



**Pinole Vista Apartments  
1500 Fitzgerald Drive  
Pinole, California**

**An Economic Impact Brief**

**July 13, 2022**

## Main Findings

A housing development in Pinole (1500 Fitzgerald Dr) is being proposed for the City of Pinole to consider. This report shows potential economic impacts to Pinole's economy as a result of these units being built and operated as a 223-unit, multifamily complex. Affordable units comprise 12 percent or 27 units of the total. Economic impacts are business revenues, supported jobs, and state and local tax revenues.

The economic impacts come in three ways:

- **Construction:** the 223 units have construction costs of approximately \$75 million, which have impacts like any other construction work to build multifamily units;
  - This spending over two years supports an additional \$112 million in business revenue, over 503 jobs and over \$2.7 million in state and local taxes, some of which is ongoing (property tax) from on-site improvements and also other real-estate sales in Pinole.
  - Permit/City fees: \$6.5 to \$7 million.
- **Occupancy:** We assume the occupancy rate of these units is 94 percent, where the market-rate units (196 units) have households with \$104,904 area median income (AMI) in 2020 (the latest data); the remaining 27 affordable units have 13 households with 50 percent of AMI at \$52,452 and the other 14 households with 80 percent of AMI or \$83,923.
  - These household incomes provide new spending in Pinole based on the 94 percent occupancy rate for an annual total spending of \$22,133,590.
  - This spending supports 79 workers and over \$1.2 million in state and local tax revenues.
- **Operations:** The approximately 5 workers on-site that are paid wages and salaries add to these impacts, given the estimated annual revenues from rents, of approximately \$205 thousand, adding \$19 thousand in state and local tax revenues. Maintenance would add \$617 thousand in local revenues, 19 jobs, and \$43 thousand in state and local tax revenues.
- **Benefits Relative to Kmart:** Spending by residents alone would add more than \$6.5 million in net revenues to businesses, 33 jobs, and \$463 thousand in state and local tax revenues, relative to the continuing operations of the Kmart.
  - Property tax revenues are significantly higher with the apartment complex than with the Kmart, resulting in approximately \$86 thousand in additional revenues to the city of Pinole.
  - The additional sales tax revenues from the new resident spending and additional sales tax revenue are expected to more than compensate for the loss of sales tax revenues from the removal of the store.
    - Sales tax revenues from the Kmart had been in decline for several years prior to 2019. Overall revenues at the store declined by 45% from 2016 to 2019.
  - Combined sales and property taxes are estimated to increase by \$80 thousand on an ongoing basis.

## Introduction

This report examines the economic impacts of a proposed, 223-unit apartment complex at 1500 Fitzgerald Drive in Pinole, CA.<sup>1</sup> This study was commissioned by ROIC. The economic impacts come in two stages with three sources:

- Stage 1, Construction: the 223 units have a construction cost of approximate \$75 million;
  - Approximately \$55,000,000 in hard construction costs;
  - Approximately \$20,000,000 in soft construction costs (including permitting and design).
- Stage 2, Operations:
  - The 223 units are estimated to have approximately 598 residents if 100-percent occupied; based on the current people per household in Pinole of 2.68 (2020 estimates from US Census Bureau) for all city households that do not own their residence;
    - 27 of the units (12 percent) are meant to be deemed affordable units; 196 units would be at the market rate;
    - We assume here that there would be 508 residents on average (approximately 94 percent occupancy on average);
    - All residents of these units would be considered new households to Pinole given the low vacancy rates of approximately 2.7% in Pinole for all rental housing units in the City as of 2019;
    - 6 percent of the units are for residents with household income of 50 percent of area median income (AMI), and 6 percent are for residents with household income of 80 percent of AMI; and
  - There are also workers supported by the rents earned at the complex that are employed by the complex.

Residential spending is a key driver in the economic impacts from this development once the apartments are rented. The market-rate units are assumed to have household incomes equal to the median household income in Pinole for 2020 of \$104,904 to remain conservative in these estimates; the affordable or below market-rate units would have household incomes of a mix of 50 percent and 80 percent of that median level (50 percent is \$52,452 and 80 percent is \$83,923). These income levels drive the household spending effects shown below.

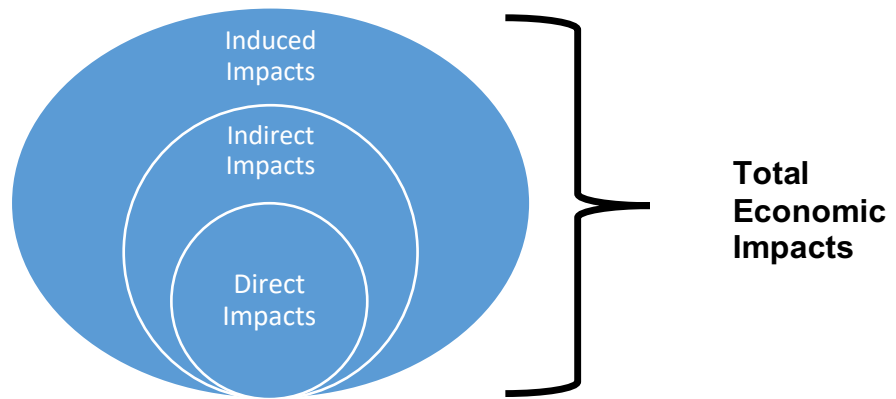
### *Basic Ideas*

The broader effects of building and operating this 223-unit complex on Pinole's economy include supported jobs, annual business revenues and new tax receipts. Figure 1 shows the multiplier effect of these rounds of new spending in theory. Economic impacts come in three "flavors" starting with the same way ripples come from throwing a rock into a still pond; the rock is the construction and operations of these new rental units, rippling out into the broader economy as **direct** effects. **Indirect** effects come from vendor relationships and generate broader spending. For example, the purchase of gardening and landscaping services for the complex's grounds provide demand to local businesses not there previously without these new units.

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<sup>1</sup> Please see [https://www.ci.pinole.ca.us/city\\_government/planning/current\\_projects/pinolevista](https://www.ci.pinole.ca.us/city_government/planning/current_projects/pinolevista) for more information on the proposed complex.

**Figure 1: Economic Impacts**



This indirect spending fuels **induced** effects, including the gardening company's employees spending their wages on groceries, medical visits, restaurant meals, and various other industries that have little to no connection at all with the apartment's construction or operations. The important, ongoing aspect of the economic impacts are the apartments' new residents spending. Their income adds more **induced** spending to broaden the economic impacts.<sup>2</sup>

### **Estimated Economic Impacts: Construction Spending**

The 223 apartment units have an estimated construction cost of approximately \$75 million. This cost includes hard costs of construction (labor and materials) and other costs that support construction efforts (design, management). A proforma financial estimate of these costs was provided to MEC; hard costs are approximately \$55,000,000, with the remainder as soft costs and additional contingency costs (approximately \$20,000,000). Construction would take approximately 24 months to build, with approximately 291 workers doing the work. Additionally, permitting and City fees will likely amount to \$6.5-\$7 million.

Assuming these total construction costs are correct, land improvements and thus a larger assessed property value exists after construction versus the current valuation; there are net property tax gains for the City of Pinole as a result. Other fees and taxes are paid directly and indirectly because of construction spending. The IMPLAN<sup>®</sup> model estimates the full-time equivalent workers that would be on site for construction and also the taxes and business revenues supported by this construction spending. Figures 2 through 4 below provide the broader economic effects.

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<sup>2</sup> A glossary in the Appendix provides more explanations of some of the major industries affected below.

**Figure 2: Business Revenue Effects Annually, Construction, 2020 Dollars**

Industry	Direct	Induced	Indirect	Total
Construction	55,000,000	0	0	55,000,000
Design and Management	20,000,000	34,203	1,374,492	21,408,695
Building material and garden equipment and supplies stores	0	82,782	4,153,819	4,236,601
Owner-occupied dwellings	0	3,044,146	0	3,044,146
Other real estate	0	589,915	2,235,273	2,825,188
Employment services	0	155,960	1,396,973	1,552,933
Management of companies and enterprises	0	208,232	1,137,876	1,346,108
Misc. financial investment activities	0	607,987	724,332	1,332,319
Merchant wholesalers - construction	0	69,098	781,959	851,057
Petroleum refineries	0	112,899	661,679	774,578
Truck transportation	0	118,555	637,338	755,893
Insurance carriers, except direct life	0	462,356	244,534	706,890
Hospitals	0	679,339	0	679,339
Management consulting services	0	70,002	550,259	620,261
Ready-mix concrete manufacturing	0	2,524	610,954	613,478
All Others	0	9,102,432	8,991,130	18,093,562
<b>Totals</b>	<b>75,000,000</b>	<b>15,340,430</b>	<b>23,500,618</b>	<b>113,841,048</b>

**Figure 3: Employment Impacts, Construction, Full-Time Equivalents Supported**

Industry	Direct	Induced	Indirect	Total
Construction	172	0	0	172
Design and Management	119	0	8	128
Building material and garden equipment and supplies stores	0	1	29	30
Employment services	0	1	12	14
Other real estate	0	3	10	13
Full-service restaurants	0	3	1	5
Truck transportation	0	1	4	5
Management of companies and enterprises	0	1	4	5
Landscape and horticultural services	0	1	4	5
Limited-service restaurants	0	4	1	5
Individual and family services	0	5	0	5
Transit and ground passenger transportation	0	2	2	4
Management consulting services	0	0	4	4
Office administrative services	0	0	4	4
Couriers and messengers	0	1	3	4
All Others	0	59	38	100
<b>Totals</b>	<b>291</b>	<b>82</b>	<b>124</b>	<b>503</b>

**Figure 4: State and Local Tax Receipts from Construction, 2022 Dollars**

Tax category	Hard Const	Soft Const	Total Const
Employment Taxes	125,564	88,602	214,166
Sales Taxes	432,381	32,617	464,998
Property Taxes	614,562	46,359	660,921
Personal Income	620,605	431,916	1,052,521
Other Taxes and Fees	327,409	27,302	354,711
<b>Total State and Local taxes</b>	<b>2,120,521</b>	<b>626,796</b>	<b>2,747,317</b>

## Economic Impacts: Spending Profiles Comparison of New Households

There are an estimated 508 residents assuming a fifteen-percent (15%) vacancy rate and using recent estimates by the U.S. Census Bureau on residents per housing unit; there would be an estimated 190 new households (163 market-rate units and 27 below market-rate units occupied) in Pinole created once occupancy increased and stabilized.<sup>3</sup> The key parameter for the household spending profiles is estimated annual income levels. Given the residents are to be occupying 12-percent affordable housing units, with the rest market-rate rentals, we assume those households in affordable units have a household income equal to 50 percent and 80 percent of the current median household income estimated for the city of Pinole (13 and 14 units at each level, respectively).

The American Community Survey (ACS) provides data on the median income levels in the city of Pinole as of 2020 (see <http://data.census.gov> for more information, where 2020 is the year for the latest data). We use \$104,904 for annual, median household income as the income measure for the occupied market-rate units; while this may be low for some households in market-rate units, the estimates remain conservative through this assumption. These conservative estimates can be summarized as follows:

- For the occupied, market-rate units, median household income is assumed as \$104,904, becoming approximately **\$20,276,789** of annual income from the market-rate units; and
- For the occupied, affordable units, the median income in Marin County is \$52,452 for those units with households earning 50 percent of AMI and \$83,923 for those households earning 80 percent of AMI, becoming approximately **\$1,856,801** annually from the affordable units;
- **The sum is \$22,133,590** annually starting in the first year of apartments being occupied.

Using the IMPLAN<sup>®</sup> model, these income profiles have a typical spending pattern in Contra Costa County.<sup>4</sup> The annual income levels do not include incomes that may come from wealth, insurance, retirement, and other income sources. Figures 5 through 7 compare the spending and jobs supported by these income levels. Notice the spending level is not equal to income level due to the exclusion of income taxes and savings from the gross income levels to become “disposable” income for spending locally. There is also leakage from the local markets, and the IMPLAN model takes such leakages into account.

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<sup>3</sup> The affordable units are assumed to have 100% occupancy. A total 94% occupancy implies an 93% occupancy rate for the market rate apartments.

<sup>4</sup> The county is the smallest geographical area of IMPLAN available.

**Figure 5: Business Revenue Effects Annually, 2022 Dollars**

Industry	Market Rate	Affordable	Total
Hospitals	755,925	69,222	825,147
Tenant-occupied housing	658,981	60,345	719,325
Misc. financial investment activities	598,003	54,761	652,764
Other real estate	556,514	50,961	607,475
Insurance carriers, except direct life	451,064	41,305	492,370
Offices of physicians	423,218	38,755	461,973
Limited-service restaurants	379,778	34,777	414,555
Insurance agencies, brokerages, and related activities	287,908	26,364	314,272
Retail - Food and beverage stores	264,502	24,221	288,723
Other local government enterprises	257,766	23,604	281,370
Individual and family services	238,026	21,797	259,823
Wired telecommunications carriers	233,016	21,338	254,354
Outpatient care centers	207,658	19,016	226,674
Nondepository credit intermediation and related activities	200,192	18,332	218,524
All Others	6,403,709	586,405	6,990,114
<b>Totals</b>	<b>11,916,260</b>	<b>1,091,203</b>	<b>13,007,463</b>

Comparing the economic impacts from construction and resident spending once the units are occupied, two differences are apparent. First, household spending only has an “induced” impact, as there are no ripple effects otherwise. Household spending is not employment or investment; the only effects are spending and what that spending supports in the local economy. This analysis assumes that all new residents come from outside Pinole (i.e., the spending is new spending for Pinole).

**Figure 6: Employment Impacts, Full-Time Equivalents Supported**

Industry	Market Rate	Affordable	Total
Individual and family services	6	1	7
Limited-service restaurants	4	0	4
Hospitals	3	0	3
Full-service restaurants	3	0	3
Retail - Food and beverage stores	3	0	3
Other real estate	3	0	3
Offices of physicians	3	0	3
Nursing and community care facilities	2	0	2
Automotive repair and maintenance, except car washes	2	0	2
Retail - General merchandise stores	2	0	2
Transit and ground passenger transportation	2	0	2
Offices of dentists	2	0	2
Personal care services	1	0	2
Employment services	1	0	1
All other food and drinking places	1	0	1
All Others	43	4	47
<b>Totals</b>	<b>79</b>	<b>7</b>	<b>86</b>

**Figure 7: State and Local Tax Receipts Annually, 2020 Dollars**

Tax Category	Market-Rate	Affordable	Total
Employment Taxes	22,288	2,041	24,329
Sales Taxes	341,503	31,272	372,775
Property Taxes	485,393	44,449	529,842
Personal Income	129,470	11,856	141,326
Other Taxes and Fees	124,620	11,412	136,032
<b>Total State and Local Taxes</b>	<b>1,103,274</b>	<b>101,030</b>	<b>1,204,304</b>

Those that live in the new units may not be the only people that come to Pinole and spend money. Visitors to these apartments are likely coming on a daily basis and spending money is part of such travel. Hotel stays may also be increased. Because there is not a basis in the data or literature to compare visitor spending to residential spending or the growth of multifamily units, this study does not estimate that amount specifically. The vacancy estimates are critical to these household spending estimates; if vacancy rates remain low in Marin County and at this complex, the economic impacts above are likely fully realized.

## Economic Impacts: Apartment Operations

As any other business and multifamily apartment complex, there are economic impacts from the daily operations of the apartments as rentals. This includes workers hired by the landlord, where indirect spending is on vendor contracts and also how these employees of the apartment complex spend their wages and salaries. IMPLAN® estimates the economic impacts on additional business revenues, jobs supported and state and local taxes as summarized in Figures 8 to 12. The annual income from these units is approximately \$6,316,684 once occupied at 94 percent. Maintenance expenditures are estimated to be approximately \$2 million, with wages paid to direct employees of approximately \$350,000.

**Figure 8: Business Revenue Effects Annually, Apartment Employees, 2020 Dollars**

Industry	Total
Hospitals	13,048
Tenant-occupied housing	11,375
Misc. financial investment activities	10,322
Other real estate	9,606
Insurance carriers, except direct life	7,786
Offices of physicians	7,305
Limited-service restaurants	6,555
Insurance agencies, brokerages, and related activities	4,970
Retail - Food and beverage stores	4,566
Other local government enterprises	4,449
Individual and family services	4,109
Wired telecommunications carriers	4,022
Outpatient care centers	3,584
Nondepository credit intermediation and related activities	3,455
All Others	110,533
<b>Totals</b>	<b>205,684</b>

**Figure 9: State and Local Tax Receipts Annually, Apartment Employees, 2020 Dollars**

Tax Category	Amount
Employment Taxes	385
Sales Taxes	5,895
Property Taxes - Residential	8,378
Personal Income	2,235
Other Taxes and Fees	2,151
<b>Total State and Local taxes</b>	<b>19,043</b>



**Figure 10: Business Revenue Effects Annually, Apartment Maintenance, 2020 Dollars**

Industry	Indirect	Induced	Total
Maintenance and repair construction of residential structures	105,011	2,620	107,631
Rental Income for Property Owners	-	66,968	66,968
Pawn and Check Cashing	56,907	2,515	59,422
Other real estate	41,501	12,471	53,973
Banks and Credit Unions	17,921	5,450	23,371
Other financial investment activities	9,956	9,327	19,283
Full-service restaurants	2,306	11,319	13,624
Offices of physicians	0	10,480	10,480
Tenant-occupied housing	0	10,166	10,166
Building material and garden equipment and supplies stores	8,384	1,467	9,851
Limited-service restaurants	314	8,070	8,384
Hospitals	0	8,174	8,174
Legal services	3,878	3,668	7,546
Insurance agencies, brokerages, and related activities	4,821	2,306	7,126
All Others	55,335	155,525	210,860
<b>Totals</b>	<b>306,334</b>	<b>310,526</b>	<b>616,860</b>

**Figure 11: Employment Impacts, Apartment Maintenance, Full-Time Equivalents Supported**

Industry	Direct	Indirect	Induced	Total
Tenant-occupied housing	16	0	0	16
Maintenance and repair construction of residential structures	0	0	0	0
Pawn and Check Cashing	0	0	0	0
Other real estate	0	0	0	0
Full-service restaurants	0	0	0	0
Misc. financial investment activities	0	0	0	0
Individual and family services	0	0	0	0
Limited-service restaurants	0	0	0	0
Services to buildings	0	0	0	0
Building material and garden equipment and supplies stores	0	0	0	0
Food and beverage stores	0	0	0	0
Misc. food and drinking places	0	0	0	0
Banks and Credit Unions	0	0	0	0
Offices of physicians	0	0	0	0
All Others	0	0	1	2
<b>Totals</b>	<b>16</b>	<b>1</b>	<b>2</b>	<b>19</b>

**Figure 12: State and Local Tax Receipts Annually, Apartment Maintenance, 2020 Dollars**

Tax Category	Amount
Employment Taxes	105
Sales Taxes	26,934
Property Taxes - Residential	105
Personal Income	3,249
Other Taxes and Fees	12,471
<b>Total State and Local taxes</b>	<b>42,864</b>

COVID-19 may have effects on these estimates based on how the Pinole city economy changes as a result (retail mix, number of employed residents, etc.). Depending on when construction begins on these units, the overall estimates may be affected. With continued, low vacancy rates in rental and a declared recession in 2020, funded developments such as this create jobs and provide support for Pinole's downtown merchants given the housing units' location at a time where the future of similar developments may be few and far between.

## Economic Impacts: Existing Retail

It is worth contemplating the alternative to the apartment building of continuing operations at the Kmart in Pinole Vista Plaza, the building that would be removed during construction of the apartments. In 2016, revenues at the Kmart were just under \$8 million. By 2019, revenues had consistently declined to just \$4.3 million. The Kmart is no longer believed to be a viable enterprise at that location. Nevertheless, in Figures 13-15, we consider the business revenue, employment, and tax implications of continued functioning of the Kmart at its 2019 level. Note that this is likely a very generous assessment of the local economic benefits of the store. A more likely scenario is continued declines in revenue.

**Figure 13: Business Revenue Effects Annually, A Retail Alternative, 2020 Dollars**

Industry	Direct	Induced	Indirect	Total
Retail - General merchandise stores	4,348,034	11,902	255	4,360,192
Management of companies and enterprises	0	13,015	370,017	383,033
Other real estate	0	36,826	223,513	260,339
Owner-occupied dwellings	0	188,312	0	188,312
Misc. financial investment activities	0	38,316	53,780	92,096
Cable and other subscription programming	0	6,376	43,529	49,905
Insurance carriers, except direct life	0	29,013	16,251	45,263
Warehousing and storage	0	782	43,054	43,836
Hospitals	0	43,207	0	43,207
Insurance agencies, brokerages, and related activities	0	19,359	17,254	36,613
Employment services	0	9,771	20,858	30,629
Truck transportation	0	7,396	22,071	29,467
Tenant-occupied housing	0	29,433	0	29,433
Services to buildings	0	3,800	24,365	28,165
Legal services	0	9,677	18,391	28,068
All Others	0	511,843	352,890	864,733
<b>Totals</b>	<b>4,348,034</b>	<b>959,028</b>	<b>1,206,229</b>	<b>6,513,291</b>

**Figure 14: Employment Impacts, A Retail Alternative, Full-Time Equivalents Supported**

Industry	Direct	Induced	Indirect	Total
Retail - General merchandise stores	45	0	0	45
Management of companies and enterprises	0	0	1	1
Other real estate	0	0	1	1
Couriers and messengers	0	0	0	0
Warehousing and storage	0	0	0	0
Employment services	0	0	0	0
All other food and drinking places	0	0	0	0
Services to buildings	0	0	0	0
Limited-service restaurants	0	0	0	0
Individual and family services	0	0	0	0
Misc. financial investment activities	0	0	0	0
Offices of physicians	0	0	0	0
Retail - Food and beverage stores	0	0	0	0
Truck transportation	0	0	0	0
Legal services	0	0	0	0
All Others	0	2	1	3
<b>Totals</b>	<b>45</b>	<b>4</b>	<b>5</b>	<b>53</b>

**Figure 15: State and Local Tax Receipts from a Retail Alternative, 2022 Dollars**

Tax category	Total
Employment Taxes	14,184
Sales Taxes	445,546
Property Taxes	80,403
Personal Income	68,218
Other Taxes and Fees	133,174
<b>Total State and Local Taxes</b>	<b>741,525</b>

A head-to-head comparison between the economic benefits of the optimistic scenario with regard to Kmart and just the economic benefits of the spending of residents alone provides a compelling economic case for the apartment complex. Spending by residents alone adds nearly \$6.5 million in net revenues to businesses, 33 jobs, and \$463 thousand in state and local tax revenues. Construction and apartment operations further increase the net improvement in economic benefits. The built apartment complex with an estimated value of \$55 million, will increase property taxes associated with the site by nearly \$470 thousand. This is a net increase in revenue to Pinole of approximately \$85 thousand on an annual basis.

**Figure 16: Comparison of Economic Benefits**

Category	Kmart <sup>1</sup>	Resident Spending and Operations <sup>2</sup>	Net Improvement	Potential Net Gain to Pinole
Revenues	6,513,291	13,829,827	7,316,536	7,316,536
Employment	53	86	33	33
S&L Taxes	741,525	1,204,304	462,779	80,210
Property Taxes	80,403	550,000 <sup>3</sup>	469,597	84,527
Retail Sales Taxes	445,546	405,614	-39,932	-4,317

<sup>1</sup> Tables 14-16

<sup>2</sup> Tables 5-12

<sup>3</sup> Based on an estimated value of the built property of \$55 million.

## References and Glossary

Data on construction and operations of the 180 units was provided by Seagull Prime Real Estate Fund, LLC.

Data on people per household is from the California Department of Finance's estimates on housing and population as of January 1, 2019 (the latest data available as of January 2020). For the data, see [DOF](#). The following definitions pertain to line items referenced here. Many of these definitions come from the US Bureau of Labor Statistics. Please see [www.bls.gov](http://www.bls.gov) for further details.

- **All other food and drinking places:** All additional restaurants not captured in limited- or full-service restaurants, including food trucks.
- **Full-service restaurants:** Establishments primarily engaged in providing food service to patrons who order and are served while seated, and pay after eating. These establishments may sell alcoholic beverages, provide take-out services, operate a bar or present live entertainment, in addition to serving food and beverages.
- **Individual and family services:** Establishments primarily engaged in providing one or more of a wide variety of individual and family social, counseling, welfare, or referral services, including refugee, disaster, and temporary relief services. This industry includes offices of specialists providing counseling, referral, and other social services.
- **Insurance carriers:** insurance agents and other insurance-related businesses.
- **Limited-service restaurants:** any establishments whose patrons generally order or select items and pay before eating. Food and drink may be consumed on premises, taken out, or delivered to customers' locations.
- **Management consulting services:** businesses hired as consultants to help with company operations, decisions, and other aspects of running a business.
- **Management of companies and enterprises:** This sector comprises establishments primarily engaged in managing companies and enterprises and/or holding the securities or financial assets of companies and enterprises, for the purpose of owning a controlling interest in them and/or influencing their management decisions.
- **Medical offices:** health care outside hospitals, based on outpatient general care outside of rehabilitation or skilled nursing and residential health facilities.
- **Owner-Occupied Dwellings:** The income made by owners of homes they occupy, through rent payments or other savings due to home ownership.
- **Other financial investment activities:** This industry comprises establishments, not classified to any other industry, primarily engaged in providing, on a contract or fee basis, miscellaneous financial investment services, such as trust, fiduciary and custody services, and other investment services.
- **Retail – Internet Retailers;** These retail businesses do not have a storefront, but are locally headquartered and sell their goods and services through the internet or catalogs.
- **Wholesale Trade:** Businesses that connect goods producers to retailers, classic distribution and wholesale businesses, including Costco.