

MEMORANDUM

To: Michael Allen, Director of Planning
City of Culver City

From: HR&A Advisors, Inc.

Date: October 17, 2018

Re: "Fiscal Opportunity Cost" Implications of The Willows Community School's Proposed 2018 Master Plan Amendment

OVERVIEW, FINDINGS AND CONCLUSIONS

At the request of The Willows Community School ("Willows"), HR&A Advisors, Inc. ("HR&A") evaluated the "fiscal opportunity cost" implications to the City of Culver City ("City") of a proposed update to Willows' Master Plan (the "2018 Master Plan"), and an associated Conditional Use Permit ("CUP") modification required by the City to approve it (the "2018 CUP Modification"). The proposed 2018 Master Plan and 2018 CUP Modification would allow for conversion of one of the properties acquired by Willows (i.e. Willows VII,¹ located at 8525 Higuera Street, previously occupied by California Stay, which was purchased in 2016 and is currently vacant) to an on-site multi-purpose play field, rather than using that site for construction of a new 10,000 SF-classroom building, as originally intended in the Master Plan previously approved by the City in 2012 (the "2012 Master Plan") and its associated 2012 CUP Modification. Additionally, the property known as Willows VI² (located at 8510 Warner Avenue, previously occupied by WorldPac, which was purchased by Willows in 2012 and is currently used for school storage) would be renovated for new classrooms and administrative purposes, rather than demolished and replaced with a new classroom building as intended in the 2012 Master Plan. Projected enrollment would remain consistent with the approved 2012 Master Plan and 2012 CUP Modification, eventually increasing up to a maximum of 575 students (collectively, the "Project").

A CUP is required by the City for Willows to operate a private school use in the City's Industrial General Zone.³ Pursuant to the City's Zoning Code, modifications of a private school in this zoning district require both a master plan and an "economic study" that estimates the fiscal impacts to the City from school modifications or expansions, as compared with plausible continued commercial uses of the site in the absence of private school use. HR&A previously prepared a "fiscal opportunity cost" analysis for the 2012 Master Plan (i.e., demolish Willows V⁴, which was already owned by Willows at the time

¹ For the purposes of this memo, "Willows VII" refers to "Property C" as defined in Conditional Use Permit Modification P-2011156, Condition No. 1.

² For the purposes of this memo, "Willows VI" refers to "Property B" as defined in Conditional Use Permit Modification P-2011156, Condition No. 1.

³ Culver City Municipal Code Section 17.610.010 (E).

⁴ For the purposes of this memo, "Willows V" is assumed to refer to "Property A" as defined in Conditional Use Permit Modification P-2011156, Condition No. 1.

of the amendment, for conversion into a parking lot and acquisition of Willows VI and Willows VII from private parties for conversion to school uses), which the City considered in issuing its approvals for the 2012 Master Plan and imposed requirements for a schedule of annual payments in-lieu of tax revenues as conditions of the 2012 CUP Modification (the “Public Benefit Contribution”).⁵

In order to consider an application for the 2018 Master Plan and 2018 CUP Modification, City staff requested supplemental analysis about whether the specifics of the proposed Project, including the timing of the Willows VI and VII purchases, would alter the fiscal opportunity cost calculations prepared for the 2012 CUP Modification, including the Public Benefit Contribution payment schedule.⁶ Accordingly, HR&A revisited the fiscal opportunity cost calculation approach developed for the 2012 CUP Modification, estimated tax revenues paid by Willows in addition to the Public Benefit Contribution, analyzed the actual timing of the Willows VI and Willows VII acquisitions and related property tax payments made by Willows to the County of Los Angeles subsequent to the acquisitions, and analyzed the Public Benefit Payments due and paid by Willows pursuant to the 2012 CUP Modification.

Based on our analysis described below, we find and conclude as follows:

- **Willows acquired all the property scheduled for acquisition as reflected in the 2012 Master Plan and did so within the timeline specified in the 2012 CUP Modification.** As a result, there are no longer any plausible alternative commercial uses for those properties, and therefore no reason to revisit the fiscal opportunity cost calculation underlying the Public Benefit Contribution amounts specified in the 2012 CUP Modification conditions of approval.
- **The Project does not involve acquisition of any additional commercial property that would be removed from the real estate market,** and therefore the Project will not result in any additional foregone tax revenues beyond those analyzed for the 2012 CUP Modification.
- **Willows contributed about \$134,500 in City tax revenues in 2017, from the combination of its required Public Benefit Contribution and miscellaneous tax revenues associated with school operation; the Project will increase this amount.** In addition to a forthcoming additional Public Benefit Contribution payment for Willows VII, annual operation of Willows generates other recurring annual tax revenues to the City (i.e., other property taxes, sales tax and utility tax), and these other recurring revenues may increase slightly due to: (1) any local purchases of construction materials by contractors building Project improvements and/or other construction labor expenditures in the City; and (2) marginal increases in local expenditures for consumable supplies by Willows as student enrollment increases to the authorized maximum.
- **Willows made about \$473,000 in Public Benefit Contribution payments through 2017, pursuant to the 2012 CUP Modification.** This includes scheduled payments related primarily to Willows V and Willows VI. By the end of 2018, the first Public Benefit Contribution payment will be due for Willows VII, per the 2012 CUP Modification conditions.
- **The City will also continue to receive its share of property tax based on the purchase of Willows VII until Willows receives a welfare exemption for non-profit school use.** It is assumed that the County of Los Angeles will rebate to Willows any property tax paid during the same year that Willows receives the welfare exemption.

⁵ Conditional Use Permit Modification P-2011156, Condition Nos. 66.A., 66.B. and 66.C.

⁶ Because Willows already purchased Willows VI and Willows VII (in 2012 and 2016, respectively) and the Project does not involve any acquisition of additional property that would be removed from the real estate market, there are no other revenues foregone related to the loss of commercial or other uses.

- **However, a modest Public Benefit Contribution payment correction of roughly \$23,000 is due to the City from Willows.** This amount results from an inadvertent omission of annual inflation adjustments to the Public Benefit Contribution payments required through 2017, as specified in the 2012 CUP Amendment.

BACKGROUND

The Willows Community School is a private, nonprofit, educational Kindergarten through Eighth Grade institution located in the Hayden Tract area of Culver City. Willows currently operates with 470 enrolled students and 85 full- and part-time teachers and administrative and support staff, on a 2.5-acre site. Willows is a legal use within the City's Industrial General District. Willows operates under a CUP that was issued originally by the City in 1999, modified in 2002, and modified again in 2012 to permit the 2012 Master Plan. Per the 2012 Master Plan and 2012 CUP Modification, Willows is permitted a student enrollment maximum of 575 students.

Willows' educational facilities are contained within four, one-story light industrial buildings, three of which it owns (referred to as "Willows I," "Willows II" and "Willows IV") and one leased property (referred to as "Willows III"), plus an on-site parking lot (located within the property referred to as "Willows V")⁷ and other off-site parking capacity and a small amount of on-site open space.⁸ In connection with City approvals of the 2012 Master Plan and 2012 CUP Modification, Willows acquired two other buildings, referred to as "Willows VI," and "Willows VII." Willows VI, located at 8510 Warner Avenue, purchased in 2012 and previously occupied by WorldPac, is now used for temporary Willows storage. Willows VII, located at 8525 Higuera Street, purchased in 2016 and previously occupied by California Stay, is currently vacant.

The proposed Project does not change the 2012 Master Plan use for Willows V, which Willows has already demolished and redeveloped into a surface parking lot. The Project would amend the uses for Willows VI and Willows VII as follows:

- Renovate **Willows VI** for new classroom and administrative purposes, rather than demolish it and replace the building with a new classroom building as intended by the 2012 Master Plan; and
- Demolish the existing building and convert the site of **Willows VII** to an on-site multi-purpose play field, rather than using that site for construction of a new 10,000-square-foot classroom building, as intended by the 2012 Master Plan.

⁷ "Property A" in the Conditional Use Permit Modification P-2011156, Condition No. 1 technically includes Willows I, II, III, IV, and V. Because Willows I, II, III, and IV were existing school buildings at the time of the Conditional Use Permit Modification and the change only applied to Willows V, these properties played no role in the opportunity cost analysis calculation at the time of the 2012 CUP.

⁸ Willows qualified for a "welfare exemption" from payment of property taxes on Willows I, Willows II and Willows VI, but pays property tax on Willows III under the terms of a lease, which is not eligible for the welfare exemption, and for Willows VII since it was purchased in 2016, because it has not yet received a welfare exemption for non-profit school use. Willows received a welfare exemption in the first half of 2018 for Willows IV, which Willows purchased in April 2017. Willows previously paid property tax on Willows IV under the terms of a former lease through 2018. Per the 2012 CUP Modification, Willows pays an annual Public Benefit Contribution for Willows V.

CURRENT FISCAL CONTEXT

Willows generated approximately \$134,500 in revenues for the City in 2017. As shown in Table 1, this includes roughly **\$9,000 of annual property tax revenues** allocated to the City (i.e., paid on Willows III under the conditions of its lease, plus the pre-welfare exemption property tax paid on Willows VII).⁹ Willows directly contributed another **\$82,500 in Public Benefit Contribution payments** on Willows V and Willows VI, for which property tax welfare exemptions have been issued by the County of Los Angeles. The total Willows Public Benefit Contribution will increase by approximately \$23,000 annually on November 8, 2018, pursuant to the 2012 CUP Modification due to the acquisition of Willows VII, for which Willows has not yet obtained a welfare exemption for non-profit school use.¹⁰ Willows' operations in 2017 generated approximately **\$12,500 in motor vehicle license fee ("MVL") in-lieu property tax revenues** to the City, about **\$15,500 in utility users' tax** and another **\$14,500 in annual sales tax** to the City. Calculation details for the tax revenues are included in Appendix A.

Table 1: Tax Revenues Generated for the City by Willows, 2017

Recurring Tax Revenues to the City from Willows (2018\$)	
	(2018\$)
Property Tax ¹	\$9,553
Public Benefit Contributions ²	\$82,513
Motor Vehicle License Fee In-Lieu Revenues ³	\$12,624
Utility Users' Tax ⁴	\$15,393
Sales Tax ⁵	\$14,463
Total Revenues	\$134,546
¹ Per Willows; Los Angeles County Office of the Assessor; State of California; City of Culver City. Based on City's 10.5% share of Willows VII property tax to be paid in 2018. Includes: (1) City portion of property tax paid on Willows III and Willows IV, which were both leased by Willows and subject to possessory interest tax under the terms of the lease in 2017; and (2) pre-welfare exemption property tax on Willows VII, per the Conditional Use Permit Modification P-2011156, Condition Nos. 66.C. and 66.D. Willows purchased Willows IV in April 2017 and received a welfare exemption in the first half of 2018. In reflection of this exemption, the total amount of property tax received by the City will decrease modestly beginning in 2019 (by approximately \$550). See Appendix A, Table 5. ² Per Willows; City of Culver City. Includes actual annual Public Benefit Contributions paid for Willows V and Willows VI. After 2018, this amount will increase by \$22,957 (inflated using CPI to 2018 \$) when Willows begins to pay the Public Benefit Contribution on Willows VII. See Appendix A, Table 2. ³ Per the Los Angeles County Office of the Assessor; City of Culver City. The total assessed value (2018) of all properties leased and owned by Willows, multiplied by the City's ratio of MVL revenues to total citywide assessed value (0.035%). See Appendix A, Table 6. ⁴ Per Willows. Based on total taxable expenditures multiplied by the City's utility users' tax rate (11%). See Appendix A, Table 7. ⁵ Per Willows. Based on assumed taxable expenditures within the City of Culver City or that generate sales tax for the City, multiplied by the City's portion of sales tax (1.5%). See Appendix A, Table 8.	

Sources: Willows; HR&A

⁹ Conditional Use Permit Modification P-2011156, Condition No. 66.C.

¹⁰ Per Conditional Use Permit Modification P-2011156, Condition No. 66.C., it is assumed that Willows will begin paying the full Public Benefit Contribution payment for Willows VII in November 2018. For more detail, see Table 3.

CONDITIONS OF THE 2012 CUP MODIFICATION

As a condition of the 2012 CUP Modification,¹¹ Willows is required to make annual Public Benefit Contribution payments in-lieu of taxes for Willows V, Willows VI, and Willows VII. This condition required the following annual payments:

- **Willows V:** \$61,000 beginning no later than 30 days after the City issues a demolition permit in connection with the property
- **Willows VI:** \$21,413 beginning either 1) up to 30 days after Willows acquires a fee or leasehold interest in the property or 2) up to two years after Willows acquires the property, so long as the City continues to receive annual property tax payments and the City has not issued a demolition or construction permit in connection with the property.
- **Willows VII:** \$21,413, beginning either 1) up to 30 days after Willows acquires a fee or leasehold interest in the property or 2) up to two years after Willows acquires the property, so long as the City continues to receive annual property tax payments and the City has not issued a demolition or construction permit in connection with the property.

Per these conditions, Willows is required to increase the amount of the annual Public Benefit Contribution payment for each property based on the cumulative percentage change in the All Items Consumer Price Index (“CPI”) for All Urban Consumers applicable to the specified Los Angeles area, as published by the U.S. Bureau of Labor Statistics.¹² A summary of property acquisition and Public Benefit Contribution payments related to Willows V, Willows VI and Willows VII between 2012 and 2018 are included in Tables 2 and 3. Further details are included in Appendix A.

Table 2: History of Activity and Payments (Willows V, Willows VI, and Willows VII)

History of Activity (Willows V, Willows VI, Willows VII)			
	Willows V (8476 Warner Drive and other Willows properties)	Willows VI (8510 Warner Drive)	Willows VII (8525 Higuera Street)
2012	Public Benefit Contribution Paid	Purchased December 28, 2012	Occupied by California Stay
2013	Public Benefit Contribution Paid	Public Benefit Contribution Paid	Occupied by California Stay
2014	Public Benefit Contribution Paid	Public Benefit Contribution Paid	Occupied by California Stay
2015	Public Benefit Contribution Paid	Public Benefit Contribution Paid	Occupied by California Stay
2016	Public Benefit Contribution Paid	Public Benefit Contribution Paid	Purchased November 8, 2016
2017	Public Benefit Contribution Paid	Public Benefit Contribution Paid	Property Tax Paid
2018	Public Benefit Contribution Paid	Public Benefit Contribution Paid	Property Tax + Public Benefit Contribution to be Paid

Sources: Willows; HR&A

¹¹ Conditional Use Permit Modification P-2011156, Condition Nos. 66.A., 66.B. and 66.C.

¹² Per the CUP Modification P-2011156, Condition No. F, the Public Benefit Contribution payment is subject to an annual increase based on the cumulative percentage change in the All Items Consumer Price Index for All Urban Consumers for Los Angeles County, as published by the U.S. Bureau of Labor Statistics, between August 2012 and the month immediately preceding the month in which each initial annual payment is due. Each subsequent annual payment is subject to an increase in the percentage change in the CPI between August of the preceding year and August of the year in which the subsequent annual payment is due.

Table 3: Scheduled Public Benefit Payments per the 2012 CUP

Scheduled Public Benefit Contribution Payments (2012-2018)				
	Year Over Year % Change in CPI¹	Willows V²	Willows VI³	Willows VII⁴
2012 ⁵		\$61,734	N/A	N/A
2013 ⁶	0.8%	\$61,734	\$21,434	N/A
2014	1.8%	\$62,595	\$21,973	N/A
2015	1.1%	\$63,283	\$23,315	N/A
2016	1.4%	\$64,233	\$22,459	N/A
2017	2.8%	\$65,389	\$22,706	N/A
2018 ⁷	3.9%	<u>\$66,566</u>	<u>\$22,956</u>	<u>\$22,956</u>
	Total (2012-2018)	\$445,533	\$133,742	\$22,956

¹ U.S. Bureau of Labor Statistics, All Items Consumer Price Index for All Urban Consumers (Los Angeles Area). 2012-2018.

² Per Conditional Use Permit Modification P-2011156, Condition Nos. 66.A. and 66.D.; U.S. Bureau of Labor Statistic Consumer Price Index for the Los Angeles Area. Based on initial payment value of \$61,000 (August 2012), adjusted by cumulative change in the CPI since 2012.

³ Per Conditional Use Permit Modification P-2011156, Condition Nos. 66.B., and 66.D. Based on initial payment value of \$21,413 (August 2012), adjusted by cumulative change in the CPI since 2012.

⁴ Per Willows; Conditional Use Permit Modification P-2011156, Condition Nos. 66.C., and 66.D. Willows paid property tax in 2016 and 2017 to the County. A welfare exemption for school use has not been obtained yet.

⁵ For Willows V: Per the Conditional Use Permit Modification P-2011156, Condition No. 66. F, calculated as the cumulative percentage change in CPI between August and October 2012, the month immediately preceding the month of the first annual payment (11/14/2012), multiplied by the initial amount of \$61,000.

⁶ For Willows V: Per the Conditional Use Permit Modification P-2011156, Condition No. 66. F, equal to the preceding payment (\$61,734) rather than \$61,488, the actual calculated change between August 2012 and August 2013 (because the condition specifies that payment amounts can never decrease). Per the CUP modification, the Public Benefit Contribution payment can never be less than the prior annual payment.

For Willows VI: Per the Conditional Use Permit Modification P-2011156, Condition No. 66. F, calculated as the cumulative percentage change in CPI (.06) between August 2012 and February 2013, the month immediately preceding the month of the first annual payment (3/12/2013), multiplied by the initial amount of \$21,413.

⁷ For Willows VII: Equal to the full Public Benefit Contribution payment (\$22,956) to be paid on 11/8/2018. Willows will also continue to pay property tax on Willows VII until it receives a welfare exemption for non-profit school use. Accordingly, the City received approximately \$8,721 in property taxes for Willows VII in 2017 and will receive approximately \$8,391 in property taxes in 2018.

Sources: Willows; HR&A

PUBLIC BENEFIT CONTRIBUTION PAID TO CITY BY WILLOWS

Willows has paid an annual Public Benefit Contribution of \$61,000 for Willows V since 2012. Willows made the first payment on November 14, 2012 and the second payment on October 29, 2013. All subsequent payments were paid in October. Willows purchased Willows VI on December 28, 2012 for approximately \$3,360,000 and made the first required Public Benefit Contribution payment on March 12, 2013 for \$21,413. Willows has since made an annual payment of \$21,413 for Willows VI in September of each year.¹³ Willows purchased Willows VII on November 8, 2016 for approximately \$7,000,000, and paid a

¹³ The Willows School.

total of \$21,554 in property taxes (of which a 10.5% of 1% x assessed value was presumably received by the City) on June 20, 2017 and again on October 17, 2017. Willows paid an additional \$39,960 in property taxes on November 2, 2017 and again on January 25, 2018 (again, with the applicable share presumably received by the City). Willows will make its next property tax payment by December 10, 2018. Per the conditions of the 2012 CUP Modification, Willows must also begin paying the Public Benefit Contribution on November 8, 2018 (two years from the purchase date, November 8, 2016). It is assumed that Willows will pay the full \$22,956 Public Benefit Contribution that is due for the 2018 calendar year. As noted in footnote No. 7 in Table 3, above, the City will also receive an estimated \$8,391 for its share of property tax paid in 2018 to the County of Los Angeles, because that property has not yet qualified for a welfare exemption.

A summary of actual Public Benefit Contribution payments paid to the City between 2012 and 2018 is included in Table 3. A more detailed summary is included in Appendix A.

Table 3: Actual Public Benefit Contribution paid to the City of Culver City and Tax Revenues to the City of Culver City generated by Willows (2012-2018)

Actual Public Benefit Contribution Payments (2012-2018)			
	Willows V ¹	Willows VI ²	Willows VII ³
2012	\$61,000	N/A	N/A
2013	\$61,000	\$21,413	N/A
2014	\$61,000	\$21,413	N/A
2015	\$61,000	\$21,413	N/A
2016	\$61,000	\$21,413	N/A
2017	\$61,000	\$21,413	N/A
2018 ⁴	<u>\$61,000</u>	<u>\$21,413</u>	<u>\$22,956</u>
Total (2012-2018)	\$427,700	\$128,478	\$22,956
¹ Per Willows. Actual amount paid to City annually beginning in 2012. ² Per Willows. Actual amount paid to City annually beginning in 2013. ³ Per Willows; Conditional Use Permit Modification P-2011156, Condition Nos. 66.C., and 66.F. Willows paid property tax in 2017 to the County. Amount reflects portion received by City. ⁴ For Willows VII: Equal to the full Public Benefit Contribution payment (\$22,956) to be paid on 11/8/1018. Willows will also continue to pay property tax on Willows VII in 2018, because it has not yet received a welfare exemption for non-profit school use. The City received approximately \$8,721 in property taxes for Willows VII in 2017 and will receive approximately \$8,391 in 2018.			

Sources: Willows; HR&A

Due to Willows inadvertent underpayment of the inflation adjustment on the Public Benefit Contributions, comparing amounts due from Table 2 with amounts actually paid in Table 3, HR&A estimates there is a net difference of \$23,098 due to the City, as shown in Table 4. More calculation detail is provided in Appendix A.

Table 4: Net Difference Between Scheduled and Actual Payments (2018 \$)

Net Difference Between Scheduled and Actual Payments (2018 \$)			
	Willows V	Willows VI	Willows VII
Actual Payments (2012-2018)	\$427,700	\$128,478	\$22,956
Scheduled Payments (2012-2018)	<u>\$445,533</u>	<u>\$133,743</u>	<u>\$22,956</u>
Net Difference	(\$17,883)	(\$5,625)	\$0
Total Difference	(\$23,098)		

Sources: Willows; HR&A

CONCLUSION

Based on the foregoing analysis, the proposed Project will not result in any change in fiscal opportunity cost to the City. This is because Willows now owns Willows V, Willows VI and Willows VII, which figured in the Public Benefit Contribution payment conditions in the 2012 CUP Modification, and the Project does not involve any acquisition of additional property that would be removed from the real estate market. Therefore, the City will not lose any additional revenue as compared with plausible alternative commercial or other uses of the Willows properties. Willows will begin paying a Public Benefit Contribution related to Willows VII starting in November of this year, and the City will continue to receive its share of property tax on that property until Willows obtains a welfare exemption. The Project may also result in a minor increase in other tax revenues to the City resulting from Project construction and the increase in student enrollment. But, due to the oversight by Willows in adjusting the required annual Public Benefit Contribution payments by the cumulative change in the CPI since 2012, there is a one-time correction payment of \$23,098 due to the City from Willows.

APPENDIX A. FISCAL OPPORTUNITY COST CALCULATIONS

Appendix A, Table 1

Willows Fiscal Opportunity Cost of Proposed Amendment

Recurring Revenues to the City of Culver City

Recurring Tax Revenues to the City from Willows (2018\$)	
	<u>(2018\$)</u>
Property Tax ¹	\$9,553
Public Benefit Contributions ²	\$82,513
Motor Vehicle License Fee In-Lieu ³	\$12,624
Utility Users' Tax ⁴	\$15,393
Sales Tax ⁵	<u>\$14,463</u>
Total Annual Recurring Revenues (2018 \$)	\$134,546
¹ Per Willows; Los Angeles County Office of the Assessor; State of California; City of Culver City. Based on City's 10.5% share of Willows VII property tax to be paid in 2018. Includes: (1) City portion of property tax paid on Willows III and Willows IV, which were both leased by Willows and subject to possessory interest tax under the terms of the lease in 2017; and (2) pre-welfare exemption property tax on Willows VII, per the Conditional Use Permit Modification P-2011156, Condition Nos. 66.C. and 66.D. Willows purchased Willows IV in April 2017 and received a welfare exemption in the first half of 2018. In reflection of this exemption, the total amount of property tax received by the City will decrease modestly beginning in 2019 (by approximately \$550). ² Per Willows; City of Culver City. Includes actual annual Public Benefit Contributions paid for Willows V and Willows VI. After 2018, this amount will increase by \$22,957 (inflated using CPI to 2018 \$) when Willows begins to pay the Public Benefit Contribution on Willows VII. ³ Per the Los Angeles County Office of the Assessor; City of Culver City. The total assessed value (2018) of all properties leased and owned by Willows, multiplied by the City's ratio of MVLF revenues to total citywide assessed value (0.035%). ⁴ Per Willows; City of Culver City. Based on total taxable expenditures multiplied by the City's utility users' tax rate (11%). ⁵ Per Willows; City of Culver City. Based on assumed taxable expenditures with the City of Culver City or that generate sales tax for the City, multiplied by the City's sales tax rate (1.5%).	

Appendix A, Table 2

Willows Fiscal Opportunity Cost of Proposed Amendment

Scheduled Public Benefit Contribution Payments to the City of Culver City

Scheduled Public Benefit Contribution Payments (2012-2018)					
	Willows V ¹	Willows VI ²	Willows VII ³	<u>Total</u>	Year Over Year % Change in CPI ⁴
2012 ⁵	\$61,734	N/A	N/A	\$61,734	
2013 ⁶	\$61,734	\$21,434	N/A	\$83,168	0.8%
2014	\$62,595	\$21,973	N/A	\$84,568	1.8%
2015	\$63,283	\$22,215	N/A	\$85,498	1.1%
2016	\$64,233	\$22,459	N/A	\$86,692	1.4%
2017	\$65,389	\$22,706	N/A	\$88,095	2.8%
2018 ⁷	<u>\$66,566</u>	<u>\$22,956</u>	<u>\$22,956</u>	<u>\$112,478</u>	3.9%
Total (2012-2018)	\$445,533	\$133,743	\$22,956	\$602,232	\$602,232
¹ Per Conditional Use Permit Modification P-2011156, Condition Nos. 66.A. and 66.D.; U.S. Bureau of Labor Statistic Consumer Price Index for the Los Angeles Area. Based on initial payment value of \$61,000 (August 2012), adjusted by cumulative change in the CPI since 2012. ² Per Conditional Use Permit Modification P-2011156, Condition Nos. 66.B., and 66.D. Based on initial payment value of \$21,413 (August 2012), adjusted by cumulative change in the CPI since 2012. ³ Per Willows; Conditional Use Permit Modification P-2011156, Condition Nos. 66.C., and 66.D. Willows paid property tax in 2016 and 2017 to the County. A welfare exemption for school use has not been obtained yet. ⁴ U.S. Bureau of Labor Statistics, All Items Consumer Price Index for All Urban Consumers (Los Angeles Area). 2012-2018. ⁵ <u>For Willows V:</u> Per the Conditional Use Permit Modification P-2011156, Condition No. 66. F, calculated as the cumulative percentage change in CPI between August and October 2012, the month immediately preceding the month of the first annual payment (11/14/2012), multiplied by the initial amount of \$61,000. ⁶ <u>For Willows V:</u> Per the Conditional Use Permit Modification P-2011156, Condition No. 66. F, equal to the preceding payment (\$61,734) rather than \$61,488, the actual calculated change between August 2012 and August 2013 (because the condition specifies that payment amounts can never decrease). Per the CUP modification, the Public Benefit Contribution payment can never be less than the prior annual payment. <u>For Willows VI:</u> Per the Conditional Use Permit Modification P-2011156, Condition No. 66. F, calculated as the cumulative percentage change in CPI (.06) between August 2012 and February 2013, the month immediately preceding the month of the first annual payment (3/12/2013), multiplied by the initial amount of \$21,413. ⁷ <u>For Willows VII:</u> Equal to the full Public Benefit Contribution payment (\$22,956) to be paid on 11/8/1018. Willows will also continue to pay property tax on Willows VII until it receives a welfare exemption for non-profit school use. Accordingly, the City received approximately \$8,721 in property taxes for Willows VII in 2017 and will receive approximately \$8,391 in property taxes in 2018.					

Appendix A, Table 3**Willows Fiscal Opportunity Cost of Proposed Amendment****Actual Public Benefit Contribution Payments to the City of Culver City**

Actual Public Benefit Contribution Payments (2012-2018)				
	Willows V ¹	Willows VI ²	Willows VII ³	<u>Total</u>
2012	\$61,100	N/A	N/A	\$61,100
2013	\$61,100	\$21,413	N/A	\$82,513
2014	\$61,100	\$21,413	N/A	\$82,513
2015	\$61,100	\$21,413	N/A	\$82,513
2016	\$61,100	\$21,413	N/A	\$82,513
2017	\$61,100	\$21,413	N/A	\$82,513
2018 ⁴	<u>\$61,100</u>	<u>\$21,413</u>	<u>\$22,956</u>	<u>\$105,469</u>
Total (2012-2018)	\$427,700	\$128,478	\$22,956	\$579,134
¹ Per Willows. Actual amount paid to City annually beginning in 2012.				
² Per Willows. Actual amount paid to City annually beginning in 2013.				
³ Per Willows; Conditional Use Permit Modification P-2011156, Condition Nos. 66.C., and 66.F. Willows paid property tax in 2017 to the County. Amount reflects portion received by City.				
⁴ <u>For Willows VII:</u> Equal to the full Public Benefit Contribution payment (\$22,956) to be paid on 11/8/1018. Willows will also continue to pay property tax on Willows VII in 2018, because it has not yet received a welfare exemption for non-profit school use. The City received approximately \$8,721 in property taxes for Willows VII in 2017 and will receive approximately \$8,391 in 2018.				

Appendix A, Table 4**Willows Fiscal Opportunity Cost of Proposed Amendment****Net Difference in Scheduled and Actual Public Benefit Contribution Payments**

Net Difference Between Scheduled and Actual Payments (2018 \$)				
	Willows V 1	Willows VI 2	Willows VII 3	<u>Total</u>
Actual Payments (2012-18)	\$427,700	\$128,478	\$22,956	\$556,178
Total Scheduled Payments (2012-18)	<u>\$445,533</u>	<u>\$133,743</u>	<u>\$22,956</u>	<u>\$579,276</u>
Net Difference	-\$17,833	-\$5,265	\$0	-\$23,098

Appendix A, Table 5**Willows Fiscal Opportunity Cost of Proposed Amendment
Annual Property Tax to the City of Culver City**

Annual Property Tax Revenues (2018 \$)			
	<u>Willows III</u>	<u>Willows IV</u>	<u>Willows VII</u>
Assessed Value (2018 \$) ¹	\$584,086	\$521,780	\$7,140,000
Property Tax Rate ²	1%	1%	1%
Annual Total Property Tax	\$5,841	\$5,218	\$71,400
Portion of Tax Received by City ³	10.5%	10.5%	10.5%
Annual Property Tax to City (2018 \$)⁴	<u>\$613</u>	<u>\$548</u>	<u>\$8,392</u>
Total Annual Property Tax to City (2018 \$)	\$9,553		
¹ Per the Los Angeles County Office of the Assessor (2018). <u>For Willows IV:</u> Equal to the assessed value prior to when Willows purchased Willows IV in April 2017.			
² Per the State of California (2018). Excludes additional assessments by school districts or other entities.			
³ Per the City of Culver City (2018).			
⁴ <u>For Willows IV:</u> Because Willows received a welfare exemption for Willows IV in the first half of 2018, the total amount of property tax received by the City will decrease modestly beginning in 2019 (by approximately \$550). <u>For Willows VII:</u> Calculated as the total actual and anticipated tax payments for Willows VII in 2018 (\$79,920), multiplied by the total portion received by the City (10.5%), rather than the total assessed value in 2018.			

Appendix A, Table 6

Willows Fiscal Opportunity Cost of Proposed Amendment

Annual Motor Vehicle License Fee In-Lieu Revenues to the City

Annual MVLF In-Lieu Revenues (2018 \$)	
	(2018\$)
2018 Willows Total Assessed Value ¹	\$35,779,895
MVLF In Lieu Share of Assessed Valuation ²	0.035%
Total Annual MVLF to City (2018 \$)	\$12,624
¹ Los Angeles County Assessor (2018). Includes both both land and improvement value for all properties owned and leased by Willows.	
² Per City of Culver City; HR&A Advisors. Based on total MVLF In-Lieu generated in previous year (\$3.4 million) divided by total City assessed valuation (\$9.7 billion), or 0.035%.	

Appendix A, Table 7**Willows Fiscal Opportunity Cost of Proposed Amendment
Annual Utility Users' Tax Revenue to the City of Culver City**

Annual Utility Users' Tax Revenues (2018 \$)	
	<u>2018 \$</u>
Water Bill ¹	\$16,954
Electric Bill ¹	\$117,910
Gas Bill ¹	\$3,433
Phone Bill ¹	<u>\$1,643</u>
Total Taxable Expenditures	\$139,940
<i>City Utility Tax</i> ²	11%
Total Annual Property Tax Received by City (2018 \$)	\$15,393
¹ Per Willows. Net expenditures before tax for the one-year period beginning July 1, 2017.	
² Per the City of Culver City (2018).	

Appendix A, Table 8

Willows Fiscal Opportunity Cost of Proposed Amendment Annual Sales Tax Revenues to the City of Culver City

Annual Sales Tax Revenues (2018 \$)	
	<u>2018 \$</u>
Total Taxable Expenditures ¹	\$2,410,455
City of Culver City % Share ²	<u>40%</u>
Total Taxable Expenditures	\$964,182
City Sales Tax Rate ²	1.5%
Total Annual Property Tax Received by City (2018 \$)	\$14,463
¹ Per Willows. Based on year to date spending as of September 1, 2018, adjusted to represent full-year spending.	
² Assumes all Amazon purchases (34% of taxable sales) generate sales tax for the City and a modest amount of remaining taxable sales are within the City. This does not account for the additional taxable sales by staff, parents, and other visitors to Willows.	
³ Per the City of Culver City (2018). Includes sales and use tax and Measure Y funds.	