

Miami Economic Associates, Inc.

May 2, 2018

Mr. Mike Meyers
Mr. Eric Metz
Meyers Real Estate Group
Ft. Lauderdale, FL

**Re: Economic & Fiscal Benefits Analysis
Park Road Mixed-use Project
Hollywood, Florida**

Gentlemen:

Pursuant to your request, Miami Economic Associates, Inc. (MEAI) has performed an analysis to estimate the economic and fiscal benefits that the mixed-use project that you are planning for development at 1600 S. Park Road will provide to the City of Hollywood as well as several other governmental jurisdictions that impact the lives of City residents. The other jurisdictions considered in our analysis are Broward County, the Broward County Public School District, the South Broward Hospital District and the Children's Services Council of Broward County.

The Park Road Mixed-use Project, also known herein as the Subject Project, is being proposed by the Meyers Real Estate Group in response to a Request for Proposal that was issued by the City of Hollywood to developers in March, 2015, with respect to a 30.58-acre site at the address indicated in the preceding paragraph. The site is comprised of 5 parcels of land that are currently owned by the City of Hollywood which are generally bounded by S. Park Road on the east and Hillcrest Drive and Pembroke Road on the north and south, respectively. To the west is a former golf course on which Pulte Homes plans to develop 645 town homes and single-family residences. The site is a designated brownfield as a result of its historic use as an uncontrolled land fill and as the location of public works facility. Langan Engineering has estimated that it will cost approximately \$10.0 million to environmentally remediate the site and stabilize it so that it can accommodate new development.

We understand, based on plans prepared for Meyers Real Estate Group by EDSA, your land planning consultants, that you are proposing to develop the site with approximately 315 market rate rental apartments, 71,000 square feet of retail space and a municipal compound that will contain, in addition to the currently utilized buildings, a building of approximately 14,000 square feet of office and shop space, a gas station canopy that

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could accommodate 4 pumps and 225 surface parking spaces. The currently utilized municipal compound buildings will remain on-site in their existing condition.

The estimates of economic and fiscal benefits presented in this report were calculated based on rates for taxes and fees that are subject to change as are the construction costs that we assumed in our analysis. Accordingly, the actual fiscal and economic benefits generated by the proposed mixed-use project for the City of Hollywood and the four other governmental jurisdictions enumerated above may vary from those estimated below and the differences may be significant. All monetary amounts in this letter are expressed in 2018 Dollars.

The remainder of this report, which is organized as shown below, presents the result of MEAI's analysis of the Subject Project.

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Key Findings

The paragraphs that follow summarize the key findings of the economic and fiscal benefits analysis that MEAI performed with respect to the Subject Project;

- The Meyers Real Estate Group will spend an estimated \$10.0 million to environmentally remediate and stabilize a designated brownfield site owned by the City of Hollywood and an additional \$61.39 million to develop uses on it that will provide employment opportunities, fiscally enhance the City as well as other governmental jurisdictions the impact the lives of City residents and make additions and modifications to City's on-site municipal compound.
- During the period in which the Subject Project is being developed, it will create job opportunities for 880 workers, including 531 construction workers on-site. Once development of the Subject project is completed, a total of 164 people will be employed on-site on a full-time equivalent basis. However, the number people working on-site may be greater since significant portions of the workforce in the retail and restaurant sectors are part-time workers.
- The residents of the proposed rental apartment units are expected to spend approximately \$4.66 million annually for retail goods and in restaurants. While a portion of their expenditures will occur on-site, significant amounts will be spent elsewhere in the City of Hollywood, thereby providing support for additional jobs.

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- During the period in which the Subject Project is being developed, it will pay more than \$1.83 million to the City of Hollywood for platting fees, building permit fees, park impact fees, water and sewer reserve capacity fees and certificate of occupancy or completion fees. It will also pay water and sewer tap fees and make a contribution to the City's Stormwater Utility Management Fund in amounts that cannot be estimated at this time based on the information currently available.
- Once the Subject Project has been completed, it will annually pay ad valorem taxes to the City of Hollywood in an amount approximating \$443,500, including nearly \$429,400 for the City's General Fund and \$14,200 for its Debt Service Fund. It will also annually pay to the City non-ad valorem revenues in the form of fire-rescue fee, fire inspection, fees, water and sewer service charges, utility tax and franchise fees, occupational license fees and stormwater utility fees. Since the site of Subject Project is currently owned by the City, hence exempt from taxes and fees, the moneys it will receive from the Subject Project on annual basis will represent totally new revenue for the City.
- During the period that the Subject Project is being developed, it will pay Broward County more than \$1.7 million in recreation impact fees and transit concurrency fees and the Broward County Public School District more than \$1.0 million in school impact fees. Once it is completed, it will generate more than \$325,000 annually in valorem taxes for Broward County and \$385,000 annually for the School District. Again, the ad valorem taxes paid to those jurisdictions on an annual basis will represent totally new revenue for them.

Project Description

As discussed in introductory section of this report, the site of the Subject Project at 1600 S. Park Road is a designated brownfield that will need to undergo environmental remediation and be stabilized before it can be revitalized with new uses. Langan Engineering estimates that the costs of those processes will approximate \$10.0 million. Once the site is ready for new construction, the Meyers Real Estate Group proposes to develop approximately 315 market rate rental apartment units and 71,000 square feet of retail space. It also plans additions and modifications to the municipal compound used by the City of Hollywood that will include a new 14,000 square foot building of office and shop space, a new gas station canopy that could accommodate 4 pumps and 225 surface parking spaces. The new building will expand the amount of building space on-site which currently totals approximately 30,000 square feet to approximately 44,000 square feet. The new gas station canopy will replace the existing gas station in a different location.

The proposed rental apartments will include 1-bedroom (40 percent), 2-bedroom (45 percent) and 3-bedroom (15 percent) units. Approximately 25 percent of the 1-bedroom units and 22.5 percent of the 2-bedroom units will have dens. The units will range in size from 850 to 1,350 square feet, averaging 1,027 square feet, and will rent for an average of \$1.85 square foot per month.

The proposed retail space is expected to include a 40,000 square foot supermarket, 5 or 6 outparcels with a total of 25,000 square feet of space and a gas station with a 6,000 square foot convenience store. For the purpose of this analysis, it is assumed that 50 percent of the outparcel space will be occupied by food service providers with the remaining 50 percent of the space occupied by retail outlets. All of these commercial facilities will be constructed by the users in accordance with the terms of land leases with a "newco" specifically established for the Subject Project.

Based on information provided to us by the Meyers Real Estate Group, we understand the proposed rental apartments and retail space as well as the municipal compound will cost a total of \$61.16 million to construct in terms of hard costs, inclusive of the \$10.0 million that will be spent on environmental remediation and site stabilization. We further understand that approximately \$10.23 million will be expended for soft costs including, but not limited to, architectural and engineering fees, building permit and impact fees, project management and supervision, marketing, leasing commissions and real estate taxes, insurance and construction loan interest during the development period. Accordingly, the Subject Project will cost a total \$71.39 million to develop.

Economic Benefits

The term "economic benefits" relates to the positive impact that the Subject Project, when developed, will have on the economy of the City of Hollywood and/or Broward County. The economic benefits that the project will provide will be both non-recurring and recurring in nature, with the former occurring during the construction period, the latter on an annual basis each year after the project has been fully completed. Table 1 below summarizes the economic benefits that the Subject Project will generate. The monetary amounts shown are expressed in 2018 Constant Dollars.

Table 1 Economic Benefits Park Road Mixed-use Project (2018 Constant Dollars)		
Benefits	Non-recurring	Recurring
Jobs Created		
Direct	531	164
Indirect	148	25
Induced	201	36
Total	880	225
Labor Income (All workers)	\$ 46,658,700	\$ 5,555,700
Gross Domestic Product (Value-added)	\$ 59,118,100	\$ 7,655,700
Source: Meyers Real Estate Group; IMPLAN; GAI Consultants Inc.; Miami Economic Associates, Inc.		

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With respect to Table 1, the following points are noted:

- The estimates of job creation, labor income and gross domestic product (or value-added) were formulated using the IMPLAN Input-Output Model developed at the University of Minnesota over 35 years ago and which has been updated on a continuing basis in the ensuing years. A description of the model may be found in the appendix to this report on page 12.
- The term “direct jobs” refers to jobs on-site. “Indirect jobs” are jobs in industries related to the on-site economic activity while “induced jobs” are jobs in economic sectors across the entirety of the economy in which the direct and indirect workers spend their earnings. Illustratively, during the construction period, the direct jobs would be filled by the on-site construction workers. The indirect workers would include people employed by building supply and trucking firms, among others, that provide goods and services that support the on-site construction activity. The Induced workers would include people working in supermarkets and doctors’ offices, among other venues, that the direct and indirect workers patronize.
- The estimates of non-recurring benefits are based on the Subject Project’s estimated cost of hard construction, which is expected to total \$61.16 million. Soft costs were not included in the input to the model since the model estimates those expenses and the resultant employment and earnings and their inclusion in the input would result in double-counting. The benefits shown would be generated throughout the entirety of the development period and are stated 2018 Constant Dollars.
- The estimates of recurring benefits are annual amounts expressed in 2018 Constant Dollars for each year after development of the entire project has been completed. The indirect and induced jobs as well as labor income and gross domestic product were estimated based on 164 direct employees on a full-time equivalent basis in the proposed project’s retail and restaurant space. In conducting this analysis, it was conservatively assumed that the proposed municipal compound would not result in any new workers being hired by the City of Hollywood. The number of full-time equivalents in the retail and restaurants was estimated based on the following assumptions: 1) the 40,000 square foot supermarket will employ 1.75 workers per 1,000 square feet; 2) the 12,500 square feet of retail space on the out-parcels will employ 2 workers per 1,000 square feet; 3) the 12,500 square feet of restaurant space on the out-parcels will employ 5 worker per 1,000 square feet; and 4) the convenience store associated with the proposed gas station will employ 2 workers per 8-hour shift on a 24-hour basis. However, it should be noted that the number of workers employed on-site will likely be greater than 164 because high percentages of the workforce in retail and restaurant sectors are comprised of part-time workers.
- Table 1 may understate the recurring benefits in terms of employment and earnings because it does not take into account the workers who may be employed on-site to operate and maintain the proposed rental apartments. The number of such workers

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will ultimately be dependent on the extent to which certain functions are handled by outside contractors.

With respect to economic benefits, one additional point should be considered. The average rental apartment unit will lease for approximately \$1,900 per month. This means that under conventional underwriting standards, the 315 households renting units in the project will have incomes averaging approximately \$75,000 per year. MEAI estimates that these households will spend approximately 20 percent of their cumulative annual income, which will total \$23.31 million, or \$4.66 million annually in retail and restaurant establishments. Portions of their annual expenditures will likely occur on-site; however, substantial amounts will occur off-site, providing support for additional jobs in the retail and restaurant sectors within the City of Hollywood as well as additional indirect and induced jobs throughout Broward County.

Fiscal Benefits

The term "fiscal benefits" refers to the positive impact that the Subject Project will have on the finances of the City of Hollywood and the other four governmental jurisdictions in which it will be located. Table 2, on the next page, summarizes the fiscal benefits that the Subject Project will generate on both a non-recurring and annual recurring basis for each jurisdiction. With respect to the table, the following points are noted:

- Since the site of the Subject Project is currently owned by the City of Hollywood, it currently generates no ad valorem taxes for any of the jurisdictions considered in Table 2. Accordingly, the amounts of ad valorem taxes as well as the other forms of recurring revenue shown in the table will represent new annual income in their entirety for those jurisdictions.
- The estimate of ad valorem taxes shown are understated since they are based solely on the estimated value of the real property that will exist at the proposed project when it is developed. Ad valorem taxes will also need to be paid on the personal property such as furniture, fixtures and equipment in the proposed retail and restaurant space.
- Certain benefits identified in the table cannot be estimated at this time because insufficient information is available to do so. In other instances, sufficient information only existed to estimate the revenue that would be generated from the proposed rental apartments. However, in certain instances including, most notably, utilities taxes and franchise fees the amount generated on an annual recurring basis will be significant.

Table 2 Summary of Fiscal Benefits Park Road Mixed-Use Project (2018 Constant Dollars)		
Jurisdiction	Non-recurring	Recurring
City of Hollywood		
Platting Fees	\$ 2,188	
Building Permit Fees	\$ 429,751	
Park Impact Fees	\$ 647,325	
Water & Sewer Reserve Capacity Charges**	\$ 733,325	
Water & Sewer Tap Fees	***	
Stormwater Utility Management Fund	***	
Certificate of Occupancy/ Completion Fees	\$ 19,311	
Ad valorem Taxes		
General Fund		\$ 429,371
Debt Service Fund		\$ 14,187
Fire-rescue Fees**		\$ 69,930
Fire Inspection Fees**		\$ 5,372
Water & Sewer Service Charges		***
Utility Taxes and Franchise Fees		***
Occupational License Fees		***
Stormwater Utility Fees		***
Broward County		
Building Permit Surcharge	\$ 34,789	
Recreation (Regional Park) Fees	\$ 96,484	
Transit Concurrency Fees	\$ 1,614,214	
Ad Valorem Taxes		
General Fund		\$ 314,902
Debt Service Fund		\$ 11,916
Occupational License Fees		***
Broward Public School District		
School Impact Fees	\$ 1,025,532	
Ad valorem Taxes		
General Fund		\$ 286,751
Capital Outlay Fund		\$ 86,475
Debt Service Fund		\$ 3,770
South Broward Hospital District (ad valorem)		
		\$ 8,624
Children's Services Council (ad valorem)		
		\$ 28,145
** Residential units only *** Amount cannot be estimated based on the information currently available. Source: Meyers Real Estate Group; City of Hollywood; Broward County; Broward County Property Appraiser; Miami Economic Associates, Inc.		

Bases of Estimates of Fiscal Benefits

The materials that follow describe the manner in which the fiscal benefits shown above were estimated.

Non-recurring Fiscal Impacts

- According to the City of Hollywood's engineering fee schedule, the Subject Project will need to pay a plat processing fee of \$2,188.
- Using the cost estimator provided on the website of the City of Hollywood's Building Department, MEAI estimates that the Subject Project will be required to pay building permit fees in the amount of \$429,571. This figure includes the fee itself, a technology fee and an education fee. A surcharge in the amount of \$34,789 will be levied by Broward County.
- The City of Hollywood charges park impact fees on all new residential units constructed within the City. The fees are \$1,875 for all units between 501 and 1,000 square feet in size and \$2,175 for all units between 1,001 and 1,500 square feet. Based on the mix in terms of size of 315 units proposed at the Subject Project, fees totaling \$647,325 will need to be paid.
- The City of Hollywood requires all new water and sewer customers to pay Reserve Capacity Charges (RCC) for water and sewer as well as a fee to tap into the water and sewer systems. At a charge of \$2,329.14 per residential unit, Reserve Capacity Charges in the amount of \$733,679 will be paid on the 315 proposed rental apartments. The amount that will be paid for the non-residential elements of the development program will be dependent on sizing of the meters through which service will be provided. The engineering plans for all elements of the Subject Project are not sufficiently formulated at this time to estimate the total amount of the fees that will be paid for commercial uses at the Subject Project at this time.
- The City requires the new projects make capital contributions to its Stormwater Utility Management Fund. The amount paid is based on a specific analysis of the project's impact on the system; since it is premature to make such an assessment, the amount that will be paid has not been estimated at this time.
- The City of Hollywood will charge certificate of occupancy and certificate of completion fees in the amount of \$19,311 in accordance with its Building Department's fee schedule for new construction projects.
- New projects developed within the City of Hollywood are required to pay impact fees to Broward County for recreation (regional parks) and transit concurrency. Park fees will be calculated at a rate of \$236 for the 142 1-bedroom units within the project and \$364 for the remaining 173 units, which include both 2-bedroom and 3-bedroom apartments. A total of \$96,484 will need to be paid. Based on the development

program and the published methodology for calculating transit currency fee and the fee schedule, it is estimated that a total of \$1,614,214 will need to be paid in transit concurrency fees.

- New residential projects constructed within the City of Hollywood are required to pay impact fees to the Broward Public School District. The rates applicable to the proposed 315 garden apartments are \$363 for the 126 1-bedroom units, \$4,309 for the 142 2-bedroom units and \$7,828 for the 47 3-bedroom units. Therefore, a total of \$1,025,532 will need be paid.

Recurring Fiscal Impacts

- The millage rates currently being levied for ad valorem tax purposes by the governmental entities referenced in Table 2 are shown at the top of the next page. Also shown there is the amount of ad valorem taxes that will be generated by the Subject Project based on a taxable value of \$57.65 million. This taxable value amount was estimated as follows
 - The taxable value of the 315 proposed rental units was assumed to equal the hard cost to the construct them, \$38.75 million, plus the assessed value of the 13.4 acres of land underlying them, \$5.0 million. The latter figure is based on the assessed values of land at comparable projects in the immediate area along S. Park Road. Accordingly, the total taxable value of the rental apartments is estimated to be \$43.75 million. As rental apartment units, they would not qualify for the Homestead Exemption.
 - The taxable value of proposed commercial uses was assumed to equal the hard cost to construct them, \$9.9 million, plus the value of the 9.4 acres of land underlying them, \$4.0 million. The latter figure is based on comparable properties within the City of Hollywood. Therefore, the total taxable value of the proposed commercial uses was estimated to be \$13.9 million.
 - As a governmental use, no taxable value was assigned to the municipal compound. Hence, the taxable value of the Subject Project was estimated to total \$57.65 million.

Entity	Rate/\$1000 Taxable Value	Ad Valorem Taxes
City of Hollywood		
Operating	7.4479	\$ 429,371
Debt Service	0.2513	\$ 14,487
Broward County		
Countywide Services	5.4623	\$ 314,902
Debt Service	0.2067	\$ 11,916
Broward County Public School District		
General Fund	4.9740	\$ 286,751
Capital Outlay	1.5000	\$ 86,475
Debt Service	0.0654	\$ 3,770
South Broward County Hospital District	0.1496	\$ 8,624
Children's Services Council of Broward County	0.4882	\$ 28,145

Source: Individual jurisdictions; Miami Economic Associates, Inc.

- The City of Hollywood will charge for water and sewer service. The amount that will be charged will be based on usage as well as the size of the meters through which service is provided, which has not yet been determined. Accordingly, the fees that will be collected annually cannot be estimated at this time.
- The City of Hollywood collects utility taxes and franchise fees from the providers of utility and telecommunication services. The amount collected depends on usage, which can not be estimated at this time.
- Both the City of Hollywood and Broward County will collect occupational license fees from the businesses operating within the proposed project inclusive of the rental apartment project. The amounts paid will vary based on the type and size of the businesses, hence cannot be calculated at this time.
- The City of Hollywood imposes fire-rescue and fire inspection assessments on each folio within the City. Based on comparable rental apartment properties within the vicinity of the Subject Project, it is estimated that fire-rescue fees in the amount of \$69,930 and fire inspection fees in the amount of \$5,372 will be collected on the 315 proposed rental apartment units. The fees on the commercial space cannot be estimated at this time since it is not yet known how many separate folios will be created for those uses.
- The City collects annual fees for the services provided by its stormwater utility. For all uses with the exception of single-family dwellings, the cost of the service is calculated based on formula that uses the amount of impervious surface as one of the variables. This figure is not currently available; hence, these fees cannot be estimated at this time.

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Conclusion

The analysis performed by MEAI demonstrates that Park Road Mixed-use Project will provide significant economic and fiscal benefits to the City of Hollywood as well as other governmental jurisdictions of government that impact the lives of City residents.

Sincerely,
Miami Economic Associates, Inc.



Andrew Dolkart
President

Appendix Minnesota IMPLAN Input-Output Model

The Minnesota IMPLAN Input-Output Model relies on multiplier analysis which quantifies the cumulative effect of dollars inserted into the regional economy. As a dollar moves through the region, it creates additional revenue for linked businesses and/or their employees who also spend that money. More simply, expenditures dispersed by one entity become revenue to another, continuing an economic cycle which ultimately dissipates, bleeding into other regions or areas. Although a number of economic models are available, they work in fundamentally similar ways and center on the same indicators. The Minnesota IMPLAN model was initially created over 35 years ago at the University of Minnesota and has been upgraded on a continuing basis in the ensuing years.

The multiplier impacts calculated by the Minnesota IMPLAN model are based on input-output methodology, which explicitly considers the inter-industry linkages that exist within an economy. Each industry needs labor and inputs from other industries in order to produce economic output. Whenever an industry experiences an increase in the demand for its output, many other industries within that economy indirectly experience an increase in demand as well because of these inter-industry linkages. This increase in demand that results from the need for material inputs is called the *indirect effects*. In addition, an increase in production within a region also leads to an increase in household income through the hiring of workers, which in turn generates further demands for goods and services within the region. Firms also need to expand their base of physical capital to meet higher levels of demand, and this too stimulates regional economic growth. The latter effects are referred to as *induced effects*. The inter-industry linkages and the induced effects on consumer and capital spending lead to successive rounds of production, and this process results in an increase in output that exceeds the initial change in demand, or a *multiplier effect*. Similarly, the increase in household income will exceed the initial payroll increase encountered in the industry that experienced the original increase in demand. The total change in employment in the regional economy is a multiple of the direct change in employment.

In addition to estimating employment, MEAI also used the Minnesota IMPLAN model to quantify the total earnings or labor income of the direct, indirect and induced workers as well as the total gross domestic product, or value added, that would result from the efforts of the direct, indirect and induced employees. Labor income consists of all forms of employment income including wages and salaries and proprietor income. Gross domestic product (GDP), also known as value-added, is the increased value of a product or service as the result of the economic inputs (labor and capital) expended at a given stage, GDP is the sum of wages and salaries, proprietor income, interest and indirect business taxes.