



Exhibit D

**ESTIMATED ECONOMIC AND FISCAL IMPACTS  
OF THE TESORO SAVAGE FACILITY ON THE  
WATERFRONT VANCOUVER DEVELOPMENT AND  
DOWNTOWN VANCOUVER**

DECEMBER 9, 2013

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# I. EXECUTIVE SUMMARY

- The proposed Tesoro Savage Vancouver Energy Distribution Terminal be expected to have a substantial impact on the magnitude, character and pace of development in downtown Vancouver. The primary impact would be related to rail access to the facility that would be routed along the northern edge of The Waterfront Vancouver, a major mixed use redevelopment site immediately southeast of the Port properties. When fully operational, the facility will generate a significant level of train traffic along the rail line spur immediately north of The Waterfront, which will generate noise, visual impacts as well as an increased level of risk associated with the explosive nature of the cargo being transported.
- The current development program for the Waterfront Vancouver development is projected to yield just under 3,000 residential units, 800,000 square feet of office space, 166,400 square feet of retail space, a 318 room hotel and associated parking for the development. The estimated construction costs for the anticipated program are over \$800 million in current dollars. In addition, the master plan includes a number of public spaces, including plazas and parks, which would entail significant construction costs.
- The expected economic impact of the development on Clark County would be realized initially through construction, but on an ongoing basis beyond that from the operation of businesses and expenditures of residents in the development. To evaluate the construction impacts of each scenario, we modeled the estimated impacts of the current master plan, and reconciled those impacts with a second scenario that assumed a 30% reduction in development yield on the site. The economic impacts of on-going activity was also evaluated. These impacts reflect the permanent annual impacts resulting from the completed construction of the development and resulting "business activities".
- The resulting net indicated impact would be over 2,100 FTE jobs associated with construction, with an additional 613 jobs on an ongoing annual basis. The net impact on overall output would be expected to be close to \$280 million for construction, with an additional impact of \$55.7 million per year associate with ongoing operations (expressed in current dollars).

**Impact Summary** Waterfront Vancouver Net Construction Impact

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	(1,374)	(\$73,470,501)	(\$95,469,450)	(\$182,559,901)
Indirect Effect	(373)	(\$15,537,859)	(\$24,672,986)	(\$44,191,043)
Induced Effect	(407)	(\$16,923,287)	(\$31,434,987)	(\$51,493,613)
Total Effect	(2,154)	(\$105,931,647)	(\$151,577,423)	(\$278,244,556)

**Impact Summary** Waterfront Vancouver Net Annual Operations Impact

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	(409)	(\$19,428,528)	(\$17,884,670)	(\$32,685,806)
Indirect Effect	(100)	(\$3,436,292)	(\$5,709,186)	(\$9,783,565)
Induced Effect	(104)	(\$4,337,622)	(\$8,045,412)	(\$13,186,021)
Total Effect	(613)	(\$27,202,442)	(\$31,639,268)	(\$55,655,392)

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- In addition to economic impacts, the impact would be expected to also have fiscal implications for the City of Vancouver, Clark County and the State of Washington. Gramor Development commissioned a study in

2008 that estimated the expected tax generation from the development to the City of Vancouver.<sup>1</sup> The analysis estimated as much as \$38.3 million in one-time revenues through the real estate excise tax (REET), with an additional \$7.7 million in sales tax on construction. Annual recurring tax revenues were estimated at \$4.5 million (2008 dollars), which included property taxes, lodging related taxes, sales taxes and employee-based business taxes. The net present value of these estimated tax revenues was estimated at approximately \$80 million, discounted at 5.5%.

- We prepared a separate estimate of tax contributions by the project’s construction and. Assuming a 2.5% annual rate of inflation, as well as a 5.5% discount factor, the net present value of the tax contributions from the development over a twenty year period would be over \$96 million dollars for the State of Washington as well as local jurisdictions. Sales and property tax revenues would be expected to provide the largest contributions.
- The impacted program would reduce projected revenues by over \$9.3 million from construction, most notably through a reduction in sales and property taxes.

**State and Local Tax Impact by Total: Construction Period Impact**

Description	Total
Dividends	(\$12,198)
Social Ins Tax- Employee Contribution	(\$26,594)
Social Ins Tax- Employer Contribution	(\$47,144)
Tax on Production and Imports: Sales Tax	(\$5,268,238)
Tax on Production and Imports: Property Tax	(\$2,388,010)
Tax on Production and Imports: Motor Vehicle Lic	(\$68,006)
Tax on Production and Imports: Severance Tax	(\$14,436)
Tax on Production and Imports: Other Taxes	(\$617,335)
Tax on Production and Imports: S/L NonTaxes	(\$295,689)
Personal Tax: NonTaxes (Fines- Fees)	(\$380,142)
Personal Tax: Motor Vehicle License	(\$119,034)
Personal Tax: Property Taxes	(\$40,162)
Personal Tax: Other Tax (Fish/Hunt)	(\$45,141)
<b>Total State and Local Tax</b>	<b>(\$9,322,129)</b>

- On a sustained basis, this impact would be expected to be close to \$2.0 million per year in reduced tax generation.

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<sup>1</sup> Updated Columbia Waterfront Tax Generation Analysis, E.D. Hovee & Company, August 1, 2008

**State and Local Tax Impact by Total: Ongoing Net Impact**

Description	Total
Dividends	(\$850)
Social Ins Tax- Employee Contribution	(\$7,960)
Social Ins Tax- Employer Contribution	(\$14,111)
Tax on Production and Imports: Sales Tax	(\$1,081,375)
Tax on Production and Imports: Property Tax	(\$490,171)
Tax on Production and Imports: Motor Vehicle Lic	(\$13,959)
Tax on Production and Imports: Severance Tax	(\$2,963)
Tax on Production and Imports: Other Taxes	(\$126,716)
Tax on Production and Imports: S/L NonTaxes	(\$60,694)
Personal Tax: NonTaxes (Fines- Fees)	(\$96,380)
Personal Tax: Motor Vehicle License	(\$30,180)
Personal Tax: Property Taxes	(\$10,183)
Personal Tax: Other Tax (Fish/Hunt)	(\$11,445)
Total State and Local Tax	(\$1,946,987)

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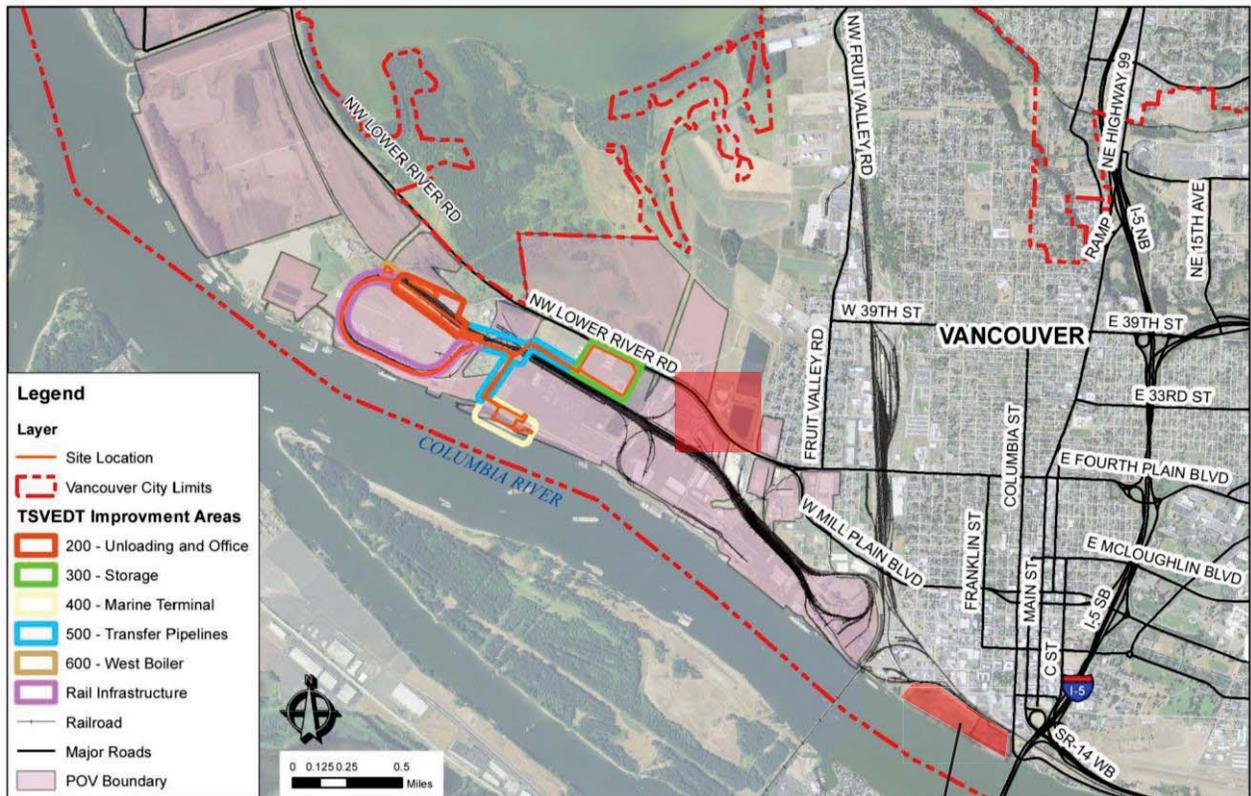
- The overall net present value of the revenue loss over the next twenty years would be \$28.9 million, assuming a 30% impact on investment, a 2.5% annual inflation rate and discount rate of 5.5%.
- While this analysis is largely limited to the Waterfront Vancouver project, it recognizes that impacts would be realized within the broader downtown area as well. The Waterfront Vancouver project is intended as a catalytic development, and is designed to enhance the development prospects for the remainder of downtown Vancouver. We would expect that the rate of development activity, investment in real property and property valuations would be negatively impacted. This impact would be in addition to that estimated by our analysis, and should be evaluated to truly gauge the economic impacts of the proposed Tesoro Savage facility.
- The Tesoro Savage EFSEC application estimates an economic impact of construction of 677 jobs, with labor income of \$43.6 million, well below the estimated construction impact of 2,154 jobs and \$105.9 million in labor income associated with just the Waterfront Vancouver development.<sup>2</sup> Operational employment estimates of 890 jobs and \$64.1 million in labor income from the Tesoro Savage facility compare more favorably to the Waterfront Vancouver impacts of 613 jobs and \$27.2 million in labor income, but it is important to remember that the Vancouver Waterfront development represents only a portion of the impact area that should be evaluated.
- Another consideration is the duration of activity. While the application addresses the operation of the oil depot as an ongoing entity, shipping crude oil by rail is intended to only be a temporary solution. The economics advantages of utilizing pipelines will likely limit the effective operational lifespan of this facility. As a result, the analysis should address the short term nature of the operation.

<sup>2</sup> EFSEC Application No. 2013-01, Socio-Economic Analysis, BST Associates

## II. PROJECT DESCRIPTION

The proposed Tesoro Savage Vancouver Energy Distribution Terminal would be located on Port of Vancouver property within the City of Vancouver. While the application describes expected operational functions within the Port property, rail access to the facility would be routed along the northern edge of The Waterfront Vancouver, a major mixed use redevelopment site immediately southeast of the Port properties.

FIGURE 1.1: GENERAL VICINITY MAP



Source: Applicant Materials

The construction and ongoing operation of the proposed Tesoro facility would be expected to have a substantial impact on the achievable pricing and subsequent character of development in The Waterfront development, as well as in the broader City of Vancouver Central Business District (CBD). When fully operational, the facility will generate a significant level of train traffic along the rail line spur immediately north of The Waterfront, which will generate noise, visual impacts as well as an increased level of risk associated with the explosive nature of the cargo being transported.



# III. AREAS OF IMPACT

## A. ECONOMIC IMPACTS

While the application presents a cursory analysis of the economic impacts of construction and operation of the Tesoro Savage facility, the analysis is substantially incomplete as it does not reflect the impact of associated rail traffic heavily impacted properties located along the Port’s rail spur, most notably The Waterfront development. The traffic volume on the spur associated with operation of the facility is expected to have a significant detrimental impact on Waterfront Vancouver site, generating significant noise, visual impact and real and perceived risk associated with the explosive nature of the cargo. These negative impacts would be expected to have a significantly negative impact on both achievable pricing for residential and commercial tenants, reduce the pace of absorption and reduce the attractiveness of the location from an investment perspective, increasing the yields necessary to induce investment (reflected in higher capitalization rates). This is expected to substantially impact the magnitude and character of development in the area.

**TABLE 3.1: ECONOMIC IMPACTS ASSOCIATED WITH THE TESORO-SAVAGE OIL TERMINAL RAIL TRAFFIC**

<ul style="list-style-type: none"> <li>▪ Reduced Pricing</li> <li>▪ Higher Cap Rates</li> <li>▪ Reduced Absorption</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduced level and pace of construction in The Waterfront</li> <li>▪ Reduced level and pace of construction in Vancouver CBD</li> <li>▪ Less efficient utilization of infrastructure investments</li> </ul>
<ul style="list-style-type: none"> <li>▪ Loss of Catalytic Effect</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduced overall level and pace of construction and redevelopment in the Vancouver CBD</li> </ul>
<ul style="list-style-type: none"> <li>▪ “Green” Development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Impacts associated with “smart development” and achieving a more compact urban form.</li> </ul>

The economic impacts outlined above were estimated by comparing predicted development outcomes in the area under a “no action” scenario with predicted outcomes assuming operation of the Tesoro Savage facility. While impacts were estimated for the Waterfront Vancouver development, this development is designed and expected to have a catalytic effect on the broader Vancouver CBD, and to the extent that the development is reduced in scope, negative economic impacts would also be expected within the broader context.

To model the economic impacts of various activities, Johnson Economics utilized IMPLAN (IMPact for PLANning)<sup>3</sup> input/output multiplier model methodology. Developed by the Forest Service to assist in land and resource management planning, IMPLAN is an economic impact model designed for analyzing the effects of industry activity (employment, income or business revenues) upon all other industries in an economic area.

### IMPLAN MODELING SYSTEM DYNAMICS<sup>4</sup>

#### Social Accounting Matrices

Regional Social Accounting Matrices, or SAMs, represent an IMPLAN extension for regional economic modeling. SAMs provide information on non-market financial flows. IMPLAN type inter-industry models provide information on market transactions between firms and consumers, and they capture payments of taxes by individuals and

<sup>3</sup> Minnesota IMPLAN Group (MIG), Stillwater, Minnesota  
<sup>4</sup> Derived from materials provided by MIG Inc.

businesses, transfers of government funds to people and businesses, and transfer of funds from people to people.

### **IMPLAN Multipliers**

Social Accounting Matrices can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user—specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region specific Social Accounting Matrices, they will reflect the region’s unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects that are displayed in the final report. These are the direct, indirect, and induced changes within the economy.

### **Impacts Defined**

***Direct Impacts:*** The actual change in activity affecting a local economy. For example, if a new institutional building is constructed, direct economic impacts comprise the value added output for that firm/user, as well as the jobs required by that business and the labor income paid.

***Indirect Impacts:*** The response of all other local businesses within the geographic area to the direct impact. Continuing the previous example, indirect impacts of a new institutional user would comprise revenues for related vendors, i.e. real estate services, vendors, etc., and the jobs and labor income thereby generated.

***Induced Impacts:*** The response of households within the geographic area affected by direct and indirect impacts. In the given example, induced impacts would be the increase in all categories of spending by households in the geography directly or indirectly employed by the businesses' activities.

Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually these leakages will stop the cycle. Our analysis will evaluate the Jobs, Labor Income, and Value-Added Output of our estimated direct industry change and commodity change activities.

### **Glossary of Terms<sup>5</sup>**

***Value Added Output:*** The difference between an industry’s or an establishment’s total output and the cost of its intermediate inputs. It equals gross output (sales or receipts and other operating income, plus inventory change) minus intermediate inputs (consumption of goods and services purchased from other industries or imported). Value added consists of compensation of employees, taxes on production and imports less subsidies (formerly indirect business taxes and nontax payments), and gross operating surplus (formerly “other value added”).

***Labor Income:*** All forms of employment income, including Employee Compensation (wages and benefits) and Proprietor Income.

***Industry:*** A group of establishments engaged in the same or similar types of economic activity.

***Commodity:*** A commodity is a product or service. It may be produced by one or by many industries. Commodity output represents the total output of the product or service, regardless of the industry that produced it. If an industry and the commodity produced by the industry have the same name, the commodity is considered to be the primary product of that industry. Any other commodity produced by that industry is a secondary product

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<sup>5</sup> From the United States Bureau of Economic Analysis (BEA)

of that industry.

**Geographic Level**

Impact analysis has varying degrees of geographic breadth. Specifically, vendors who provide goods and services in response to varying impacts are located in varying locales. For this analysis, we focused only on impacts retained in Clark County, Washington. That is, indirect and induced impacts which leak outside of the county are not included. We anticipate the rate of leakage to be low, as on an on-going basis industries impacted by the expected development are more service oriented with a higher likelihood of local retention.

**ECONOMIC IMPACTS OF CONSTRUCTION ACTIVITY**

As noted previously, our approach to this analysis is to model the economic impacts of the development program as currently planned, model an alternative development program reflecting what is viable under an impacted scenario assuming the Tesoro Savage facility, and reconcile these two outcomes to arrive at the estimated marginal impact of the facility. It is important to note that the impact on development within the Waterfront Vancouver project represents only a portion of the impact, as this project is expected to significantly alter the development trajectory of the broader downtown Vancouver area.

The current development program for the Waterfront Vancouver is summarized as follows:

			<b>Cost/ Unit</b>	<b>Construction Costs</b>
<b>Residential Units</b>				
<i>Rental Apartments</i>	1,500	Units	\$135,000	\$202,500,000
<i>Condominiums</i>	1,421	Units	\$160,000	\$227,360,000
<b>Office Space</b>	800,000	SF	\$175	\$140,000,000
<b>Retail Space</b>	166,400	SF	\$175	\$29,120,000
<b>Hotel</b>	318	Keys	\$125,000	\$39,750,000
<b>Parking</b>	5,172	Spaces	\$30,000	\$155,154,000
<b>Infrastructure</b>				\$25,000,000
<b>Total</b>				<b>\$818,884,000</b>

In addition, the master plan includes a number of public spaces, including plazas and parks, which would entail significant construction costs.



To evaluate the temporary construction impacts of each scenario, we calculated the **total** construction spending of the project measured as a direct industry change in construction of new residential and nonresidential commercial structures. The baseline scenario reflected the program in the current master plan, while the second scenario assumed a 30% reduction in development yield on the site.

The baseline scenario reflects assumptions consistent with the current program for the site. Estimated construction expenditures and associated real estate commissions and fees were converted into estimated contributions to employment income and output at the Clark County level.

- Construction spending would translate into over 4,580 direct full time equivalent (FTE) jobs over the construction period, these jobs would pay an estimated \$244 million in labor income (\$53,400 per employee), and contribute \$318 million in value-added output.
- The associated indirect and induced impacts would create an additional 2,600 FTE jobs, \$108 million in labor income, and \$187 million in value-added output.
- The total impact on output for the Clark County economy would be over \$927 million.
- The top industries affected by construction activity include construction, architectural and engineering firms, food service and drinking places, and real estate establishments.

**Impact Summary** Waterfront Vancouver Construction

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	4,580.5	\$244,901,670	\$318,231,501	\$608,533,003
Indirect Effect	1,244.5	\$51,792,862	\$82,243,288	\$147,303,477
Induced Effect	1,356.6	\$56,410,957	\$104,783,289	\$171,645,375
Total Effect	7,181.6	\$353,105,489	\$505,258,078	\$927,481,855

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**ECONOMIC IMPACTS OF ON-GOING ACTIVITY**

The economic impacts of on-going activity are the permanent annual impacts resulting from the completed construction of the development and resulting "business activities". Upon completion, employment at businesses located at Waterfront Vancouver would be expected to total over 1,360 employees, while almost 700 employees would be supported by the direct employment at the development.

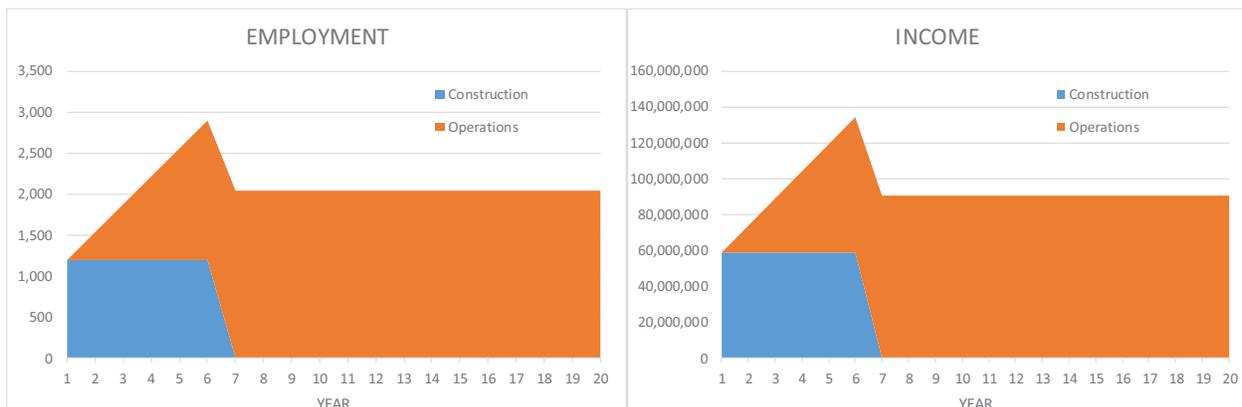
- Direct employment of 1,364 jobs is expected to contribute \$64.8 million in labor income and \$59.6 million in value-added output to the Clark County economy.
- Associated indirect and induced impacts are expected to create an additional 679 permanent jobs paying \$25.9 million in labor income.
- The total annual output associated with the ongoing operations at Waterfront Vancouver would be expected to be in excess of \$185.5 million per year.
- While the construction impacts represent temporary impacts, these impacts would be expected to accrue annually and be sustained into the foreseeable future.

**Impact Summary** Waterfront Vancouver Annual Operations

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	1,364.4	\$64,761,761	\$59,615,566	\$108,952,688
Indirect Effect	332.2	\$11,454,305	\$19,030,619	\$32,611,882
Induced Effect	347.2	\$14,458,740	\$26,818,041	\$43,953,404
Total Effect	2,043.8	\$90,674,806	\$105,464,226	\$185,517,973

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The expected economic impact of the development on Clark County would be expected to be realized initially through construction, but on an ongoing basis beyond that from the operation of businesses and expenditures of residents in the development.



## IMPACTS ASSUMING REDUCED DEVELOPMENT PROGRAM

The operation of the proposed Tesoro Savage facility would be expected to negatively impact achievable pricing, the pace of absorption and acceptable developer returns. As a direct result, the resulting pattern and pace of development at the Waterfront Vancouver would be expected to be substantially impacted. Based on previous analyses of a similar range of expected impacts, a reduction in the overall development program of approximately 30% would be a reasonable expectation of impact.

We evaluated a reduction in the overall program based on this assumption, to assess the net impact associated with the Tesoro Savage development. As before, this evaluates only the impact of the Waterfront Vancouver development, and subsequently does not account for the broader expected impact on the greater downtown Vancouver area.

The reduced program assumptions were run through the IMPlan model, yielding the following impacts for construction and ongoing operations.

<b>ImpactType</b>	<b>Employment</b>	<b>LaborIncome</b>	<b>TotalValueAdded</b>	<b>Output</b>
Direct Effect	3,206.3	\$171,431,169	\$222,762,050	\$425,973,102
Indirect Effect	871.2	\$36,255,003	\$57,570,302	\$103,112,434
Induced Effect	949.6	\$39,487,670	\$73,348,303	\$120,151,763
<b>Total Effect</b>	<b>5,027.1</b>	<b>\$247,173,842</b>	<b>\$353,680,655</b>	<b>\$649,237,298</b>

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<b>ImpactType</b>	<b>Employment</b>	<b>LaborIncome</b>	<b>TotalValueAdded</b>	<b>Output</b>
Direct Effect	955.1	\$45,333,232	\$41,730,896	\$76,266,881
Indirect Effect	232.5	\$8,018,014	\$13,321,434	\$22,828,317
Induced Effect	243.0	\$10,121,118	\$18,772,629	\$30,767,383
<b>Total Effect</b>	<b>1,430.6</b>	<b>\$63,472,364</b>	<b>\$73,824,958</b>	<b>\$129,862,581</b>

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The net differential would be over 2,100 FTE jobs associated with construction, with an additional 613 jobs on an ongoing annual basis. The net impact on overall output would be expected to be close to \$280 million for construction, with an additional impact of \$55.7 million per year associate with ongoing operations.

## B. FISCAL IMPACTS

In addition to economic impacts, the impact would be expected to also have fiscal implications for the City of Vancouver, Clark County and the State of Washington. Gramor Development commissioned a study in 2008 that estimated the expected tax generation from the development to the City of Vancouver.<sup>6</sup> The analysis estimated as much as \$38.3 million in one-time revenues through the real estate excise tax (REET), with an additional \$7.7 million in sales tax on construction. Annual recurring tax revenues were estimated at \$4.5 million (2008 dollars), which

<sup>6</sup> Updated Columbia Waterfront Tax Generation Analysis, E.D. Hovee & Company, August 1, 2008

included property taxes, lodging related taxes, sales taxes and employee-based business taxes. The net present value of these estimated tax revenues was estimated at approximately \$80 million, discounted at 5.5%.

As part of our analysis, we prepared a separate estimate of tax contributions by the project's construction and operation based on the modeling assumptions in the IMPLAN scenarios. The following tables summarize the estimated tax contributions during the construction period, as well as ongoing operations.

**State and Local Tax Impact by Total: Construction Period**

Description	Total
Dividends	\$40,661.00
Social Ins Tax- Employee Contribution	\$88,647.00
Social Ins Tax- Employer Contribution	\$157,147.00
Tax on Production and Imports: Sales Tax	\$17,560,792.00
Tax on Production and Imports: Property Tax	\$7,960,034.00
Tax on Production and Imports: Motor Vehicle Lic	\$226,687.00
Tax on Production and Imports: Severance Tax	\$48,119.00
Tax on Production and Imports: Other Taxes	\$2,057,784.00
Tax on Production and Imports: S/L NonTaxes	\$985,631.00
Personal Tax: NonTaxes (Fines- Fees	\$1,267,140.00
Personal Tax: Motor Vehicle License	\$396,780.00
Personal Tax: Property Taxes	\$133,873.00
Personal Tax: Other Tax (Fish/Hunt)	\$150,471.00
Total State and Local Tax	\$31,073,764.00

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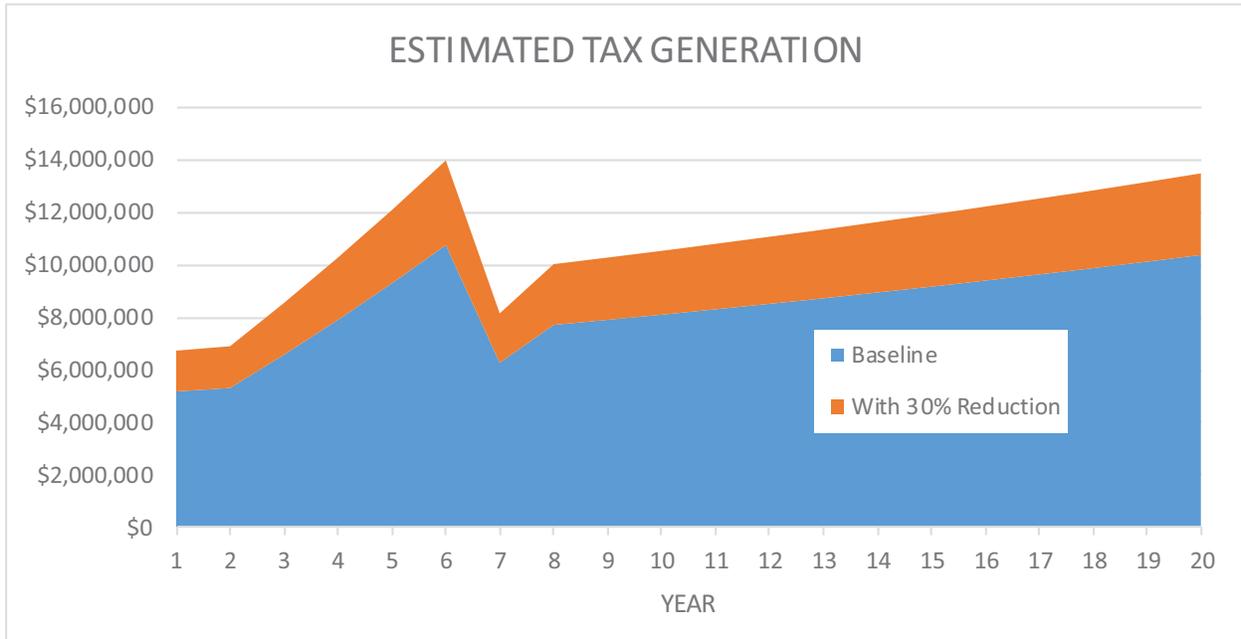
**State and Local Tax Impact by Total: Ongoing**

Description	Total
Dividends	\$2,833.00
Social Ins Tax- Employee Contribution	\$26,533.00
Social Ins Tax- Employer Contribution	\$47,036.00
Tax on Production and Imports: Sales Tax	\$3,604,583.00
Tax on Production and Imports: Property Tax	\$1,633,902.00
Tax on Production and Imports: Motor Vehicle Lic	\$46,530.00
Tax on Production and Imports: Severance Tax	\$9,877.00
Tax on Production and Imports: Other Taxes	\$422,387.00
Tax on Production and Imports: S/L NonTaxes	\$202,314.00
Personal Tax: NonTaxes (Fines- Fees	\$321,268.00
Personal Tax: Motor Vehicle License	\$100,599.00
Personal Tax: Property Taxes	\$33,942.00
Personal Tax: Other Tax (Fish/Hunt)	\$38,150.00
Total State and Local Tax	\$6,489,955.00

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Assuming a 2.5% annual rate of inflation, as well as a 5.5% discount factor, the net present value of the tax contributions from the development over a twenty year period would be over \$96 million dollars for the State of Washington as well as local jurisdictions. Sales and property tax revenues would be expected to provide the largest contributions.

Assuming a reduced product program outcome at the site, the direct tax impacts would be expected to be impacted proportionately. As a result, the net present value of the revenue loss would be \$28.9 million assuming a 30% impact on investment.



In addition, the impact on the broader downtown area would magnify this negative impact, as development activity, investment in real property and property valuations would be negatively impacted.