



Memorandum

To: City of Lake Elsinore
From: Riverside Legacy IV Nichols Road, LLC
Date: January 19, 2024
Re: **Baker and Pierce Street Development – Executive Summary of Economic Benefit Analysis**

Baker and Pierce Street Development (the “Project”) is located southwest of the intersection of Baker Street and Pierce Street in the City of Lake Elsinore (“City”). Regional access to the Project site is provided by Interstate 15 (I-15) located 0.40 miles east of the site. Local access to the site is provided from Baker Street and Pierce Street. The Project site encompasses 24 parcels totaling approximately 123.33 acres. The site is currently vacant and undeveloped with naturally occurring vegetation. The Project will consist of constructing two new warehouse buildings and related onsite improvements on 65.81 acres of the site. The project will also include ROW improvements along Baker Street and Pierce Street. The 33.65 acres of land opposite the Project will be used for future restoration activities. The remaining 23.87 acres will be used for offsite improvements.

The Project will consist of two new warehouse buildings totaling 1,000,451 SF. Building 1 will be 212,028 SF, inclusive of 10,000 SF of office. Building 2 will be 788,423 SF inclusive of 20,000 SF of office. The Project also includes the construction of a sewer lift station, parallel force main and various Right-of-way improvements such as storm drain, rough utility, grading, and curb and gutter.

At the request of Riverside Legacy (“Developer”), DPFG, LLC (“DPFG”) has prepared an Economic Benefit Analysis for the Project to estimate the number of temporary and permanent jobs that would be created by the Project during the construction period and on an on-going basis. The results of the Economic Benefit Analysis are summarized as follows:

Over an average annual basis, over the eighteen (18) months construction period, it is estimated that the Project will generate:

1,472 Total Jobs.

- 1,046 Direct Jobs.
- 165 Indirect Jobs.
- 261 Induced Jobs.

\$89.29 Million in Labor Income.

- \$66.81 Million in Direct Labor Income.
- \$9.98 Million in Indirect Labor Income.
- \$12.5 Million in Induced Labor Income.

Upon completion, on an Annual ongoing basis, it is estimated that the Project will generate:

749 Total Jobs.

- 483 Direct Jobs.
- 145 Indirect Jobs.
- 120 Induced Jobs

\$43.06 Million in Labor Income.

- \$29.91 Million in Direct Labor Income.
- \$7.36 Million in Indirect Labor Income.
- \$5.79 Million in Induced Labor Income.

We analyzed the Project using IMPLAN. IMPLAN is the most widely employed and accepted regional economic analysis software for predicting economic impacts. The IMPLAN model is used to predict the economic consequences of a development project within a local economy and measures the direct, indirect, and induced effects in terms of employment, and earnings within the local region.

A key concept to understand about the IMPLAN economic impact analysis is that one form of economic activity almost always stimulates other economic activities. The total economic impact of a specific project or event on a study area is the sum of the direct, indirect, and induced impacts. The direct economic activity stemming from the Project stimulates subsequent indirect and induced impacts to the local economy.

The three components of economic impact are further described below:

Direct Impact: Represents the initial change in the economy attributable to the development of the Project which occurs directly on the Project site.

Indirect Impact: Represents the impact on local industries as a result of inter-industry purchases as the economy responds to new demand of the directly affected industries. This impact represents the additional rounds of economic activity that occur as a consequence from the direct impacts, specifically through the production of goods and services required to support businesses directly impacted. For example, as it relates to jobs, if a direct impact of a Project is the creation of construction jobs on-site as a result of building new homes, then an indirect impact would be the creation of jobs in the lumber industry as result of the contractor's purchase of lumber to construct those homes.

Induced Impact: Represents the impact to the local economy as a result of the increased household spending due to additional labor income generated, specifically through the

purchase of goods and/or services required to meet consumer demand generated by the Project's residents and employees.

The specific economic impacts evaluated in this analysis are **employment** and **labor income**.

Employment: Represents the number of jobs produced in the economy.

Labor Income: Represents the total value of all forms of employment income paid throughout the local economy.

These economic impacts are driven by economic activity generated directly at the Project site as well as the related flow of economic activity in the specified region. In this case, the defined geographic region is the County of Riverside and the economic activities generating impacts are the construction of the Project, the annual ongoing activities of the new businesses located in the Project, and new local spending by the Project's tenants. Accordingly, this analysis evaluates the direct, indirect, and induced effects of the Project at two separate times: (i) a one-time evaluation of direct, indirect, and induced effects during the construction of the Project ("Construction Period Impacts") and (ii) the ongoing annual direct, indirect, and induced effects at buildout ("Ongoing Annual Impacts").

Construction Period Impacts:

The "Construction Period" commences upon initial site development and ends upon completion of construction. Per the Developer, the Construction Period is expected to be approximately eighteen (18) months. Direct inputs were comprised of construction cost summarized as follows:

Direct Construction Cost:	
Light Industrial Buildings	\$ 208,055,123
ROW Improvements	3,415,000
Sewer Lift Station and Parallel Force Main	10,100,000
Total Direct Construction Cost:	\$ 221,570,123

Construction of the Project will contribute to the creation of new direct, indirect, and induced jobs in the City and County-wide. Direct jobs created during the Construction Period consist of the employees constructing the Project, whereas the indirect and induced jobs created during this phase relate to (i) the other industries that need to produce additional goods and services to meet the demand from contractors/businesses directly involved in the construction of the Project and (ii) discretionary spending of the construction employees. The Project is anticipated to create **1,472** annual jobs during the Construction Period.

Labor income during the construction period includes employment compensation and benefits paid to workers. The direct effect on labor income during the Construction Period is comprised of labor income paid to construction employees on site. The indirect effect on labor income includes the income of those employees of businesses providing goods and services to the contractors/businesses working directly on the site. The induced effect on labor income is comprised of the income of employees working at businesses that experience growth from the discretionary spending of the direct and indirect employees. Overall, the Project is estimated to generate an average of **\$89,290,000** annually in labor income over the Construction Period.

Ongoing Annual Impacts:

Ongoing annual direct effects represent the anticipated economic effects of the Project once the site is stabilized. Ongoing annual direct effects on employment relate to the employees working at the Project, whereas the indirect and induced jobs created during this phase relate to the other industries that produce goods and services that support the new businesses of the Project and local spending by the new employees of the Project. The project is anticipated to create approximately 452 full-time equivalent employees. Full-time equivalent employees for the Project were based on occupancy and the square feet per employee estimates according to the anticipated tenant type. Because IMPLAN's definition of employment includes "all jobs" (i.e., full-time, part-time, and seasonal), IMPLAN industry sector conversion factor of 0.9379 for light Industrial use and 0.9245 for general office use in the County of Riverside. This resulted in approximately 483 total direct employees (i.e., total "headcount" jobs). Based on this direct employee number, the Project is anticipated to create **749** annual jobs (direct, indirect, and induced).

The direct effect on labor income during the Permanent Ongoing Period includes the labor income paid to on-site employees of the Project. The indirect and induced effects on labor income consist of the income of those employees associated with businesses that service the Project, as well as the income of the new employees generated by the increased demand for goods and services from the Project. Overall, the Project is estimated to generate **\$43,060,000** annually in labor income.

Disclaimer

Our analysis uses conservative metrics drawn from IMPLAN's Riverside County market data and our industry knowledge and experience. It should be noted, however, that market conditions may change between now and when the Project is anticipated to open. Accordingly, as the information, estimates, and assumptions used in the analysis are inherently subject to uncertainty and variation depending on evolving events (e.g., market conditions, government regulations, etc.), the estimates presented herein are subject to change.

Exhibits

Refer to the Land Use Assumptions (Exhibit A – Table 1) and Economic Benefit Analysis (Exhibit B – Table 1 through 4) found in subsequent pages.

Exhibit A

Riverside Legacy
Baker and Pierce Street Development - City of Lake Elsinore
Table 1 - Land Use Assumptions
January 19, 2024



I. Assessed Value	Assessed Value			Total
	SF (a)	per SF (a)	Assessed Value	
Light Industrial	970,451	\$ 30,000	208	\$ 201,816,283
General Office			208	6,238,840
Off-site Improvements				3,415,000
Sewer Lift Station and Parallel Force Main				10,100,000
Total Non-Residential Assessed Value			\$ 221,570,123	

II. Project Population	SF per Employee (b)			Total FTE Employees	IMPLAN Employee Conversion rate (c)	Total Full-time, Part-time and seasonal Employees
	Total SF	Employee (b)	Total FTE Employees			
General Light Industrial	970,451	2,469	393	393	0.9379	419
General Office	30,000	507	59	59	0.9245	64
Total Non-Residential Employees		452				483

Footnotes:

- (a) Per Riverside Legacy as of as of 12/20/2023.
- (b) Per 2018 Commercial Building Energy Consumption Survey, Table B2 published by U.S. Energy Information Administration.
- (c) IMPLAN conversion rates are used to convert the FTE number to full-time, part-time and seasonal number (Total Employment). The Total Employment is calculated by dividing the FTE number by the IMPLAN conversion rate.

Exhibit B

Riverside Legacy
Baker and Pierce Street Development - City of Lake Elsinore
Table 1 - Economic Benefit Analysis Summary
January 19, 2024

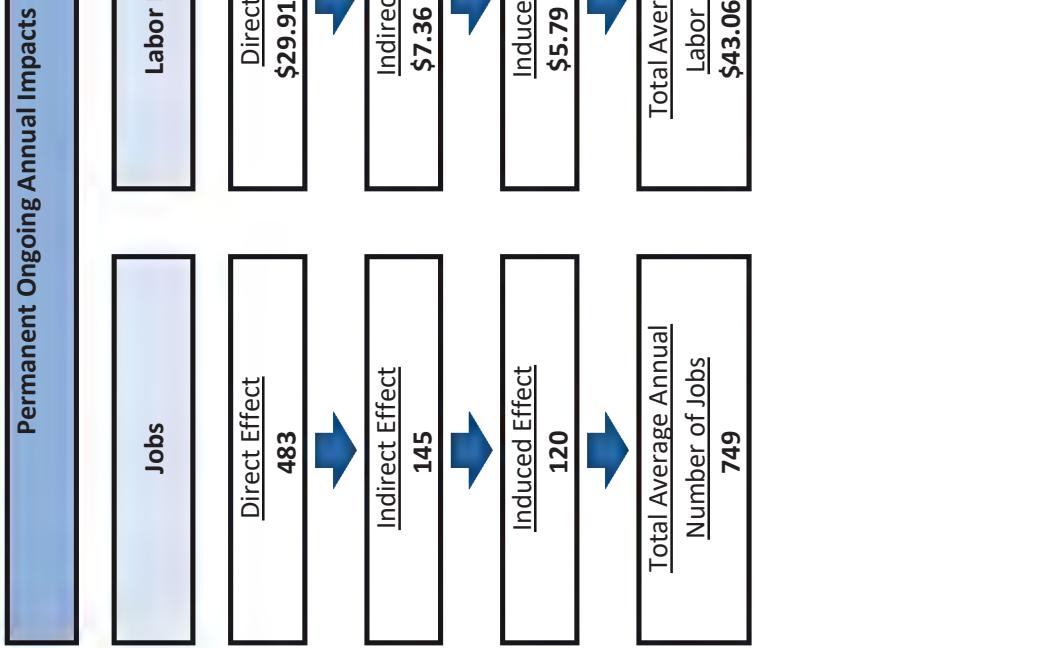
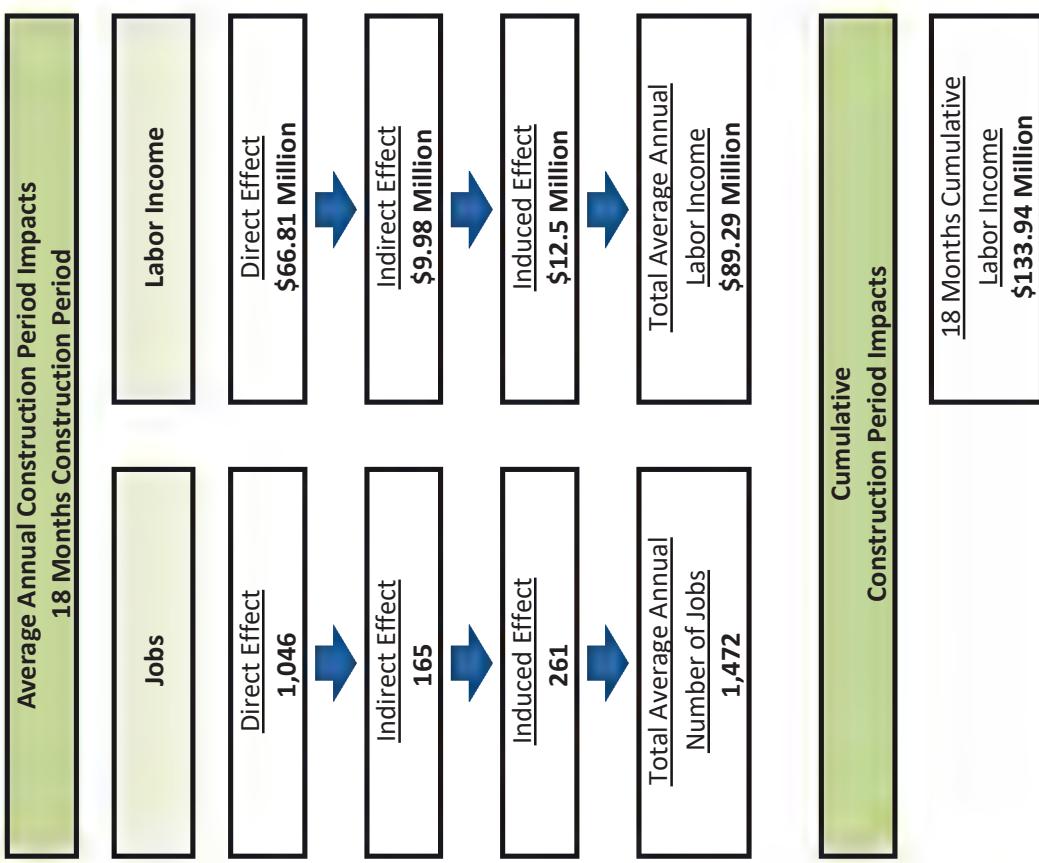


Exhibit B**Riverside Legacy****Baker and Pierce Street Development - City of Lake Elsinore****Table 2 - Construction Period Impacts**

January 19, 2024

Average Annual Jobs Created During Construction Period (a)

Employment Impact	Jobs	Description
Direct Effect	1,046	Represents direct onsite construction-related jobs.
Indirect Effect	165	Represents jobs created as a result of new business to business spending in the local economy.
Induced Effect	261	Represents jobs created as a result of spending by new direct and indirect employees in the local economy.
Total	1,472	

Average Annual Labor Income Generated During Construction Period (a)

Labor Income Impact	Labor Income	Description
Direct Effect	\$66.81 Million	Represents direct onsite construction labor income.
Indirect Effect	\$9.98 Million	Represents labor income generated as a result of new business to business spending in the local economy.
Induced Effect	\$12.5 Million	Represents labor income generated as a result of spending by new direct and indirect employees in the local economy.
Total	\$89.29 Million	

Footnotes:

(a) Calculated using IMPLAN, a nationally recognized economic modeling system. Riverside County is the study area. Jobs are reported as all jobs (full-time, part-time, and seasonal).

Exhibit B**Riverside Legacy****Baker and Pierce Street Development - City of Lake Elsinore****Table 3 - Ongoing Annual Impacts**

January 19, 2024

**Total Ongoing Annual Number of Jobs Created (a)**

Employment Impact	Total Jobs	Description
Direct Effect (b)	483	Represents direct onsite jobs created by the operations of the new facilities.
Indirect Effect	145	Represents jobs created as a result of new business to business spending in the local economy.
Induced Effect	120	Represents jobs created as a result of spending by new direct and indirect employees in the local economy.
Total	749	

Total Ongoing Annual Labor Income Generated (a)

Labor Income Impact	Total Labor Income	Description
Direct Effect	\$29.91 Million	Represents labor income generated by the operations of the new facilities
Indirect Effect	\$7.36 Million	Represents labor income generated from new business to business spending in the local economy.
Induced Effect	\$5.79 Million	Represents labor income generated by spending of new direct and indirect employees in the local economy.
Total	\$43.06 Million	

Footnotes:

(a) Calculated using IMPLAN, a nationally recognized economic modeling system. Riverside County is the study area. Jobs are reported as all jobs (full-time, part-time, and seasonal).

(b) 452 full-time equivalent direct jobs were converted to 483 full-time, part-time and seasonal jobs using IMPLAN industry sector conversion factors.

Exhibit B**Riverside Legacy****Baker and Pierce Street Development - City of Lake Elsinore****Table 4 - Top 10 Industries Affected****January 19, 2024****DRAFT****Total Ongoing Annual Top 10 Industries Affected (a) (b)**

Rank	Industry	Jobs
1	Warehousing and Storage	459
2	Office Administrative Services	67
3	Other Real Estate	33
4	Employment Services	19
5	Limited-Service Restaurants	9
6	Couriers and Messengers	9
7	Full-Service Restaurants	8
8	Individual and Family Services	6
9	All Other Food and Drinking Places	5
10	Services to buildings	5

Footnotes:

- (a) Calculated using IMPLAN, a nationally recognized economic modeling system. Riverside County is the study area. Jobs are reported as all jobs (full-time, part-time, and seasonal).
- (b) Jobs by Top Ten industries affected by the new commercial activity and local spending as a result of the new Project.