

# Innovation Village, Cal Poly Pomona Economic Benefits Analysis City of Pomona

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## Executive Summary

Prepared for:

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April 18, 2017

SRHA Job #1231

## EXECUTIVE SUMMARY

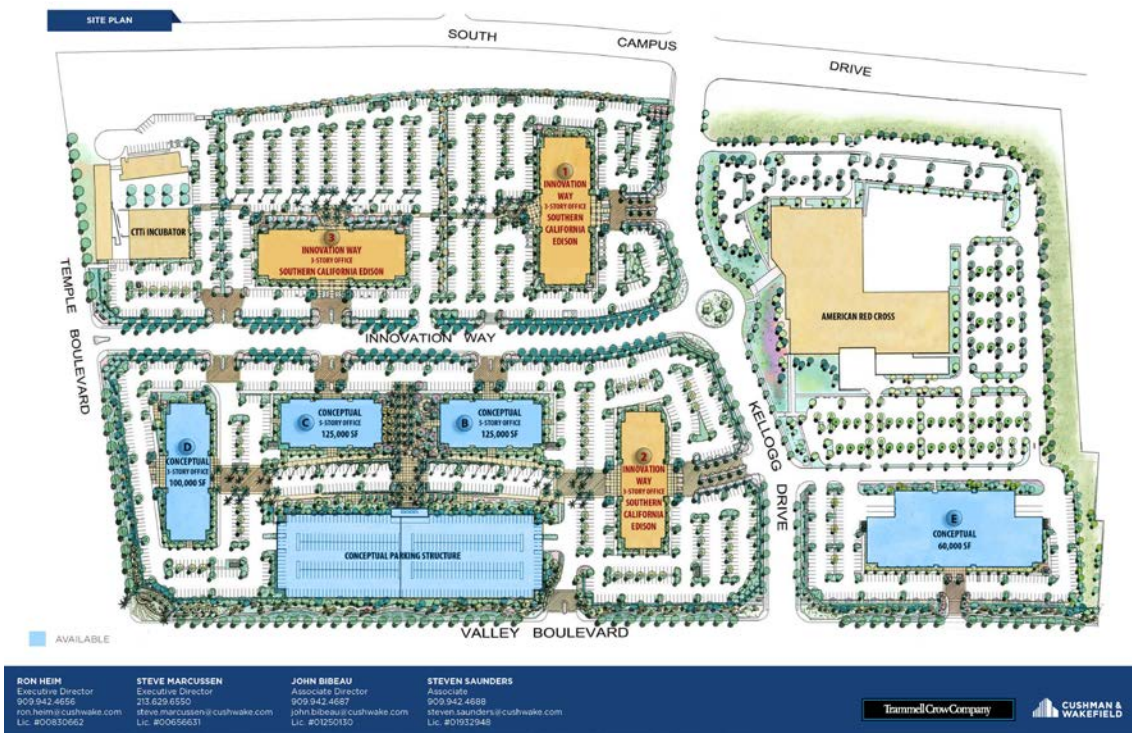
This report presents the economic benefits analysis for Innovation Village that is located on a portion of the California State Polytechnic University, Pomona (Cal Poly Pomona) campus within the City of Pomona. Innovation Village is developed and managed by the Cal Poly Pomona Foundation, Inc.

Included in the analysis are projected annual recurring fiscal benefits to the City of Pomona, such as property taxes and other public revenues to the City of Pomona, projected jobs and payroll and revenue benefits to Cal Poly Pomona. The study also looks at regional economic impacts through the use of an economic model analysis developed through IMPLAN data and software which is owned by MIG, Inc.

### Project Description

Innovation Village is located on the southeastern side of the Cal Poly Pomona campus and includes an estimated 64.85 acres. About 89.4 percent of the total acreage is devoted to private development while the remaining 11.6 percent represents common area, such as roads, landscaping, walkways and other infrastructure, as shown in Figure 1.

**Figure 1**  
**Site Map**  
**Innovation Village, Cal Poly Pomona**



Sources: Stanley R. Hoffman Associates, Inc.  
Cal Poly Pomona Foundation

**Table 1  
Existing and Future Land Uses  
Innovation Village, Cal Poly Pomona**

Land Use	Acres		Building Square Feet		Floor Area Ratio <sup>1</sup>
	Amount	Percent of Total	Amount	Percent of Total	
<b>Existing Tenants</b>					
American Red Cross	15.11	23.3%	213,000	20.8%	0.32
Center for Training, Technology and Incubation (CTTi)	3.91	6.0%	46,783	4.6%	0.27
Southern California Edison (SCE)	6.67	10.3%	123,000	12.0%	0.42
Southern California Edison (SCE)	6.36	9.8%	123,000	12.0%	0.44
Southern California Edison (SCE)	<u>6.64</u>	<u>10.2%</u>	<u>123,000</u>	<u>12.0%</u>	0.43
<i>Existing Tenant Subtotals</i>	<i>38.68</i>	<i>59.6%</i>	<i>628,783</i>	<i>61.3%</i>	<i>0.37</i>
<b>Future Tenants</b>					
Parcels B, C, and D - Corner Parcel <sup>2</sup>	14.45	22.3%	336,217	32.8%	0.53
Parcel E - R&D Parcel <sup>3</sup>	<u>4.2</u>	<u>6.5%</u>	<u>60,000</u>	<u>5.9%</u>	0.33
<i>Future Tenant Subtotals</i>	<i>18.65</i>	<i>28.8%</i>	<i>396,217</i>	<i>38.7%</i>	<i>0.49</i>
Common Area	<u>7.52</u>	<u>11.6%</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
<b>Total<sup>4</sup></b>	<b>64.85</b>	<b>100.0%</b>	<b>1,025,000</b>	<b>100.0%</b>	<b>0.41</b>

1. The total FAR calculation excludes the 7.52 acres of common area.
2. This parcel is located at the northwest corner of Valley Boulevard and Temple Avenue; the proposed aggregate square footage is 350,000 as shown for three separate buildings in Figure 1.
3. This parcel is located on the northwest corner of Valley Boulevard and Kellogg Drive and is shown with a proposed 60,000 square feet in Figure 1.
4. The total building square footage is calculated based on a reduction of 13,783 square feet to the buildings on parcels B, C, and D. The square footage has been reduced to achieve the total building square footage entitlement for Innovation Village of 1.025 million square feet.

Sources: Stanley R. Hoffman Associates, Inc.  
Sandra Vaughan-Acton, Director, Real Estate Development, Cal Poly Pomona Foundation

**Square Feet.** Existing and future potential development square footages at Innovation Village are shown in Figure 1 and Table 1. Existing development at Innovation Village totals an estimated 628,783 square feet and includes seven office and research buildings. The site includes three buildings for the Center for Training, Technology and Incubation (CTTi) (46,783 square feet), three Southern California Edison office buildings (123,000 square feet each) and the American Red Cross regional facility (213,000 square feet). As shown in Figure 1, potential sites for development include Parcels B, C, and D for office space and Parcel E which is currently a parking lot but is being considered for Research and Development (R&D) space. Also shown in Table 1, development on the currently vacant land would potentially add an estimated 396,217 square feet of office and research and development space to the currently undeveloped parcels for a total of 1,025,000 square feet at buildout.

**Jobs.** Based on a survey of the various tenants at Innovation Village, the Cal Poly Pomona Foundation staff provided job estimates by various occupational categories for each employer. The overall regional economic impacts from direct on-site activities at Innovation Village, including indirect and induced impacts, were estimated using the MIG IMPLAN input-output model. Direct on-site jobs are based on employees working at Innovation Village. Indirect jobs are suppliers, contractors, and other types of employment resulting from activity at Innovation Village. Induced jobs are based primarily on consumption of products and services from wages

earned by the Innovation Village employees. Such consumption could include spending in retail stores, restaurants, gas stations, entertainment and personal services. Both indirect and induced job impacts do not necessarily occur in Pomona, but rather have a regional impact.

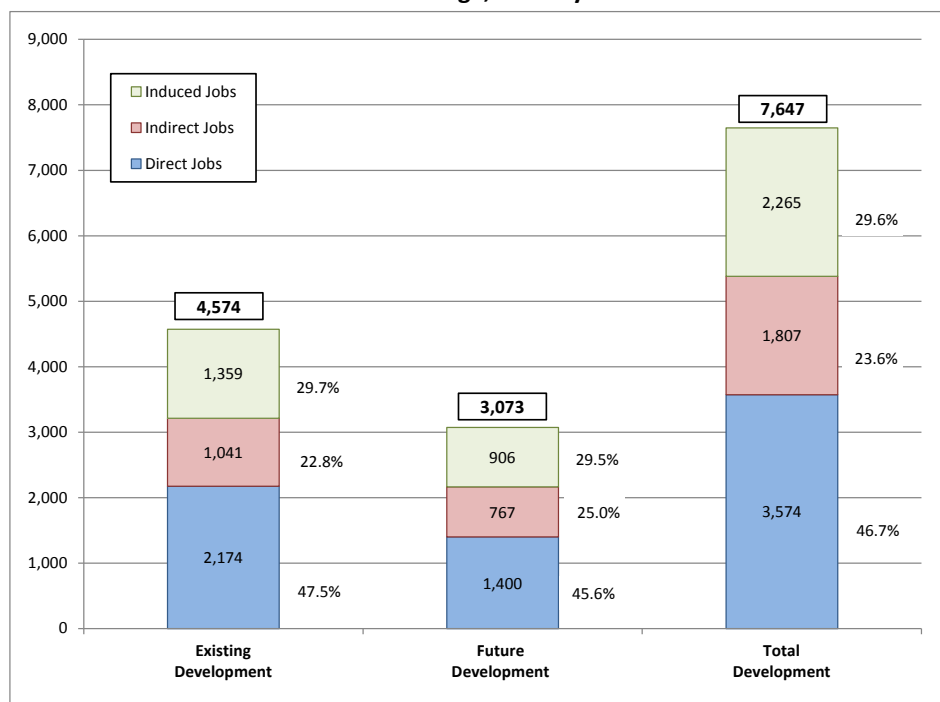
Estimated existing, future and total jobs after buildout are presented in Figure 2. Direct jobs constitute about 47 percent of the total job impact, while indirect jobs represent about 24 percent of the total jobs. The remaining estimated induced jobs represent about 30 percent of total jobs generated.

Existing Jobs. Total existing jobs, including direct on-site, and the associated indirect, and induced jobs, are estimated at 4,574 jobs. Direct jobs, or jobs located within Innovation Village, are estimated at 2,174. The resulting indirect jobs are estimated at 1,041, while induced jobs are estimated at 1,359.

Future Jobs. Total future jobs after buildout, including direct, indirect, and induced jobs, are estimated at 3,073 jobs. Direct jobs are estimated at 1,400, indirect jobs at 767 and induced jobs at 906.

Total Jobs after Buildout. Total jobs are estimated at 7,647 after buildout of Innovation Village. Direct jobs are estimated at 3,574, indirect jobs are estimated at 1,807 and the remaining induced jobs are estimated at 2,265.

**Figure 2**  
**Estimated Jobs Impacts**  
**Existing, Future and Total Development**  
**Innovation Village, Cal Poly Pomona**



Sources: Stanley R. Hoffman Associates, Inc.  
MIG IMPLAN Input-Output Model

## **Public Fiscal Benefits**

The three major service providers to Innovation Village are Cal Poly Pomona, the City of Pomona, and the County of Los Angeles. Innovation Village is located on land leased to the Foundation by Cal Poly Pomona and the university provides many of its public services. This relieves the local jurisdictions or special districts of much of the cost of providing local public services.

Fiscal impacts after buildout are based on the estimated jobs and valuation for Innovation Village. Property taxes, property tax in-lieu of vehicle license fees (VLF) and business license taxes account for about 80 percent of total projected recurring revenues. Other projected recurring revenues include sales tax, franchise fees, utility users tax, and fines and forfeitures.

The only projected costs for the City General Fund are fire protection and general government overhead. City General Fund costs are not projected for police, community development and public works because these services are provided by Cal Poly Pomona. Also, City General Fund costs are not projected for community services and library services because the fiscal analysis assumes that these services are generally provided to residents; there is no residential development planned at Innovation Village.

**Projected Recurring Fiscal Impacts.** Table 2 summarizes the recurring fiscal impacts to the City General Fund from Innovation Village. After buildout of Innovation Village, a recurring surplus of about \$958,520 is projected. The projected surplus after buildout is based on projected recurring revenues of about \$1.21 million and recurring costs of \$249,342 for fire protection and general government after buildout.

A recurring surplus of \$512,561 is projected to the City General Fund for existing development based on recurring revenues of \$662,511 and recurring costs of \$149,950. Recurring revenues for future development are projected at \$545,351 and recurring costs are projected at \$99,392, resulting in a projected recurring surplus of \$445,959 for future development.

## **Local and Regional Economic Impacts**

The local and regional economic impacts from the activities in the Innovation Village associated with existing and proposed development are projected using the IMPLAN input-output model.

**Labor Income Impacts.** An aggregate labor income of \$602.0 million is estimated from the combined effects of the direct, indirect and induced jobs at project buildout, as shown in Figure 3. About 60 percent of this income is generated from existing development with the remaining 40 percent generated from the proposed future development.

**Economic Output.** As also shown in Figure 3, the current economic output of Innovation Village, including direct, indirect, and induced impacts, is estimated at about \$731.3 million. The total economic output at buildout for Innovation Village is estimated at about \$1.2 billion. About 59 percent of the output is generated by existing development, while the remaining 41 percent is estimated to be generated by future development.

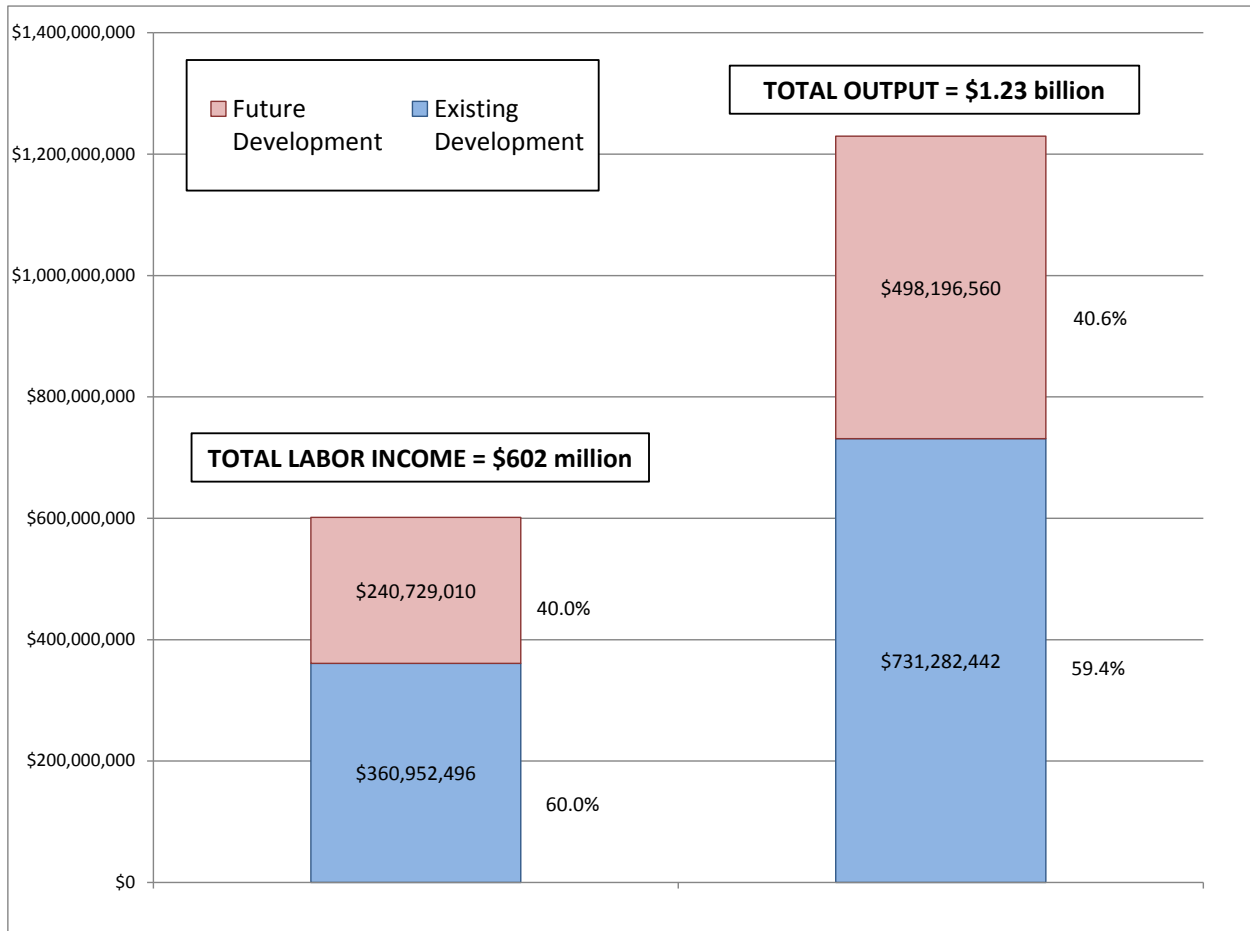
**Table 2**  
**Projected Recurring Fiscal Impacts to Pomona General Fund**  
**Innovation Village, Cal Poly Pomona**  
(In Constant 2017 Dollars)

Category	Existing Development	Future Development	Total after Buildout
<b>A. Valuation and Property Tax</b>			
<b><u>Valuation</u></b>	\$109,653,043	\$99,054,250	\$208,707,293
<b><u>Total Annual Property Tax</u></b>	\$1,096,530	\$990,543	\$2,087,073
<b>B. Pomona General Fund Annual Fiscal Impacts</b>			
<b><u>Annual City General Fund Revenues</u></b> <sup>1</sup>			
Property Tax	\$255,709	\$230,993	\$486,702
Property Tax - In Lieu of VLF	154,611	139,666	294,277
Sales Tax	25,938	0	25,938
Business License Tax	96,737	88,845	185,582
Franchises (without water/sanitation)	25,718	17,047	42,765
Utility Users Tax (without water)	92,591	61,372	153,963
Fines and Forfeitures	<u>11,207</u>	<u>7,428</u>	<u>18,635</u>
Total Annual Recurring Revenues	\$662,511	\$545,351	\$1,207,862
<b><u>Annual City General Fund Costs</u></b> <sup>2</sup>			
General Government	\$7,412	\$4,913	\$12,325
Fire Department	<u>142,538</u>	<u>94,479</u>	<u>237,017</u>
Total Annual Recurring Costs	\$149,950	\$99,392	\$249,342
<b>Annual Recurring Surplus</b>	\$512,561	\$445,959	\$958,520

Note: 1. Only annual recurring revenues relevant to Innovation Village are projected to the City General Fund.  
2. Only fire protection and general government overhead costs are projected for Innovation Village. Police protection, planning services and public works services are provided by Cal Poly Pomona to Innovation Village.

Sources: Stanley R. Hoffman Associates, Inc.  
Los Angeles County Auditor-Controller, *FY 2016-17 Modified ATI Ratio Report*, 09/08/16  
City of Pomona, *2016-2017 Adopted Operating Budget*  
Cal Poly Pomona Foundation, Inc.

**Figure 3**  
**Estimated Aggregate Labor Income and Economic Output**  
**Innovation Village, Cal Poly Pomona**  
 (Constant 2017 Dollars)



Sources: Stanley R. Hoffman Associates, Inc.  
 MIG IMPLAN Input-Output Model

## Construction Spending Impacts

Jobs and income outcomes for the direct construction, and the regional indirect and induced impacts, are estimated based on the IMPLAN model over a 5-year construction period.

**Jobs Impacts.** As shown in Table 3, total construction-related jobs impacts are based on the total valuation (spending) of \$83.8 million for the proposed future development. The total direct jobs associated with the construction valuation are estimated at 600 full-time jobs for the 5-year construction period, or 120 full-time construction jobs on an annualized basis. Other regional indirect and induced employment impacts result in another 282 jobs over the 5-year construction period or about 56 jobs on annualized basis.

**Aggregate Labor Income.** As also shown in Table 3, the total construction-related spending of \$83.8 million for the proposed future development results in about \$50.9 million in total aggregate labor income over the 5-year construction period, or about \$10.2 million on an annualized basis, for the combined direct, indirect and induced impacts.

**Table 3**  
**Construction Employment Impacts for Future Development**  
**Innovation Village, Cal Poly Pomona**  
(In Constant 2017 Dollars)

Category	5-year Cumulative	Annualized Estimates <sup>2</sup>
<b><u>Estimated Future Valuation</u></b>		
Construction (\$)	\$83,752,350	\$16,750,470
<b><u>Construction-Related Employment</u> <sup>1</sup></b>		
Construction	600	120
Regional Indirect and Induced	<u>282</u>	<u>56</u>
<b>Total Construction-Related Employment</b>	<b>882</b>	<b>176</b>
<b><u>Construction-Related Employment Labor Income</u> <sup>2</sup></b>		
Construction	\$34,010,888	\$6,802,178
Regional Indirect and Induced	<u>\$16,894,304</u>	<u>\$3,378,861</u>
<b>Total Construction-Related Employment Payroll</b>	<b>\$50,905,192</b>	<b>\$10,181,038</b>

Note: 1. Jobs generated by construction-related activities are based on the valuation of new construction which are analyzed for their direct, indirect and induced impacts using the IMPLAN input-output model.

2. Aggregate labor income obtained from the estimated IMPLAN input-output model construction impacts.

Sources: Stanley R. Hoffman Associates, Inc.  
MIG IMPLAN, Los Angeles County, 2015



## Revenue Impacts on Cal Poly Pomona

Cal Poly Pomona primarily receives revenues from leases to non-university tenants of Innovation Village. As shown previously, current tenants include the American Red Cross, Southern California Edison and various small companies leasing at CTTi.

**Lease Revenues.** Net lease revenues for American Red Cross and Southern California Edison are based on existing lease rates per square foot of land; net lease revenues for CTTi are based on existing lease rates per building square foot. Future lease revenues include those from potential future development based on an estimated monthly market lease rate of \$0.115 per square foot of land in 2016-2017. This price per square foot is escalated at a minimum rate of 2 percent per year.

As summarized in Table 4, Innovation Village currently generates about \$1.4 million in annual lease revenue from existing tenants. For this analysis, it was assumed that development on Parcels B, C, D, and E would begin in 2019-2020, with full buildout on these parcels spread evenly over five years and not expected until 2023-2024. At this hypothetical buildout, future annual lease revenue totals about \$2.9 million escalated at a minimum rate of 2 percent per year from 2016-2017. Existing buildings comprise about 56 percent (about \$1.6 million) of the total revenue at buildout. Future potential revenue on Parcels B, C, D, and E comprises about 44 percent (about \$1.3 million) of the total revenue at buildout. Figure 4 and Figure 5 further display the projected change in lease revenues at Innovation Village for existing and future buildings from 2016-2017 to 2023-2024.

**Table 4**  
**Lease Revenue at Hypothetical Buildout<sup>1</sup>**  
**Innovation Village, Cal Poly Pomona**

Building	2016-17 Lease Revenue	Percent Distribution	2023-24 Lease Revenue	Percent Distribution
<b>Panel A. Existing Buildings</b>				
Land Lease Revenues	\$1,162,380	82.3%	\$1,343,069	46.0%
CTTi	<u>\$249,992</u>	<u>17.7%</u>	<u>\$287,163</u>	<u>9.8%</u>
<i>Subtotal Existing Buildings Lease Revenue</i>	<b>\$1,412,372</b>	<b>100.0%</b>	<b>\$1,630,232</b>	<b>55.9%</b>
<b>Panel B. Future Buildings</b>				
Parcels B, C, and D <sup>2</sup>	\$0	0.0%	\$997,990	34.2%
Parcel E <sup>2</sup>	<u>\$0</u>	<u>0.0%</u>	<u>\$290,013</u>	<u>9.9%</u>
<i>Subtotal Future Buildings Lease Revenue</i>	<b>\$0</b>	<b>0.0%</b>	<b>\$1,288,003</b>	<b>44.1%</b>
<b>Panel C. Total Estimated Lease Revenue</b>				
Existing Buildings	\$1,412,372	100.0%	\$1,630,232	55.9%
Future Buildings	<u>\$0</u>	<u>0.0%</u>	<u>\$1,288,003</u>	<u>44.1%</u>
<b>Total Lease Revenues</b>	<b>\$1,412,372</b>	<b>100.0%</b>	<b>\$2,918,235</b>	<b>100.0%</b>

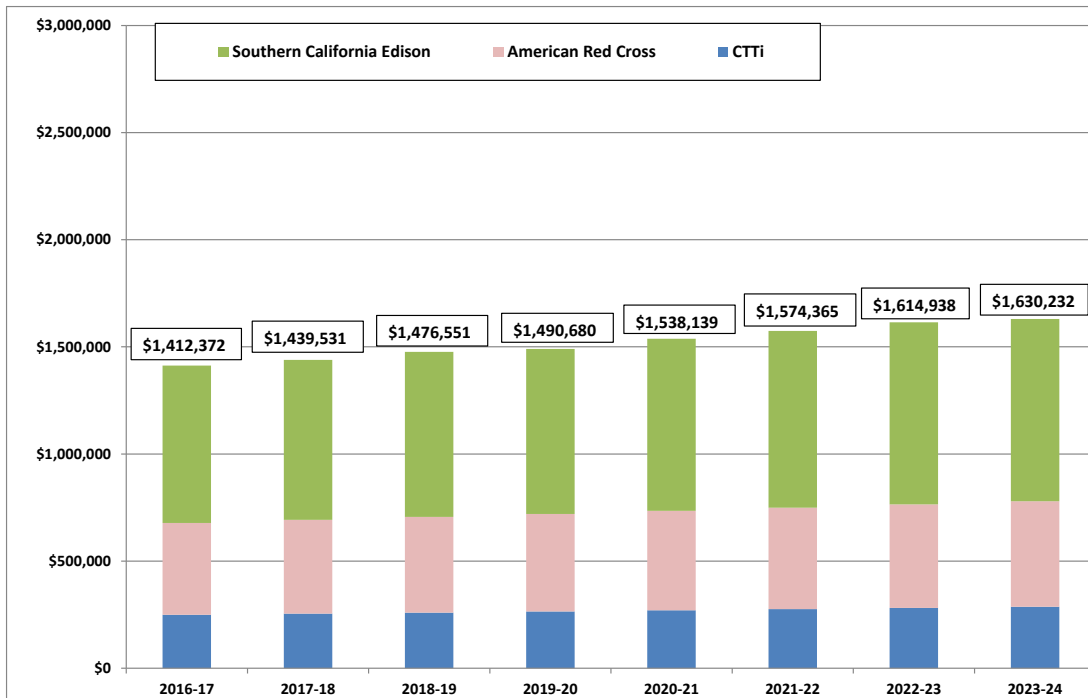
1. Lease revenues are shown for 2016-2017 and escalated annually by 2 percent until 2023-2024.

2. It was assumed that development on Parcels B,C,D, and E would begin in 2019-2020, with a hypothetical full buildout on these parcels spread evenly over five years and not expected until 2023-2024. Net annual revenues for Parcels, B, C,D, and E are based on a monthly ground lease rate of \$0.115 per square foot in 2016-2017 which is estimated to increase at a minimum rate of 2 percent per year. In 2019-2020, the monthly ground lease rate is estimated at \$0.122 and continues to increase at a minimum rate of 2 percent per year.

Sources: Stanley R. Hoffman Associates, Inc.

Sandra Vaughan-Acton, Director, Real Estate Development, Cal Poly Pomona Foundation

**Figure 4**  
**Lease Revenue Projections for Existing Buildings: 2016-2024**  
**Innovation Village, Cal Poly Pomona**

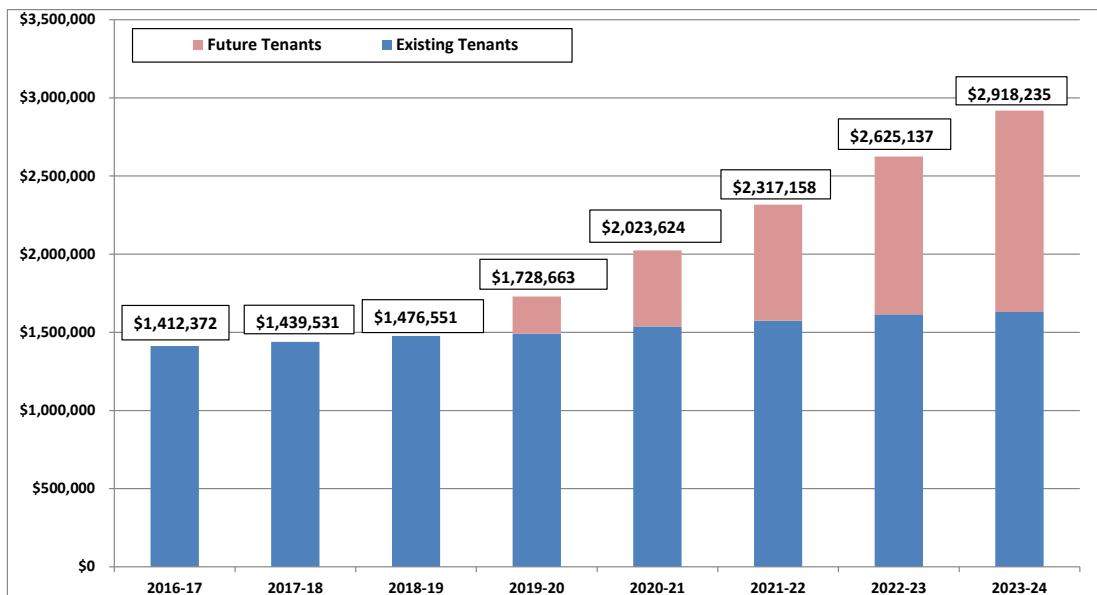


Note: Lease revenues are increased at a factor of 2 percent annually for Figures 4 and 5

Sources: Stanley R. Hoffman Associates, Inc.

Cal Poly Pomona Foundation, Inc.

**Figure 5**  
**Lease Revenue Projections for Existing and Future Buildings: 2016-2024**  
**Innovation Village, Cal Poly Pomona**



Sources: Stanley R. Hoffman Associates, Inc.

Cal Poly Pomona Foundation, Inc.

## **Economic Overview of the San Gabriel Valley**

Also included in this report is a summary of economic trends in the San Gabriel Valley and their relation to the City of Pomona. As Innovation Village positions itself to attract future tenants, it is important to monitor growth opportunities in the regional economy. This will enable the Village to attract new technology oriented private sector investment on its developable land. The following summarizes key economic trends, with further analysis in Appendix B.

- Overall, the Health Care/Services industry has the strongest outlook in the San Gabriel Valley with 122,500 individuals employed in the sector which is expected to continue to grow in the future; this trend is being driven by an aging population, retiring baby boomers, increased life expectancy, employment growth, and healthcare reform
- While Professional and Business Services has not quite reached its pre-recession level of 90,330 jobs, it has steadily increased from its low of 80,635 jobs since 2011 to an estimated 90,000 jobs in 2015
- Overall, both the industrial and office real estate markets have performed relatively well in the San Gabriel Valley, along with the industrial market particularly enjoying recent success
- The largest sectors by share of San Gabriel Valley in the City of Pomona include Educational Services (14 percent), Health Care and Social Assistance (13 percent), Manufacturing (11 percent) and Retail Trade (10 percent), together comprising nearly half of all the jobs
- Relative to San Gabriel Valley, the City of Pomona has a large concentrations in the Arts, Entertainment, and Recreation, Transportation and Warehousing, Educational Services, and Manufacturing sectors

## **Other Benefits**

In addition to lease revenues and taxable sales, there are other tangible and intangible benefits to both Cal Poly Pomona and the City of Pomona. The research park's access to intellectual capital at Cal Poly Pomona has the potential to expand into further economic activity.

Economic benefits include collaboration between Cal Poly faculty and Innovation Village businesses, as well as the hiring of current Cal Poly Pomona students for internships, and in turn, the hiring of future graduates as full-time employees. It was estimated in 2014 that Southern California Edison (SCE) had hired 52 student interns (29 percent of total internship class) and that 8 of those student interns (21 percent of total intern hires) were eventually hired by SCE into full-time positions. Overall, the creation of diverse jobs with higher average wages and skill sets would help form an attractive research and engineering environment in Pomona.

In conjunction with conferences and other collaboration opportunities between Innovation Village tenants, Cal Poly Pomona faculty and students and outside businesses, economic activity would flow back into the campus community in the form of additional taxable sales. Also, there could be increased economic activity from the use of overnight lodging facilities, catering services, and other support services that are nearby, but outside of Innovation Village. Such collaboration opportunities may further lead to joint grant applications and eventually take the form of patents and new business ventures. Consultations with Cal Poly Pomona faculty on future engineering and technical job requirements may also influence the formation of university curriculum, further enriching campus resources.