

# Miami Economic Associates, Inc.

July 30, 2008

Mr. Otto Boudet-Murias  
DYL Merrick Park  
Miami, Florida

## **Re: Fiscal & Economic Impact Analysis – DYL Merrick Park**

Dear Mr. Boudet-Murias:

Miami Economic Associates, Inc. (MEAI) has performed analysis to estimate the fiscal and economic benefits that the DYL Merrick Park mixed-use project, which is proposed for development at 4601S. Le Jeune Road, will provide to the City of Coral Gables. This letter, which is organized as shown below, provides the findings of our analysis and their bases:

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The analysis presented below is based on preliminary estimates of pricing and construction costs and current fee and tax rates. These estimates are subject to change at the time development actually occurs and the changes may be significant. All monetary estimates are in 2008 Constant Dollars.

### **Project Description**

The DYL Merrick Park mixed-use project will be comprised of 42 residential units together with 187,194 square feet of office space and 42,124 square feet of retail and restaurant space. The project will also provide 1,117 parking spaces. Based on the

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anticipated sales prices per square foot for the residential units, gross sales proceeds totaling approximating \$32.5 million will be generated. The proposed office is expected to lease for an average rate of \$47 per square feet on a full-service basis while the proposed retail and restaurant space is expected to lease for average rate of \$60 per square foot.

Construction of DYL Merrick Park is expected to cost \$106.3 million in hard costs. An additional \$16.8 million will be expended for soft costs inclusive architectural and engineering fees, marketing, sales and leasing commissions, project overhead, etc. Accordingly, the project will cost \$123.1 million to develop exclusive of land cost, financing expenses and developer fees.

### **Summary of Findings**

Development of the DYL Merrick Park mixed-use project will be highly beneficial fiscally and economically to the City of Coral Gable, as summarized below:

#### **Fiscal Benefits**

- Fiscal Benefits refers to the positive impact that the proposed mixed-use project will have on the finances of the City of Coral Gables. The benefits that it will provide to the City will be both non-recurring and recurring in nature as enumerated below.
  - Non-recurring Benefits
    - \$ 374,231 in City building permit fees
    - \$ 114,344 in City police impact fees
    - \$ 258,779 in City fire-rescue impact fees
    - \$ 471,177 in City general government impact fees
    - \$ 172,704 in City park impact fees
    - \$ 16,491 in City sanitary sewer capacity fees
  - Recurring Benefits
    - \$ 605,325 annually in City General Fund ad valorem taxes
  - Non-Quantifiable
    - Trade-related fees paid by electrical, plumbing and mechanical contractors (non-recurring)
    - Increased City utility taxes and franchise fees (recurring)
    - Increased occupational license fees (recurring)
    - Increased revenue sharing funds (recurring)

o Other

- While the focus of MEAI's fiscal analysis was on the City of Coral, DYL Merrick Park will also provide significant fiscal benefits to other non-municipal governmental jurisdictions that impact the lives of City residents:
  - \$ 421,969 in County road impact fees (non-recurring)
  - \$ 65,184 in School impact fees (non-recurring)
  - \$ 528,028 in County General Fund ad valorem taxes (recurring)
  - \$ 32,861 in County Debt Service ad valorem taxes(recurring)
  - \$ 44,298 in County Library ad valorem taxes (recurring)
  - \$ 38,691 in Children's Trust ad valorem taxes (recurring)
  - \$ 872,821 in School Operating ad valorem taxes (recurring)
  - \$ 43,583 in School Debt Service ad valorem taxes (recurring)
  - Increased County occupational license fees (recurring)
  - Increased revenue sharing funds

**Economic Benefits**

- Economic Benefits relates to the positive impact that the proposed mixed-use project will have on the economy of the City rather than its finances. The economic benefits it will provide will also be non-recurring and recurring in nature.
  - o Non-recurring
    - Approximately 90 percent of the \$123.1 million that will be spent on hard and soft costs to develop the proposed mixed-use project will be spent within Miami-Dade, producing an overall economic impact approximating \$191.3 million in which some Coral Gables businesses will likely participate.
    - Project expenditures within the City of Coral Gables will include an estimated \$47.7 million for construction labor, an amount sufficient to pay approximately 757 construction workers, some of whom may be City residents, their average annual wage of approximately \$63,000.
  - o Recurring
    - A total of \$5.4 million will be spent annually in within the City of Coral Gables by residents of and workers at DYL Merrick Park in retail and food and beverage establishments. These expenditures will have an overall economic impact on the City of \$8.6 million annually when the multiplier effect is considered.
    - A total of 879 people will be employed at DYL Merrick. These workers, who may include City residents, will earn approximately \$47.6 million annually.

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### Bases of Estimates

The materials that follow provide the assumptions used to estimate the fiscal and economic benefits that development of the DYL Merrick Park mixed-use project will provide to the City of Coral Gables.

#### Project Characteristics

- DYL Merrick Park will be located within the City of Coral Gables as well as the jurisdictions of Miami-Dade County and the Miami-Dade County Public School District.
- DYL Merrick Park will entail the construction of 42 residential units together with 187,194 square feet of office space and 42,124 square feet of retail and restaurant space. The project will be comprised of 753,770 gross square feet, of which 103,515 square feet will be in residential use with the remainder containing non-residential uses and parking.
- DYL Merrick Park will cost approximately \$106.3 million to construct in terms of hard construction. Soft costs including those relating to professional fees, marketing, sales and leasing commissions, permit fees, developer overhead, administration, etc. will total an additional \$16.8 million. Therefore, \$123.1 million will be spent to develop the project exclusive of land acquisition costs, financing expenses and developer's fees.
- Sales of the project's 42 residential units are expected to generate approximately \$32.5 million in sales proceeds. According to the Constitution of the State of Florida, real property is supposed to be assessed at 100 percent of its market value. As a practical matter, for-sale residential units are initially placed on the tax rolls at approximately 80 percent of their market value, which in this case would equate to \$26.0 million. Assuming that approximately 80 percent of the residential units qualify for the \$50,000 Homestead Exemption, the taxable value of the residential portion of project will be \$24.3 million.
- Based a review of assessment values for comparable retail and office projects, it is estimated that the 187,194 square feet of office space and 42,124 square feet of retail and restaurant space will have an assessed and taxable value approximating \$91.0 million.
- The total estimated taxable value of the DYL Merrick Park mixed-use project will be \$115.3 million.
- Residents of the proposed residential units will on average require an annual income approximating \$275,000 to qualify for ownership. Based on this estimate of average household income, it is projected that the people living at the proposed project will

spend \$2.3 million annually in retail and restaurant establishments. This projection assumes that they spend approximately 20 percent of their income for that purpose.

- Based on industry averages relating to employment per 1,000 square feet, it is estimated that approximately 750 people will be employed in the office space proposed for development at DYL Merrick Park and 103 in the proposed retail and restaurant space. When project's operations maintenance and service personnel are accounted for, total employment at the project will approximate 870 people. These workers are expected to spend a total of \$3.4 annually in restaurants and shops while working. Based on information compiled by the Florida Agency for Workforce Innovation, they are expected to earn \$47.6 million annually in wages and salaries.

#### **Non-recurring Fiscal Impacts**

- The City of Coral Gables charges building permit fees at a rate of \$0.60 per gross square foot of new residential construction and \$0.48 per gross square foot of non-residential construction including parking. Based on the distribution of space by use previously discussed, building permit fees totaling \$374,231 will be paid for the DYL Merrick mixed-use project.
- The electrical, plumbing and mechanical contractors involved in constructing DYL Merrick Park will be required to pay fees on their work. Calculation of the fees that they will pay requires that the project's final engineering drawings be completed, which has not yet occurred. Accordingly, the fees that will be paid can not be quantified at this time. A solid waste surcharge is applied to these fees.
- The City of Coral Gables charges impact fees on new construction projects. On mid-rise residential units, fees will be paid on a per unit basis in the amounts of \$700 for police, \$1,711 for fire-rescue, \$1,911 for general government and \$4,112 for parks. The rates for office space and retail/restaurant space are paid on a per square foot basis. For office space in the quantity proposed, they are \$0.24 for police, \$0.85 for fire-rescue and \$1.78 for general government. The rates for retail/restaurant space in the quantity proposed are \$0.95 for police, \$0.66 for fire-rescue and \$1.37 for general government. Impact fees totaling \$1,017,004 will be paid on the DYL Merrick Park mixed-use project, of which \$114,344 will be for police, \$258,779 for fire-rescue, \$471,177 for general government and \$172,704 for parks.
- The City of Coral Gables also requires new construction projects to pay a sanitary sewer capacity fee, with the amount paid being based on meter size and type. Based on the preliminary engineering information available, it is estimated that a total \$16,491 in fees will be paid.
- New construction projects located in the City of Coral Gables also need to pay impact fees to Miami-Dade County for roads and schools. In the eastern portion of the county, the rate for roads for condominiums is \$877 per unit. The road impact fee rates for office and retail/restaurant in the eastern portion of Miami-Dade County are

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\$1.775 and \$1,255, respectively, per square foot for projects with the quantities of space proposed at DYL Merrick Park. The base fee per unit for school impact fees is \$612. An additional amount of \$0.918 per square foot is then applied. Accordingly, impact fees totaling \$498,153 will need to be paid at the time the building permit for the proposed project is issued. Of this amount, \$421,969 will be applied to roads and \$65,184 to schools.

#### 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 in the table immediately following. 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 of \$115.3 million.

Entity	Rate/\$1000 Taxable Value	Taxes
City of Coral Gables		
General Fund	5.2500	\$ 605,325
Miami-Dade County		
General Fund	4.5796	\$ 528,028
Debt Service Fund	0.2850	\$ 32,861
Library	0.3842	\$ 44,298
Children's Trust	0.4223	\$ 38,691
Miami-Dade County Public Schools		
Operating	7.5700	\$ 872,821
Debt Service	0.3780	\$ 43,583

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

- The City of Coral Gables 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 DYL Merrick Park will be dependent on the amount of these services used by the project's residents and commercial tenants; hence, it can not be quantified at this time.
- Both the City of Coral Gables and Miami-Dade County will collect occupational license fees from the occupants of the proposed office and retail space. The amount collected can not be estimated at this time since it will be dependent on the nature of the businesses housed in the office and retail space.
- The City of Coral Gables and Miami-Dade County participate in a number of revenue sharing programs that are based on population-based formulas. The amounts of revenue sharing revenues that will accrue to the City as a result of the proposed project can not be estimated at this time.

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### **Non-recurring Economic Benefits**

- It is estimated that approximately 90 percent of the \$123.1 million that will be spent on the hard and soft costs to develop DYL Merrick Park will initially be spent in the Miami-Dade County. According to the input-output model of Minnesota IMPLAN Group (MIG), which is one of the nation's foremost econometric firms, the overall economic impact of these expenditures will approximate \$191.3 million based on application of a 1.554 multiplier.
- MIG's input-output model further estimates that approximately \$47.7 million of the moneys spent on hard costs will be spent for labor. The average construction worker in Miami-Dade County currently earns approximately \$63,000 per year according to the Florida Agency for Workforce Innovation. Therefore, the project's expenditure on construction labor would support approximately 757 workers, some of whom may be City residents, on an annual basis at their average wage rate.

### **Recurring Economic Benefits**

- The residents of DYL Merrick Park will spend \$2.3 million annually in retail establishments and restaurants, approximately 85 percent of which, \$2.0 million, will be spent within the City of Coral Gables. The workers at the project will spend an additional \$3.4 million. According to the MIG input-output model, the total economic impact of these expenditures will be \$8.6 million annually based on the application of a 1.5 multiplier.
- Based on wage and salary data collected by the State of Florida Agency for Workforce Innovation, it is estimated that the permanent 870 workers at DYL Merrick Park, some of whom will be City of Coral Gables residents, will earn \$47.6 million annually in wages and salaries.

### **Closing**

The analysis performed by MEAI demonstrates that the development of DYL Merrick Park mixed-use project will be highly beneficial to the City of Coral Gables both fiscally and economically.

Sincerely,  
Miami Economic Associates, Inc.



Andrew Dolkart  
President