

The Economics of Land Use



Final Report

Fiscal and Economic Impact Analysis of Proposed IKEA in Dublin, California

Prepared for:

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1. INTRODUCTION

IKEA Property, Inc. (IKEA) retained Economic & Planning Systems, Inc. (EPS) to prepare a fiscal and economic impact analysis (Analysis) of the development of a proposed retail center anchored by an IKEA store (Project) in Dublin, California (City). The purpose of the fiscal impact analysis is to estimate the extent to which the Project will benefit **the City's General Fund**. This analysis will estimate the public revenues generated by the Project, as well as the costs of providing City =operation and maintenance services. The economic impact analysis estimates the number of new jobs, both direct and indirect, that the Project will introduce to the local area.

Project Description

The Project will occupy a 26.8-acre site on the north side of the I-580 freeway between Hacienda Drive and Arnold Road and south of Martinelli Way, in the City of Dublin, California. IKEA is proposing the development of 432,000 total square feet of retail, of which approximately 340,000 square feet would be used for an IKEA home furnishings store, with the remaining 92,000 square feet occupied by adjacent retail uses.

The Summary of Findings presented below estimates the impact the Project will have on the City of Dublin. Actual fiscal impacts will depend on a number of factors that cannot be predicted with certainty, including the market performance of the project, future changes in City or State budgeting practices, and the efficiency of various City departments in providing services. Key analytical inputs and assumptions used in this analysis are from information provided by IKEA, City documents, and EPS industry knowledge.

Summary of Findings

1. **The proposed project is likely to result in an annual fiscal benefit to the City's General Fund.**

Table 1 summarizes the findings of the fiscal impact analysis. EPS estimates that tax revenues generated by the Project will significantly exceed costs associated with providing City services to the new development and its employees. As currently proposed by IKEA, the Project would result in an annual net fiscal benefit of approximately **\$1.8 million** to the City's General Fund.

Table 1 Net Fiscal Impact

Item	Annual Fiscal Impact Rounded
General Fund Revenues	\$1,990,250
General Fund Expenditures	<u>\$147,000</u>
Net Impact on General Fund	\$1,843,250

Source: City of Dublin, CA; Economic and Planning Systems, Inc.

2. **At buildout, Sales Tax will account for the largest revenue source from the project to the City of Dublin, and will represent an increase of nearly 10 percent in General Fund sales tax revenue.**

Using sales estimates provided by IKEA as well as EPS research on taxable sales per square foot, EPS estimated annual taxable sales of \$166 million for the proposed IKEA and adjacent retail uses. The City of Dublin currently levies a 1 percent sales tax on taxable goods and services purchased within the city boundaries.¹ As shown in **Table 2**, sales and use tax will result in \$1.6 million of the total \$1.9 million in fiscal revenues accruing to the City's General Fund. This \$1.6 million will represent an increase of approximately 9.2 percent of the City's existing \$17.9 million in annual sales and use tax revenue, see **Table 6**.

¹ The total sales tax rate in Dublin, CA is 9.5 percent; however, much of that is distributed to the State, the County, and other public agencies. One percent of taxable sales are dedicated to the City.

Table 2 Fiscal Impact Summary

Item	Annual Fiscal Impact¹ <i>Rounded</i>
<u>General Fund Revenues</u>	
Property Tax	\$272,000
Property Tax in Lieu of VLF	\$43,000
Sales Tax	\$1,660,000
Franchise Tax	\$15,000
Business License Fees	\$250
Total Revenues	\$1,990,250
<u>General Fund Expenditures</u>	
General Government	\$3,000
Economic Development & Public Information	\$2,000
Community Development	\$11,000
Fire Services	\$49,000
Police Services	\$68,000
Parks & Community Services	\$0
Public Works	\$14,000
Total Expenditures	\$147,000
Net Impact on General Fund	\$1,843,250

[1] Fiscal impact calculations are provided in Tables 4 through 9.

Source: City of Dublin, CA; Economic and Planning Systems, Inc.

3. The Project is estimated to support 1,142 jobs, including 580 direct jobs, 316 indirect jobs, and 246 induced jobs.

At buildout, the Project is expected to provide opportunity for new employment at the IKEA store and the adjacent retail uses. The Project is also expected to generate jobs for those local firms who will sell goods and services to the Project's retailers (indirect impacts), as well as jobs supported by the spending on goods and services by the households of the employees of the new retail and supplier firms (induced impacts). Total employment is estimated at 1,142 as shown in **Table 3**.

Table 3 Local Employment Summary

Item	Direct Effect	Indirect Effect	Induced Effect	Total Impact
Employment	580	316	246	1,142
Multiplier	1.00	0.54	0.42	1.97

Source: Minnesota Implan Group; Economic and Planning Systems, Inc.

4. The Project will contribute roughly \$14 million in one-time development impact fees.

The Project will be subject to a number of one-time development impact fees, which fund new or expanded public capital facilities required to serve new development. One-time development impact fees will be paid to the City of Dublin, the Dublin Unified School District, and Alameda County.

Table 4 Development Impact Fee Summary

Item	Total ¹
City of Dublin	\$7,209,733
Dublin Unified School District	\$241,920
County²	
DSRSD Water Capacity Reserve Fee	\$2,205,446
Zone 7 Water Connection Fee	<u>\$4,375,296</u>
Total Expenditures	\$14,032,395

[1] Reflect fees and permits to be paid for the entire development project, including future expansion.

[2] Water and Wastewater fees are administered by the County and are often calculated using detailed site plans as well as other information on flow and composition of waste. The figures used in this table are an approximation.

Sources: City of Dublin FY16 Development Impact Fees and Budget, Dublin Unified School District, Dublin San Ramon Services District (DSRSD).