

Miami Economic Associates, Inc.

October 30, 2019

Mr. Alex David
Interim Community Development Director
Town of Cutler Bay
Cutler Bay, FL

**Re: Economic and Fiscal Benefits Analysis
Point Royale Apartments**

Dear Mr. David:

Miami Economic Associates, Inc. (MEAI) has performed an analysis to estimate the economic and fiscal benefits that will be realized by the Town of Cutler Bay as well as several other governmental jurisdictions as the result of the development of the Point Royale Apartments. The proposed rental apartment units will be located at 18901 South Dixie Highway (U.S. 1), which is one of the several parcels that comprise the overall Pointe Royale Shopping Center property. The proposed apartments will replace an existing 49,959-square foot building that currently houses a flea market. As a result of the development of the proposed rental apartment units, the two parcels comprising the site of the Port Royale Shopping Center will become a mixed-use property that will accommodate 215,503 square feet of retail space and 199 residential units. The site of the proposed project is situated within the Town's Transit Corridor District. It is also within the jurisdictions of Miami-Dade County, the Miami-Dade Public School District and the Children's Trust of Miami-Dade County.

The site plan for proposed project indicates that the 199 rental apartment units will include 115 one-bedroom units ranging in size from 601 to 621 square feet and 84 two-bedroom units comprised of 928 square feet. Information provided to MEAI by Cedar Holding, LLC, the developer, indicates that the units will be offered for rent at rates ranging from \$1,600 for a one-bedroom unit to \$1,900 for a two-bedroom unit. As such the units will qualify as workforce housing according to the Florida Housing Financing Corporation. The developer further indicated that the development of the proposed units and the park will cost \$31.0 million in terms of hard construction costs. Additional amounts will be expended on soft cost that will include, but not be limited to, architectural and engineering fees, other professional fees, building permit and impact fees, project management, real estate taxes, insurance and interest charges during the construction period, marketing and leasing commissions.

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This letter, which is organized as shown below, provides the findings of our analysis and their bases:

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The analysis summarized herein is based on the tax and fee rates that were either in effect or proposed in the various jurisdictions as of September 30, 2019. Some of those rates --- in particular, those used for ad valorem taxes --- are likely to be adjusted prior to the time that the development of the proposed rental apartment units commences and/or is completed. Changes in the economic environment could also result in construction costs and achievable rent levels that differ from those discussed below. These differences could result in economic and fiscal benefits being generated that differ from the estimates set forth in this report. All monetary amounts set forth below are in 2019 Dollars.

Summary of Findings

The materials that follow summarize the economic and fiscal benefits that development of the proposed rental apartments will generate.

Economic Benefits

The term "economic benefits" relates to the positive impact that the development of the proposed rental apartments will have on the economy of the Town of Cutler Bay and/or Miami-Dade 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.

Non-recurring Benefits

Table 1, at the top of page 3, summarizes the economic benefits that will be generated on a non-recurring basis. The estimates of job creation, labor income and gross domestic product (or value-added) were formulated using the IMPLAN Input-Output Model which was developed at the University of Minnesota approximately 40 years ago and which has been updated on a continuing basis in the ensuing years. It should be noted that estimating the economic benefits that will occur in an area of the size of the Town of Cutler Bay is highly unreliable. Accordingly, the estimates in Table 1 reflect those that will be realized county-wide. However, MEAI believes that residents of Cutler Bay may occupy a portion of the jobs generated by the proposed project. A description of the IMPLAN Input-Output Model can be found in the appendix to this report on page 8.

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Table 1 Non-recurring Economic Benefits Point Royale Apartments (2019 Constant Dollars)	
Benefits	Non-recurring
Jobs Created	
Direct	209
Indirect	45
Induced	61
Total	315
Labor Income (All workers)	\$ 4,215,500
Gross Domestic Product (Value-added)	\$ 6,084,100
Source: Cedar Holding, LLC; IMPLAN; GAI Consultants Inc.; Miami Economic Associates, Inc.	

With respect to the estimates of non-recurring economic benefits shown above, the following explanatory information is provided:

- 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 project's estimated cost of hard construction, which is expected to approximate \$31.0 million. Soft costs were not included since the IMPLAN model estimates those expenses 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 2019 Constant Dollars.

Recurring Benefits

For the purpose of estimating the recurring economic benefits that development of the proposed rental apartments will generate, MEAI assumed the 199 units would operate at a stabilized level of occupancy of 95 percent. We further assumed, based on conventional income underwriting standards, that the average tenant would have an annual income approximating \$67,500. On that basis, the aggregate annual income of the project's prospective residents would approximate \$12.76 million and their expenditures on retail goods and in food and beverage establishment would approximate \$2.55 million annually, or 20 percent of their aggregate income. Their expenditures will provide support for jobs in retail and food and beverage establishments both on-site and off-site, with a substantial portion of their expenditures likely

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occurring within the Town of Cutler Bay and other nearby municipalities and nearly all of them occurring in Miami-Dade County.

Fiscal Benefits

The term "fiscal benefits" refers to the positive impact that the proposed rental apartment project will have on the finances of the Town of Cutler Bay and the other jurisdictions in which it will be located. The benefits that it will provide will also be both non-recurring and recurring in nature, Table 2, on page 5, provides a summary of the fiscal benefits that the proposed rental apartments will generate for Town of Cutler Bay and the other jurisdictions in which they will be located.

Review of the table will reveal that certain benefits identified in the table cannot be estimated at this time because insufficient information is available to do so; however, the payment of these benefits will provide increased revenue in the relevant jurisdiction.

Bases of Estimates of Fiscal Benefits

The materials that follow provide the assumptions used to estimate the fiscal benefits that development of the proposed project will provide to the Town of Cutler Bay and the other jurisdictions in which it will be located.

Non-recurring Fiscal Impacts

- The Town of Cutler Bay charges fees for the master building permit at a rate of \$11.78 per 100 square feet, which in the case of the Point Royale Apartments will total \$34,742. A surcharge of the amount of \$10,471 will also be charged to support the professional certification program.
- The various trades involved in completing the new project including the roofing, electrical, plumbing, mechanical, elevator and swimming pool contractors will also be required to pay permit fees to the Town of Cutler Bay for their work. Calculation of the fees that the trades will pay requires that the project's final engineering drawings be completed, which has not yet occurred. Accordingly, the trade-related fees that will be paid cannot be quantified at this time. A surcharge to support the professional certification program will also be applied to these fees.
- When construction is completed, fees will need to be paid to the Town of Cutler Bay to obtain certificates of use and compliance for the units at a rate of \$49.88 per unit, or for a total of \$9,926.
- The Town of Cutler Bay charges impact fees on new development projects for roads, police, public buildings and parks. For residential uses, the fees are charged on a per square foot basis at a rate of \$1.30 per square foot. On this basis, impact fees totaling \$193,549 will need to be paid for the Point Royale Apartments.

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Table 2 Summary of Estimated Fiscal Benefits Point Royale Apartment (2019 Dollars)		
Jurisdiction/Benefit	Non-recurring	Recurring
Town of Cutler Bay		
Master Building Permit Fees (including surcharge)	\$ 45,213	
Trade-related Building Permit Fees (including surcharge)	***	
Certificate of Use	\$ 9,926	
Impact Fees	\$ 193,549	
Ad valorem Taxes		
General Fund		\$ 80,724
Utility Taxes and Franchise Fees		***
Miami-Dade County		
Road Impact Fees	\$ 1,322,451	
Fire Impact Fees	\$ 86,091	
Park Impact Fees	\$ 311,831	
Water & Connection Fees	***	
Ad valorem Taxes		
General Fund		\$ 144,674
Debt Service Fund		\$ 14,818
Fire Fund		\$ 75,042
Library Fund		\$ 8,804
Water & Sewer Service Fees		***
Miami-Dade Public School District		
School Impact Fees	\$ 258,464	
Ad valorem Taxes		
Operating		\$ 217,775
Debt Service		\$ 3,813
Children's Trust		\$ 14,508
*** Amount of benefit cannot be estimated at this time due to insufficient information being available. Source: Cedar Holding, LLC; Town of Cutler Bay; Miami-Dade County; Miami-Dade County Property Appraiser; Miami Economic Associates, Inc.		

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- Impact fees also need to be paid to Miami-Dade County and to the Miami-Dade County Public School District. Based on the current fee schedule, a total of \$1,954,632 will need to be paid to Miami-Dade County, including \$1,482,724 for roads, \$102,098 for fire and \$369,810 for parks. The base fee for the impact fees paid to the School District is \$612 per unit. An additional amount of \$0.918 per square foot is then applied for all square footage in each unit up to a total of 3,800 square feet per unit. On this basis, school impact fees totaling \$258,464 will need to be paid on the proposed residential units.
- The Miami-Dade Water & Sewer Department will require that connection fees be paid to activate water and sewer service for the proposed expansion project. The amount that will need to be paid will be dependent on the number of meters through which service is provided and the size of the meters. Since these engineering parameters have not been established, a fee estimate cannot be formulated at this time.

Recurring Fiscal Impacts

- The millage rates currently being levied for ad valorem tax purposes by the governmental entities referenced in the Summary of Findings are shown below. The ad valorem tax revenues projected in the Summary of Findings were calculated by applying the millage rates shown to proposed project's estimated taxable value, which was estimated at \$31.0 million. This figure approximates the estimated hard cost to construct the Point Royale Apartments. It does not include the taxable value of the land that will underlie those units since the various jurisdictions enumerated in the table below are already receiving ad valorem taxes on that land. Hence, the figure shown in the table represent net new tax revenues.

Entity	Rate/\$1000 Taxable Value	Taxes
Town of Cutler Bay		
General Fund	2.6040	\$ 80,724
Miami-Dade County		
General Fund	4.6669	\$ 144,674
Debt Service Fund	0.4780	\$ 14,818
Fire Fund	2.4207	\$ 75,042
Library	0.2840	\$ 8,804
Miami-Dade County Public Schools		
Operating	7.0250	\$ 217,775
Debt Service	0.1230	\$ 3,813
Children's Trust	0.4680	\$ 14,508

Source: Miami-Dade County Property Appraiser; Miami Economic Associates, Inc.

- The Town of Cutler Bay collects utility taxes and franchise fees from the providers of telephone, electric and other such services based on their revenues. The amount collected as a result of the development of the Point Royale Apartments will be dependent on the amount of these services used by the project's residents and commercial tenant(s); hence, it cannot be quantified at this time.

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- The Miami-Dade Water & Sewer Department will serve the proposed rental units. The service it will generate will be determined by the number and the size of the meters through which service is provided. Since those engineering parameters are not yet known, an estimate of the service fees earned cannot be formulated at this time.

Closing

The analysis performed by MEAI demonstrates that the development of the Point Royal Apartments will be highly beneficial fiscally to the Town of Cutler Bay as well as the other jurisdictions in which it will be located. It will also provide employment opportunities for residents of the Town of Cutler Bay and/or Miami-Dade County.

Sincerely,
Miami Economic Associates, Inc.



Andrew Dolkart
President

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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 several 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.