License Fees (15.8%) also make up significant portions of the revenue to the City.

Under the Proposed Plan, annual incremental recurring revenues total $301,226. As illustrated below in **Table 8**, the largest percentage of revenue generated under the Proposed Plan is attributed to Secured Property Tax revenue (34.9%). Other areas making up a significant portion of the revenue to the City include Property In Lieu of Vehicle License fee (20.1%) and CFD Revenues (20.2%). **Attachments 1 and 11,** in **Appendix A** provide additional details regarding all recurring revenues and the assumptions used in their derivation.

Table 8: Recurring Fiscal Revenues (City General Fund)

Revenue Category	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Secured Property Tax	$177,458	73.6%	$105,269	34.9%
Unsecured Property Tax	$8,873	3.7%	$3,057	1.0%
Property Transfer Tax	$1,610	0.7%	$3,625	1.2%
Property In Lieu of Vehicle License Fee	$38,026	15.8%	$43,740	14.5%
Direct and Indirect Sales tax	$2,300	1.0%	$60,662	20.1%
Franchise Fees	$2,471	1.0%	$16,845	5.6%
Licenses and Permits	$872	0.4%	$5,942	2.0%
Fines and Forfeitures	$159	0.1%	$1,087	0.4%
CFD Revenue	$9,454	3.9%	$60,998	20.2%
Total Revenues	**$241,224**	**100.0%**	**$301,226**	**100.0%**

B Total Recurring Costs

As illustrated in **Table 9** below, under the Approved Plan, the total annual incremental recurring costs are projected to be $44,154 per year. Public Safety (48.8%), Public Works (14.5%) and General Government (26.2%) make up the largest cost percentages in this category. Under the Proposed Plan, the total annual recurring costs are projected to be $301,007 per year. Like the Approved Plan, the largest annual costs are expected to be Public Safety, General Government, and Public Works. **Attachments 1 and 12**, in **Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

Table 9: Recurring Fiscal Costs (City General Fund)

Categories	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Public Works	$6,422	14.5%	$43,779	14.5%
Development Services	$3,526	8.0%	$24,034	8.0%
Public Safety	$21,553	48.8%	$146,932	48.8%
Parks and Recreation	$1,102	2.5%	$7,514	2.5%
Other Financing Sources	$0	0.0%	$0	0.0%
General Government	$11,551	26.2%	$78,748	26.2%
Total Revenues	**$44,154**	**100.0%**	**$301,007**	**100.0%**

C Overall Net Fiscal Impact

Table 10 presented below, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development and the recurring costs associated with the Project, is an annual recurring fiscal surplus of $197,070. This total is based on $241,224 in recurring annual revenue and $44,154 in recurring annual costs. In this analysis, the total annual revenue-to-cost ratio is projected to equal 5.46, which represents a positive impact to the City.

Under the Proposed Plan, the overall fiscal impact to the City General Fund, resulting from revenues generated by the Project and the recurring costs associated with this area is a recurring fiscal surplus of $219. This amount is based on $301,226 in recurring annua revenues and $301,007 in recurring current annual costs (expenditures). In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.00, which also represents a positive impact to the City.

Table 10: Annual Net Fiscal Impact (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	$241,224	$301,226
Total Recurring General Fund Expenditures	($44,154)	($301,007)
Net Fiscal Impact	$197,070	$219
Revenue to Expense Ratio	**5.46**	**1.00**

D Market Considerations

The primary advantage of the Proposed Plan over the Approved Plan is that the planned site can provide residential rental product to San Marcos, which currently has limited new rental multifamily product and limited multifamily for-sale communities. The rental component will provide an opportunity for residents of the City, especially as the San Diego market has seen double digit growth for rentals and higher demand. Comparable apartments in the submarket have healthy occupancy rates above 94.5%, and overall occupancy in San Marcos is 95.9%. In addition, higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing, and the need for more income-restricted housing units in the city of San Marcos is very high. In terms of location, the proximity to Grand Plaza and other nearby retail, services, and food supports apartment tenancy at this location. This scenario is also favorable as the proposed plan includes a commercial element and maximizes tax revenue potential at this site. As to the approved pan, although Data Centers are among the hottest, best performing non-residential markets, and the site is the "right size" for a data center which is one of the most profitable commercial land use sectors in today's market, the subject's potential as a secondary data center is not viable based on the lack of requisite proximity to large scale internet origination grids such as AWS, Google and MSN. In addition, there is an insufficient presence of Fortune 500 companies locally to purchase the data center internet output, and there are other areas which are either cheaper (such as the Inland Empire), have more space, or close proximity to internet giants (like Silicon beach in Los Angeles) and have the market share in the data center space.

APPENDIX A

City of San Marcos
Pacific Specific Plan Project
Fiscal Impact Report

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San Marcos, CA 92069

Attention: Sean del Solar

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I EXECUTIVE SUMMARY

A Purpose of the Study

The objective of this Economic Impact Study (the "Study") is to analyze the fiscal impacts to the City of San Marcos (the "City") from the zoning and land use change proposed for the development on the 2.44-acre project site (the "Project").

The project consists of a General Plan Amendment ("GPA"), Rezone ("R"), Site Development Plan ("MFSDP"), and Conditional Use Permit ("CUP") to develop a 165-unit residential apartment development (17-units for very low income) and 5,600 square feet of commercial floor area on a 2.44-acre project site (45 du/ac). The project includes a request to change the General Plan land use and Zoning designations of part of the project site from Public Institutional ("PI") to Specific Plan ("SPA").

The project was formerly a part of the adjacent parcel on N. Las Posas Road. As such, it shared to PI designation to allow the future expansion of the telecommunication facility. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include 160,000 square foot data center (maximum allowed building area in the P-1 zone). Data Centers are facilities that house computers that store and process data. In 2020, the project site parcel was split off, to allow private development. The proposed project would redesignate the project site to Specific Plan Area to allow development to occur under the Armorlite Lofts Specific Plan.

The project applicant is requesting approval of a Specific Plan (SP23-0001) General Plan Amendment (GPA23-0002), Rezone (R23-0001), Site Development Plan (SDP23-0003) and a Conditional Use Permit (CUP23-0002) for use of a potential rock crusher during construction. If approved, these entitlements would allow for the development of 165 apartment units and 5,600 square feet of commercial use.

The proposed project (the "Proposed Plan") consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development. The project utilizes a base density consistent with the Mixed-Use 2 (MU-2) zone of 45 dwelling units per acre, with a density bonus for a proposed density of 67 dwelling units/acre. As proposed, 15% of units calculated from the base density would be affordable units at the very low-income level (30% to 50% of the Area Median Income or "AMI").

One building is proposed and would have four stories of stacked flats over one level of podium parking (five stories total). The building would have a maximum height of 57 to 65 feet, due to site topography. Overall, the project proposes 93 one bedroom/one bath units (ranging from 620 SF to 670 SF) and 72 two bedroom/one bath units (ranging from 875 SF. to 1,020 SF). All units would be single story. Proposed materials include stucco walls, siding, stone veneer, metal and glass railings, metal or stucco awnings, decorative stucco frame and the use of decorative metal grilles.

The project proposes 5,600 square feet of Ground-Floor Commercial use. This would be on the ground floor facing Armorlite Drive adjacent to the project's entrance. The Specific Plan includes a provision for Flex Space. Flex Space allows for the temporary use of commercial space as apartments, depending on market conditions and subject to approval of a CUP. Section 3.2.1 of the Specific Plan provides more detail. supporting documentation on the market conditions affecting commercial vacancies.

A total of 47,375 SF of open space is proposed. The proposed open space includes 34,894 SF of common outdoor open space, which covers approximately 32% of the site. The common outdoor space includes ground-level passive areas (18,291 SF) and a dog park with dog washing station (1,905 SF). On the second level will be a pool and spa area, courts (13,198 SF), an indoor-outdoor lounge open to the pool area (700SF), and a roof deck (800 SF). The proposed project also includes 2,050 SF of common indoor space (fitness area and lounge), and 10,431 SF of private open space. The private open space consists of balconies and patios ranging from 55 SF to 80 SF, depending on the unit type and location.

An approximate 100 SF area would be set aside on the project site should repatriation of cultural resources be the preferred approach for any found resources. This area would be subject to a conservation easement. Primary access to the project site would be via one unsignalized driveway on Armorlite Drive. The entrance driveway would be ungated and would be 24-feet wide. Internal vehicular movement would be via a minimum 24-foot-wide drive aisle. Secondary emergency-only access would be provided at the northwest corner of the project site and would be accessed through the adjacent AT&T parcels (APN 219-162-61-00) via an easement, providing access to N. Las Posas Road. Consequently, the Study estimates the fiscal impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

B Types of Economic Impacts Evaluated in the Study

The Study identifies the general economic impacts that would occur due to the Project and quantifies these impacts wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs) and economic output (e.g., gross receipts) in the City.

The Study also distinguishes between one-time impacts and permanent impacts. One-time impacts include benefits 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. Generally, first, there is a one-time impact from the construction of a facility. Then, after the construction phases are complete, firms have a recurring impact on the economy through their ongoing operations.

Economic impact studies also operate under the basic assumption that any increase in spending has three effects: direct, indirect, and induced. First, there is a direct effect caused by the additional output of goods or services. Second, there is a ripple of indirect effects on all of the industries whose outputs are used by various industries and by a firm's supply chain. Third, there are induced effects that arise when employment increases in the region and stimulates greater household spending.

For the purposes of this Economic Study, it is assumed that both residential and non-residential development is at full capacity; where non-residential development is at 100% occupancy and residential development is 100% sold out. This allows the City to make an accurate comparison between two fully built-out sectors and avoids any bias that may occur due to subjective occupancy and vacancy rates.

C Economic Impact Conclusions

The economic impact of the Approved Plan and the Proposed Plan are analyzed separately within the Study. In order to quantify the findings, the Study has evaluated the following elements as the major indicators of the economic impact: (i) Permanent Employment – direct-on-site and indirect/induced (which supplies or supports direct employment), (ii) Permanent Output (Gross Receipts) – total direct output plus output produced by suppliers and employee spending, and (iii) One-Time Construction Impacts. Recurring Impacts

As illustrated in **Tables ES-1** and **ES-2** below, both Permanent Employees and Permanent Gross Receipts are higher under the Approved Plan. The number of direct employees listed in the tables below, specifically 133 for the Approved Plan (The Data Center) and five (5) for the Proposed Plan (Apartments and Ground-Floor Commercial), refer solely to Direct Employment as opposed to the Employment totals presented in **Tables ES-3** and **ES-4**, which refer to both Direct and Indirect/Induced Total Employees.

Table ES-1: Permanent (Recurring) Employment and Overall Economic Output (Approved Plan [1])

Recurring Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	133	101	234
Overall Output			
City of San Marcos	$26,650,741	$14,082,874	$40,733,615

Note:

1. Data Centers are unique as most positions are 24 x 7x 365 to maintain and operate data centers nonstop. This often involves multiple shifts for employees.

Table ES-2: Permanent (Recurring) Employment and Overall Economic Output (Proposed Plan)

Recurring Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	5	1	6
Overall Output			
City of San Marcos	$2,796,596	$1,672,979	$4,469,575

In addition, DTA has estimated that the direct and indirect/induced economic output on the City total $40,733,615 for the Approved Plan and $4,469,575 for the Proposed Plan.

C.1 One-Time Impacts

The number of one-time construction employees and Gross receipts are also somewhat higher under the Approved Plan than the Proposed Plan. The tables presented below summarize the major conclusions related to the One-Time economic impacts of both the Approved Plan and the Proposed Plan.

Table ES-3: Construction (One-Time) Employment and Overall Economic Output (Approved Plan)

One-Time Impact	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	359	134	492
Overall Output			
City of San Marcos	$49,776,000	$20,225,784	$70,001,784

Table ES-4: Construction (One-Time) Employment and Overall Economic Output (Proposed Plan)

One-Time Impact	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	254	162	417
Overall Output			
City of San Marcos	$44,923,000	$21,412,439	$66,335,439

D Market Considerations

The primary advantage of the Proposed Plan over the Approved Plan is that the planned site can provide residential rental product to San Marcos, which currently has limited new rental multifamily product and limited multifamily for-sale communities. The residential rental component will provide an opportunity for residents of the City, especially as the San Diego market has seen double digit growth for rentals and higher demand. Comparable apartments in the submarket have healthy occupancy rates above 94.5%, and overall occupancy in San Marcos is 95.9%. In addition, higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing, and the need for more income-restricted housing units in the city of San Marcos is very high. In terms of location, the proximity to Grand Plaza and other nearby retail, services, and food supports apartment tenancy at this location. This scenario is also favorable as the proposed plan includes a commercial element and maximizes tax revenue potential at this site. As to the approved plan, although Data Centers are among the hottest, best performing non-residential markets, and the site is "right sized" for a data center, which is one of the most profitable commercial land use sectors in today's market, the subject's potential as a secondary data center is not viable based on the lack of requisite proximity to large scale internet origination grids such as AWS, Google and MSN. In addition, there is an insufficient presence of Fortune 500 companies locally to purchase the data center internet output, and there are other areas which are either cheaper (such as the Inland Empire), have more space, or a close proximity to internet giants (like Silicon beach in Los Angeles) and have the market share in the data center space.

II INTRODUCTION

The objective of this Economic Impact Study (the "Study") is to analyze the fiscal impacts to the City of San Marcos (the "City") from the zoning and land use change proposed for the development on the 2.44-acre project site (the "Project").

The project consists of a General Plan Amendment ("GPA"), Rezone ("R"), Site Development Plan ("MFSDP"), and Conditional Use Permit ("CUP") to develop a 165-unit residential apartment development (17-units for very low income) and 5,600 square feet of commercial floor area on a 2.44-acre project site (45 du/ac). The project includes a request to change the General Plan land use and Zoning designations of part of the project site from Public Institutional ("PI") to Specific Plan ("SPA").

The project was formerly a part of the adjacent parcel on N. Las Posas Road. As such, it shared to PI designation to allow the future expansion of the telecommunication facility. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include 160,000 square foot data center (maximum allowed building area in the P-1 zone). Data Centers are facilities that house computers that store and process data. In 2020, the project site parcel was split off, to allow private development. The proposed project would redesignate the project site to Specific Plan Area to allow development to occur under the Armorlite Lofts Specific Plan.

The project applicant is requesting approval of a Specific Plan (SP23-0001) General Plan Amendment (GPA23-0002), Rezone (R23-0001), Site Development Plan (SDP23-0003) and a Conditional Use Permit (CUP23-0002) for use of a potential rock crusher during construction. If approved, these entitlements would allow for the development of 165 apartment units and 5,600 square feet of commercial use.

The proposed project (the "Proposed Plan") consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development. The project utilizes a base density consistent with the Mixed-Use 2 (MU-2) zone of 45 dwelling units per acre, with a density bonus for a proposed density of 67 dwelling units/acre. As proposed, 17 of units calculated from the base density would be affordable units at the very low-income level (30% to 50% of the Area Median Income or "AMI").

One building is proposed and would have four stories of stacked flats over one level of podium parking (five stories total). The building would have a maximum height of 57 to 65 feet, due to site topography. Overall, the project proposes 93 one bedroom/one bath units (ranging from 620 SF to 670 SF) and 72 two bedroom/one bath units (ranging from 875 SF. to 1,020 SF). All units would be single story. Proposed materials include stucco walls, siding, stone veneer, metal and glass railings, metal or stucco awnings, decorative stucco frame and the use of decorative metal grilles.

The project proposes 5,600 square feet of Ground-Floor Commercial use. This would be on the ground floor facing Armorlite Drive adjacent to the project's entrance. The

Specific Plan includes a provision for Flex Space. Flex Space allows for the temporary use of commercial space as apartments, depending on market conditions and subject to approval of a CUP. Section 3.2.1 of the Specific Plan provides more detail. supporting documentation on the market conditions affecting commercial vacancies.

A total of 47,375 SF of open space is proposed. The proposed open space includes 34,894 SF of common outdoor open space, which covers approximately 32% of the site. The common outdoor space includes ground-level passive areas (18,291 SF) and a dog park with dog washing station (1,905 SF). On the second level will be a pool and spa area, courts (13,198 SF), an indoor-outdoor lounge open to the pool area (700 SF), and a roof deck (800 SF). The proposed project also includes 2,050 SF of common indoor space (fitness area and lounge), and 10,431 SF of private open space. The private open space consists of balconies and patios ranging from 55 SF to 80 SF, depending on the unit type and location.

An approximate 100 SF area would be set aside on the project site should repatriation of cultural resources be the preferred approach for any found resources. This area would be subject to a conservation easement. Primary access to the project site would be via one unsignalized driveway on Armorlite Drive. The entrance driveway would be ungated and would be 24-feet wide. Internal vehicular movement would be via a minimum 24-foot-wide drive aisle. Secondary emergency-only access would be provided at the northwest corner of the project site and would be accessed through the adjacent AT&T parcels (APN 219-162-61-00) via an easement, providing access to N. Las Posas Road. Consequently, the Study estimates the fiscal impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

A Scope and Methodology

A.1 Approach

The Study identifies the general economic impacts that would occur with the development of the Approved Plan and the Proposed Plan individually and quantifies these impacts wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs), and economic output (e.g., gross receipts). 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) 2024 dollars, based on the assumption that the relative impacts of inflation in future years may be difficult to gauge.

Furthermore, 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 and output, all of which occur directly on-site. 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 the Proposed Plan would likely include maintenance and repair professionals, utilities' providers, wholesale trade companies, commercial and business support services; while suppliers to the Approved Plan may include construction supply firms, computer and other technology firms, accounting and bookkeeping professionals, and utilities' providers. Additionally, the suppliers representing the indirect one-time impacts would likely include heavy industrial and construction suppliers for the actual development of buildings and facilities. Finally, 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 the Study.

A.2 North American Industry Classification

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 6-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 service-providing sectors. This 6-digit hierarchical structure allows for the identification of nearly 1,170 industries. The broad NAICS sectors include the Retail/Commercial, Business Park, Industrial/Warehousing, and Construction, which are the focal NAICS categories analyzed within this Study to determine the indirect and induced economic impacts generated under both Scenarios.

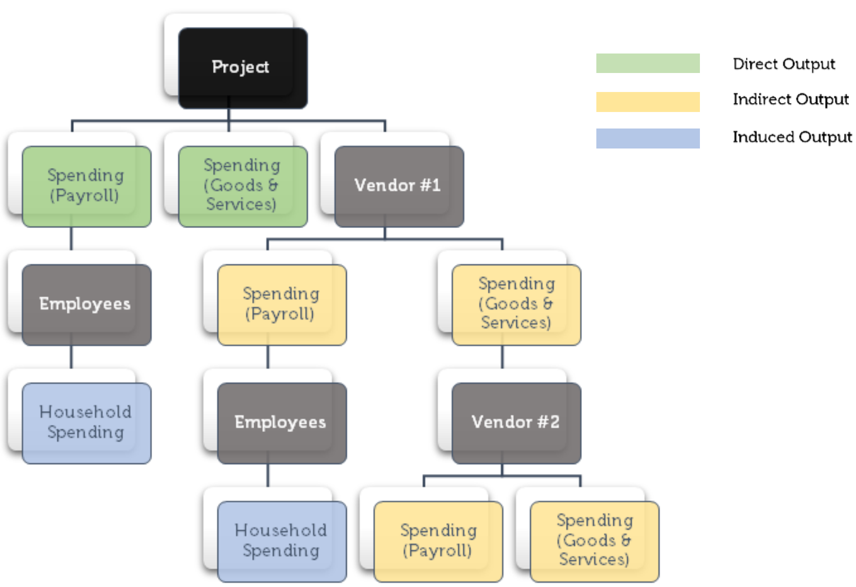
A.3 IMPLAN Multiplier Method

Although there is a consensus among economists 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. In this study, DTA used Version 3 of the IMPLAN economic modeling system.

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., within the Approved Plan or the Proposed Plan) is allocated across the producing industries from which that consumer 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 on jobs and employee compensation. Please refer to the example presented in **Figure 1** for a graphical representation of the multiplier effect in development.

Figure 1: Example of the Multiplier Effect (Direct, Indirect and Induced Output) [1]



[1] Source: DTA, 2024.

B Limitations – Accuracy of Information

The economic models presented in this Study contain analysis of revenues and impacts resulting from the Approved Plan and the Proposed Plan. These models are based on both (i) information provided to DTA by the City and its consultants, Applicant of the Proposed Plan, and (ii) certain DTA assumptions taken from DTA's proprietary databases, as compiled by DTA from previous 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 economic impacts contained in the Study 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 the Study 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.

III ECONOMIC IMPACTS

The Study identifies the general economic impacts that would occur under the Approved Plan and compares them to the impacts under the Proposed Plan, quantifying the impacts of each Scenario wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs) and economic output (e.g., gross receipts). 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 time 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.

A Recurring Economic Impacts

A.1 Assumptions

The project was formerly a part of the adjacent parcel on N. Las Posas Road. As such, it shared to PI designation to allow the future expansion of the telecommunication facility. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include 160,000 square foot data center (the maximum allowed building area in the P-1 zone). Data Centers are facilities that house computers that store and process data and can range in size from small facilities to the size of a city block. In addition, Data Centers are unique as most employee positions are 24 x 7 x 365 to maintain and operate data centers nonstop. This often involves multiple shifts for employees. In 2020, the project site parcel was split off, to allow private development. The proposed project would redesignate the project site to Specific Plan Area to allow development to occur under the Armorlite Lofts Specific Plan.

The proposed project (the "Proposed Plan") consists of 165 residential apartments and 5,600 square feet of Ground-Floor Commercial Development. The project utilizes a base density consistent with the Mixed-Use 2 (MU-2) zone of 45 dwelling units per acre, with a density bonus for a proposed density of 67 dwelling units/acre. As proposed, 17 of units calculated from the base density would be affordable units at the very low-income level (30% to 50%) of the AMI. Please see **Table 1**, presented below, for a general summary of the built-out projection on the Approved Plan and the Proposed Plan.

Table 1: Assumptions – Approved Plan vs. Proposed Plan

Assumptions	Approved Plan	Proposed Plan
Residential Land Use	**Units**	**Units**
Market Rate Apartments	-	148
Affordable Apartments	-	17
Residential Land Use	**Sq. Ft.**	**Sq. Ft.**
Market Rate Apartments	-	115,965
Affordable Apartments	-	12,700
Residential Land Use	**Residents**	**Residents**
Market Rate Apartments	-	407
Affordable Apartments	-	47
Non-Residential Land Use	**Sq. Ft.**	**Sq. Ft.**
Ground-Floor Commercial	-	5,600
Commercial Data Center	160,000	-
Employment	**Direct Employees**	**Direct Employees**
Ground-Floor Commercial	-	5
Commercial Data Center	133	-

A.2 Job Creation

As indicated in the Table below, full development and build-out of the Approved Plan is expected to be significant, resulting in 234 new jobs, while the Proposed Plan is expected to result in just 6 recurring jobs in the City. This total includes combined direct and indirect/induced employment. Although the specific location of the additional indirect jobs created cannot be identified in this Study, most of these jobs will likely be support service jobs in retail, transportation, security, and similar areas.

Table 2: Approved Plan – Recurring Employment

Recurring Impacts	Direct	Indirect/Induced	Total
Total Output			
City of San Marcos	133	101	234

Tables 2 and 3 presented here, as well as Attachment 1 of **Appendices A** and **B**, summarize the direct and indirect/induced recurring employment impacts of the Approved Plan and the Proposed Plan.

Table 3: Proposed Plan – Recurring Employment

Recurring Impacts	Direct	Indirect/Induced	Total
Total Output			
City of San Marcos	5	1	6

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.

A.3 Overall Economic Output

In addition to the Employment projections presented in the previous section, Total Output (i.e., total expenditures including sales or gross receipts, or other operating income) within the City will also increase under both development scenarios. However, as indicated below in **Tables 4** and **5,** total recurring output projections under the Approved Plan exceed those of the Proposed Plan. Total output is estimated and 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 either the Approved Plan site or the Proposed Plan site.

Table 4: Approved Plan – Recurring Total Output

Recurring Impacts	Direct	Indirect/Induced	Total
Overall Output			
City of San Marcos	$26,650,741	$14,082,874	$40,733,615

Table 5: Proposed Plan – Recurring Total Output

Recurring Impacts	Direct	Indirect/Induced	Total
Overall Output			
City of San Marcos	$2,796,596	$1,672,979	$4,469,575

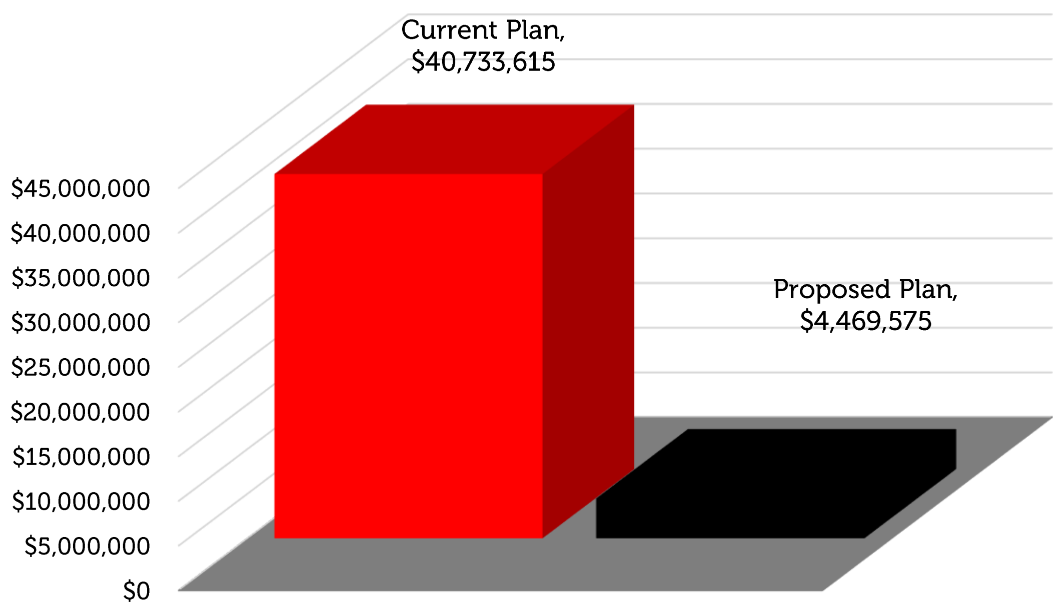
Indirect/induced economic impacts are the secondary effects, and other additional rounds of economic activity that occur as a consequence of the direct output impacts can occur outside of the Approved Plan and the Proposed Plan. The indirect impacts represent the economic activity – buying and selling 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 Project. Based again on IMPLAN

Version 3 multipliers and other assumptions utilized in the Study, DTA has estimated that the direct and indirect/induced effects on the City to total $40,733,615 for the Approved Plan and $4,469,575 for the Proposed Plan as indicated in **Tables 4** and **5**.

As stated earlier, for the purposes of this Economic Study, <u>it is assumed that both residential and non-residential development is at full capacity</u>, where non-residential development is at 100% occupancy and residential development is 100% sold out. This allows the City to make an accurate comparison between two fully built-out sectors and avoids any bias that may occur due to subjective occupancy and vacancy rates.

As shown in the tables above, DTA estimates that the direct and indirect/induced effects on the City resulting from the Approved Plan (including employees and residents) are greater than those under the Proposed Plan. The side-by-side comparison of recurring Total Output can be seen in the graphical representation of presented in **Figure 2** below.

Figure 2: Approved Plan vs. Proposed Plan – Recurring Total Output [1,2]



<u>Note</u>:

1. This scenario assumes both residential and non-residential development is at <u>full capacity</u> where all non-residential is fully leased and all residential is 100% occupied.
2. Additionally, Data Centers are expected to be operated 24 x 7 x 365 requiring multiple shifts.

B One-Time Employment and Output Impacts (Construction)

According to IMPLAN, development of the Approved Plan area is projected to create approximately four 492 one-time construction jobs in the City of San Marcos. This total includes combined direct and indirect/induced employment. For the Proposed Plan, 417 one-time construction jobs are expected to be created. Again, one-time construction and development costs will also have multiplier effects on the economy, generating one-time increases in output from construction of the non-residential buildings and all related site improvements. **Tables 6 and 7** below summarize the projected increases in employment resulting from construction activities, under each Scenario.

Table 6: Approved Plan – One-Time Employment

One-Time Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	359	134	492

Table 7: Proposed Plan – One-Time Employment

One-Time Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	254	162	417

As with recurring economic impacts, experience and modeling indicate that a large percentage of these jobs will be support service and construction jobs in industries currently occupying the Approved area. These jobs are likely to be located close to either the Approved Plan or the Proposed Plan. The tables presented above summarize the projected increases in employment to be generated directly from construction of the Project land uses, based on DTA construction cost assumptions.

Table 8: Approved Plan – One-time Total Output

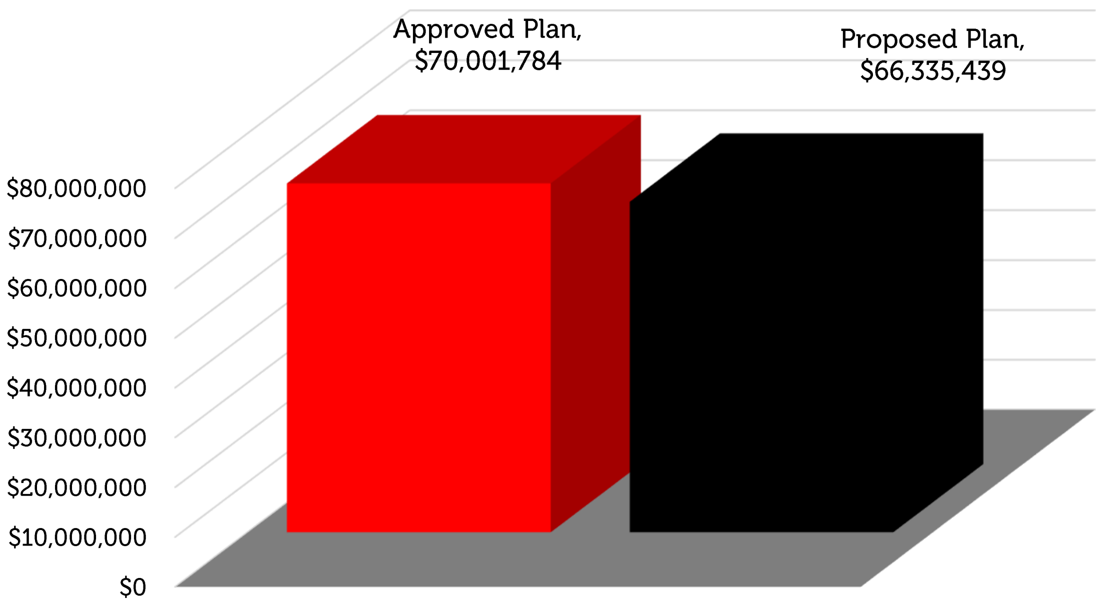
One-Time Impacts	Direct	Indirect/Induced	Total
Output			
City of San Marcos	$49,776,000	$20,225,784	$70,001,784

Table 9: Proposed Plan – One-time Total Output

One-Time Impacts	Direct	Indirect/Induced	Total
Output			
City of San Marcos	$44,923,000	$21,412,439	$66,335,439

Notably, projected one-time Total Output is expected to increase considerably under both the Approved and Proposed scenarios, as illustrated in **Tables 8 and 9** above. DTA estimates that the direct and indirect/induced effects on the City total totals $70,001,784 in one-time total output for the Approved Plan and $66,335,439 for the Proposed Plan. A side-by-side comparison of both Scenarios can be seen graphically in **Figure 3** presented below.

Figure 3: Approved Plan vs. Proposed Plan – One-Time Total Output



C Market Considerations

The primary advantage of the Proposed Plan over the Approved Plan is that the planned site can provide residential rental product to San Marcos, which currently has limited new rental multifamily product and limited multifamily for-sale communities. The residential rental component will provide an opportunity for residents of the City, especially as the San Diego market has seen double digit growth for rentals and higher demand. Comparable apartments in the submarket have healthy occupancy rates above 94.5%, and overall occupancy in San Marcos is 95.9%. In addition, higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing, and the need for more income-restricted housing units in the city of San Marcos is very high. In terms of location, the proximity to Grand Plaza and other nearby retail, services, and food supports apartment tenancy at this location. This scenario is also favorable as the proposed plan includes a commercial element and maximizes tax revenue potential at this site. As to the approved plan, although Data Centers are among the hottest, best performing non-residential markets, and the site is "right sized" for a data center which is one of the most profitable commercial land use sectors in today's market, the subject's potential as a secondary data center is not viable based on the lack of requisite proximity to large scale internet origination grids such as AWS, Google and MSN. In addition, there is an insufficient presence of Fortune 500 companies locally to purchase the data center internet output, and there are other areas which are either cheaper (such as the Inland Empire), have more space, or a close proximity to internet giants (like Silicon beach in Los Angeles) and have the market share in the data center space.

APPENDIX A

City of San Marcos
Pacific Plan Amendment
Economic Impact Study

ECONOMIC IMPACT MODEL, APPROVED PLAN

CITY OF SAN MARCOS
AMORLITE LOFTS
ECONOMIC IMPACT ANALYSIS - (APPROVED PLAN)

RECURRING JOBS

RECURRING IMPACTS

ONE-TIME JOBS

ONE TIME IMPACTS

JOB HOUSING BALANCE

SUMMARY

EXHIBIT 1A

AMORLITE LOFTS
RECURRING EMPLOYMENT - APPROVED PLAN

ASSUMPTIONS

I. RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY	UNITS
-	-

II. NON-RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY[1]	EMPLOYEES/1,000 SQ. FT.[2]	SQ. FT.[1]
Commercial Data Center	0.83	160,000
		160,000

RECURRING EMPLOYMENT

III. CITY

	DIRECT EMPLOYEES[3]	INDIRECT EMPLOYEES[4]	INDUCED EMPLOYEES[4]	TOTAL EMPLOYEES
Commercial Data Center	133	46	55	234
-				
TOTAL RECURRING EMPLOYMENT	**133**	**46**	**55**	**234**

NOTES:

[1] Source: City of San Marcos.
[2] Commercial Buildings Energy Consumption Survey (CBECS), 2018.
[3] Based on multiplying Category SF by Employees/1,000 SF metric.
[4] Source: San Marcos City IMPLAN multipliers.
* *All figures subject to rounding*

EXHIBIT 2A
AMORLITE LOFTS
RECURRING ECONOMIC IMPACTS - APPROVED PLAN

ASSUMPTIONS

I. RESIDENTIAL SPENDING ASSUMPTIONS	HOUSEHOLD INCOME	% INCOME SPENT IN CITY	TOTAL RESIDENT SPENDING / YR.
-	$0	0.00%	

II. NON-RESIDENTIAL OUTPUT ASSUMPTIONS	AVERAGE OUTPUT / EMPLOYEE [1]	OUTPUT / YR. [1]
Commercial Data Center	$200,382	$26,650,741

RECURRING OUTPUT

III. CITY	DIRECT OUTPUT	INDIRECT OUTPUT [1]	INDUCED OUTPUT [1]	TOTAL OUTPUT
Commercial Data Center	$26,650,741	$6,648,633	$7,434,241	$40,733,615
TOTAL RECURRING OUTPUT	**$26,650,741**	**$6,648,633**	**$7,434,241**	**$40,733,615**

NOTES:
[1] Source: San Marcos City IMPLAN multipliers.

* *All figures subject to rounding*

EXHIBIT 3A
AMORLITE LOFTS
ONE-TIME EMPLOYMENT -APPROVED PLAN

ASSUMPTIONS

I. RESIDENTIAL LAND ASSUMPTIONS	UNITS
-	-

II. NON-RESIDENTIAL LAND USE ASSUMPTIONS	SQ. FT.
Commercial Data Center	160,000

III. PUBLIC FACILITIES	TOTAL COST
PROJECT INFRASTRUCTURE	NA

ONE-TIME EMPLOYMENT

IV. CITY

	DIRECT EMPLOYEES [1]	INDIRECT EMPLOYEES [1]	INDUCED EMPLOYEES [1]	TOTAL EMPLOYEES
Commercial Data Center	359	47	86	492
-				
TOTAL ONE-TIME EMPLOYEES	**359**	**47**	**86**	**492**

NOTES:
[1] Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).
* *All figures subject to rounding*

EXHIBIT 4A
AMORLITE LOFTS
ONE-TIME IMPACTS - APPROVED PLAN

ASSUMPTIONS

I. RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS	UNITS	ESTIMATED COST PER SQ. FT.	COST PER UNIT
-	-		

II. NON-RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS	IMPROVEMENT VALUE [1]	CONSTRUCTION COST PER SQ. FT.
Commercial Data Center	$49,776,000	$311

III. PUBLIC FACILITIES	TOTAL COST
PROJECT INFRASTRUCTURE	NA

ONE-TIME OUTPUT

IV. CITY

	DIRECT OUTPUT	INDIRECT OUTPUT [2]	INDUCED OUTPUT [2]	TOTAL OUTPUT
Commercial Data Center	$49,776,000	$8,573,805	$11,651,979	$70,001,784
TOTAL ONE-TIME OUTPUT	**$49,776,000**	**$8,573,805**	**$11,651,979**	**$70,001,784**

NOTES:
[1] Assumes that improvement value is approximately 85% of total valuation.
[2] Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).
* **All figures subject to rounding**

EXHIBIT 5A
AMORLITE LOFTS
JOBS-HOUSING BALANCE - APPROVED PLAN

ASSUMPTIONS

I. EXISTING DEMOGRAPHICS

CITY OF SAN MARCOS	
HOUSING UNITS [1]	32,972
EMPLOYEES [2]	41,300

II. JOB IMPACTS [3]

CITY OF SAN MARCOS	
DIRECT IMPACT	133
ADDITIONAL INDIRECT	46
ADDITIONAL INDUCED	55
TOTAL	**234**

III. CUMULATIVE PROJECT DEMOGRAPHICS

EXISTING HOUSING UNITS PLUS PROJECT - CITY OF SAN MARCOS	32,972
PERCENTAGE INCREASE	*0.00%*
EXISTING EMPLOYEES PLUS PROJECT - CITY OF SAN MARCOS	41,534
PERCENTAGE INCREASE	*0.57%*

JOBS-HOUSING BALANCE

IV. JOBS-HOUSING BALANCE

CITY OF SAN MARCOS	
EXISTING	1.25
EXISTING WITH PROJECT	1.26
PERCENTAGE INCREASE	**0.57%**

NOTES:
[1] Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State (2024).
[2] Source: California Employment Development Department ("EDD") - Labor Market Information Division.
[3] Please see Exhibit B-1: Recurring Jobs.
* *All figures subject to rounding*

ASSUMPTIONS

I.	RESIDENTIAL LAND USE ASSUMPTIONS		UNITS
	-		-
II.	NON-RESIDENTIAL LAND USE ASSUMPTIONS	EMPLOYEES/1,000 SQ. FT.	SQ. FT.
	Commercial Data Center	0.83	160,000

ECONOMIC IMPACTS CONCLUSIONS

RECURRING IMPACTS

		DIRECT	INDIRECT/INDUCED	TOTAL
III.	JOB CREATION	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	133	101	234
IV.	TOTAL OUTPUT	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	$26,650,741	$14,082,874	$40,733,615

ONE-TIME IMPACTS

V.	CONSTRUCTION JOBS	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	359	134	492
VI.	CONSTRUCTION OUTPUT	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	$49,776,000	$20,225,784	$70,001,784

OTHER IMPACTS

		BALANCE EXISTING	BALANCE WITH PROJECT	% INCREASE/ (DECREASE)
VII.	JOBS-HOUSING BALANCE			
	CITYWIDE	1.25258	1.25967	0.57%

APPENDIX B

City of San Marcos
Pacific Plan Amendment
Economic Impact Study

ECONOMIC IMPACT MODEL, PROPOSED PLAN

CITY OF SAN MARCOS
AMORLITE LOFTS
ECONOMIC IMPACT ANALYSIS - (PROPOSED PLAN)

RECURRING JOBS

RECURRING IMPACTS

ONE-TIME JOBS

ONE TIME IMPACTS

JOB HOUSING BALANCE

SUMMARY

EXHIBIT 1b
AMORLITE LOFTS
RECURRING EMPLOYMENT - PROPOSED PLAN

ASSUMPTIONS

I. RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY	UNITS
Market Rate Apartments	148
Apartments Affordable	17

II. NON-RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY [1]	EMPLOYEES/1,000 SQ. FT. [2]	SQ. FT. [1]
Ground Floor Commercial	0.82	5,600
		5,600

RECURRING EMPLOYMENT

III. CITY

	DIRECT EMPLOYEES [3]	INDIRECT EMPLOYEES [4]	INDUCED EMPLOYEES [4]	TOTAL EMPLOYEES
Market Rate Apartments	0	0	0	0
Apartments Affordable	0	0	0	0
Ground Floor Commercial	5	0	1	6
TOTAL RECURRING EMPLOYMENT	**5**	**0**	**1**	**6**

NOTES:
[1] Source: City of San Marcos.
[2] Commercial Buildings Energy Consumption Survey (CBECS), 2018.
[3] Based on multiplying Category SF by Employees/1,000 SF metric.
[4] Source: San Marcos City IMPLAN multipliers.

* *All figures subject to rounding*

EXHIBIT 2b
AMORLITE LOFTS
RECURRING ECONOMIC IMPACTS - PROPOSED PLAN

ASSUMPTIONS

I. RESIDENTIAL SPENDING ASSUMPTIONS	HOUSEHOLD INCOME	% INCOME SPENT IN CITY	TOTAL RESIDENT SPENDING / YR.
Market Rate Apartments	$99,413	31.25%	$2,299,229
Apartments Affordable	$49,707	37.97%	$160,440

II. NON-RESIDENTIAL OUTPUT ASSUMPTIONS	AVERAGE OUTPUT / EMPLOYEE [1]	OUTPUT / YR. [1]
Ground Floor Commercial	$67,385	$336,927

RECURRING OUTPUT

III. CITY

	DIRECT OUTPUT	INDIRECT OUTPUT [1]	INDUCED OUTPUT [1]	TOTAL OUTPUT
Market Rate Apartments	$2,299,229	$500,682	$82,379	$2,882,290
Apartments Affordable	$160,440	$34,937	$5,748	$201,126
Ground Floor Commercial	$336,927	$381,931	$667,301	$1,386,159
TOTAL RECURRING OUTPUT	**$2,796,596**	**$917,551**	**$755,428**	**$4,469,575**

NOTES:
[1] Source: San Marcos City IMPLAN multipliers.

* *All figures subject to rounding*

EXHIBIT 3b
AMORLITE LOFTS
ONE-TIME EMPLOYMENT - PROPOSED PLAN

ASSUMPTIONS

I. RESIDENTIAL LAND ASSUMPTIONS	UNITS
Market Rate Apartments	148
Apartments Affordable	17

II. NON-RESIDENTIAL LAND USE ASSUMPTIONS	SQ. FT.
Ground Floor Commercial	5,600

III. PUBLIC FACILITIES	TOTAL COST
PROJECT INFRASTRUCTURE	NA

ONE-TIME EMPLOYMENT

IV. CITY

	DIRECT EMPLOYEES [1]	INDIRECT EMPLOYEES [1]	INDUCED EMPLOYEES [1]	TOTAL EMPLOYEES
Market Rate Apartments	216	81	60	357
Apartments Affordable	25	9	7	41
Ground Floor Commercial	14	2	3	19
TOTAL ONE-TIME EMPLOYEES	**254**	**92**	**71**	**417**

NOTES:

[1] Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).

* *All figures subject to rounding*

EXHIBIT 4b
AMORLITE LOFTS
ONE-TIME IMPACTS - PROPOSED PLAN

ASSUMPTIONS

I. RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS	UNITS	ESTIMATED SQ. FT. PER DWELLING UNIT	COST PER UNIT
Market Rate Apartments	148	$787	$260,000
Apartments Affordable	17	$747	$260,000

II. NON-RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS	IMPROVEMENT VALUE[1]	CONSTRUCTION COST PER SQ. FT.
Ground Floor Commercial	$2,023,000	$361

III. PUBLIC FACILITIES	TOTAL COST
PROJECT INFRASTRUCTURE	NA

ONE-TIME OUTPUT

IV. CITY

	DIRECT OUTPUT	INDIRECT OUTPUT [2]	INDUCED OUTPUT [2]	TOTAL OUTPUT
Market Rate Apartments	$38,480,000	$10,356,359	$8,132,596	$56,968,955
Apartments Affordable	$4,420,000	$1,189,582	$934,150	$6,543,731
Ground Floor Commercial	$2,023,000	$349,220	$450,532	$2,822,752
TOTAL ONE-TIME OUTPUT	**$44,923,000**	**$11,895,160**	**$9,517,278**	**$66,335,439**

NOTES:
[1] Assumes that improvement value is approximately 85% of total valuation.
[2] Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).
* **All figures subject to rounding**

EXHIBIT 5b
AMORLITE LOFTS
JOBS-HOUSING BALANCE - PROPOSED PLAN

ASSUMPTIONS

I. EXISTING DEMOGRAPHICS

CITY OF SAN MARCOS	
HOUSING UNITS [1]	32,972
EMPLOYEES [2]	41,300

II. JOB IMPACTS [3]

CITY OF SAN MARCOS	
DIRECT IMPACT	5
ADDITIONAL INDIRECT	0
ADDITIONAL INDUCED	1
TOTAL	**6**

III. CUMULATIVE PROJECT DEMOGRAPHICS

EXISTING HOUSING UNITS PLUS PROJECT - CITY OF SAN MARCOS	**33,137**
PERCENTAGE INCREASE	*0.50%*
EXISTING EMPLOYEES PLUS PROJECT - CITY OF SAN MARCOS	**41,306**
PERCENTAGE INCREASE	*0.01%*

JOBS-HOUSING BALANCE

IV. JOBS-HOUSING BALANCE

CITY OF SAN MARCOS	
EXISTING	1.25
EXISTING WITH PROJECT	1.25
PERCENTAGE INCREASE	***-0.48%***

NOTES:

[1] Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State (2024).
[2] Source: California Employment Development Department ("EDD") - Labor Market Information Division.
[3] Please see Exhibit B-1: Recurring Jobs.

* *All figures subject to rounding*

EXHIBIT 6B
AMORLITE LOFTS
SUMMARY - PROPOSED PLAN

ASSUMPTIONS

I.	RESIDENTIAL LAND USE ASSUMPTIONS		UNITS
	Market Rate Apartments		148
	Apartments Affordable		17
II.	NON-RESIDENTIAL LAND USE ASSUMPTIONS	EMPLOYEES/1,000 SQ. FT.	SQ. FT.
	Ground Floor Commercial	0.82	5,600

ECONOMIC IMPACTS CONCLUSIONS

RECURRING IMPACTS

III.	JOB CREATION	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	5	1	6
IV.	TOTAL OUTPUT	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	$2,796,596	$1,672,979	$4,469,575

ONE-TIME IMPACTS

V.	CONSTRUCTION JOBS	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	254	162	417
VI.	CONSTRUCTION OUTPUT	DIRECT	INDIRECT/INDUCED	TOTAL
	CITYWIDE	$44,923,000	$21,412,439	$66,335,439

OTHER IMPACTS

		BALANCE	BALANCE	% INCREASE/
VII.	JOBS-HOUSING BALANCE	EXISTING	WITH PROJECT	(DECREASE)
	CITYWIDE	1.253	1.247	-0.48%

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