St. Helena Resort

Economic and Fiscal Impact Analysis

April 2024

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Executive Summary

This report considers the economic and fiscal impacts of a proposed new resort project in St. Helena, California. This project has two phases: augmented property taxes are gains for the City of St. Helena that connect the construction phase to the operations phase. The property is located just north of St. Helena's "downtown" area, providing easy access to shopping, restaurants, and other merchants in St. Helena and throughout Napa Valley. Sales tax, property tax, and transient occupancy tax revenues are critical fiscal impacts that increase revenues for the City of St. Helena once operations begin and are annual and ongoing.

The construction phase includes an estimated $71.1 million of onsite, hard-cost spending and administrative (soft-cost) expenses over 15 to 18 months. This spending brings materials into St. Helena, hires workers within and outside the city limits, and provides income to professional services firms and the city government. St. Helena's economy gains primarily from worker spending and materials purchased from local merchants as needed. Some fixtures, furniture, and equipment may also be sourced from St. Helena-based businesses and professional services. Our estimates suggest that 339 full-time equivalent workers related to construction are paid approximately $23.6 million in wages. The spending and jobs on-site support another five jobs and over $977,500 in additional incomes earned throughout St. Helena, including another $459,400 in wages and salaries for St. Helena residents. Those incomes, in sum, create approximately $570,000 in local tax revenues before the increase in the resort site's assessed value. The increase in property taxes for the City of St. Helena is approximately $730,400 due to property improvements. The property tax revenue gains continue into the operations phase.

Once construction ends, 52 new resort rooms will open, and overnight stays begin. Daily operations also have "multiplier" or additional effects on St. Helena's economy, as visitors come to the resort and then go to local restaurants, wineries, retailers, and other merchants as places to visit and to spend while in St. Helena. The estimated amount spent on overnight stays on the property drives our estimates of overall spending. Based on assumptions of an annual average of 55.3 percent occupancy and an average daily rate (ADR) of $1,716 over five years, the annual gains from years 1 to 5 are as follows in terms of core visitor spending based on overnight stays at the property and subsequent effects on the city economy:

- $10.7 million in value-added income in year 1 to over $23.4 million by year 5 for the resort and St. Helena merchants and employees;
- 100 jobs on site, another eight jobs in St. Helena supported once the resort has hired to full capacity and occupancy is at 55.3 percent occupancy;
- Of the value-added income, $5.6 million to $12.2 million in wages are paid to workers at the resort and beyond in St. Helena from years 1 to 5;

- Tax revenues for the City of St. Helena range from $3.02 million in year 1 to over $4.48 million in year 5 based on room revenue, spending at the resort and throughout St. Helena:
  - $208,000 to $454,000 annually in additional property taxes over the five years beyond the resort's change in assessed value described above;
  - These amounts do not include resort improvements to the property's value;
  - $38,500 to $84,000 in new sales tax revenues over the first five years; and
  - Transient occupancy tax (TOT) revenues of $1.42 million and growing to $2.88 million per year over the five years as occupancy rates rise and the resort establishes its market, an average of $2,568,900 per year at the estimated occupancy rate and ADR.

The growth of TOT revenues provides additional flexibility to the City of St. Helena in two ways. First, the extra revenues help increase the sources of funds available to city government directly (versus sales taxes or property taxes that are primarily for state, county, or other local uses). TOT revenues can act as collateral to finance borrowing for infrastructure and other needs that may support this project and pay the principal and interest payments. This resort provides jobs and revenues for city residents and businesses. The fiscal impact estimates show the resort generates an average of $38,897 per year **per annual equivalent resident at the resort** for the City of St. Helena, over 10 times the estimated cost of one new resident of St. Helena.

Introduction

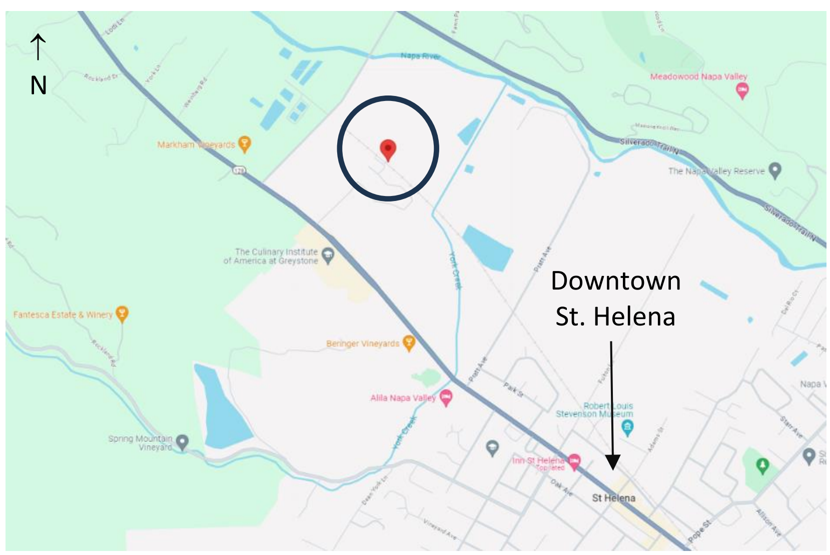
Economic impact studies consider how a construction project, a new or growing business, or an industry may affect a regional economy. A "region" could be a small city, state, country, or group of countries. For this project, we look at the effects of a new resort being built and operated at 2800 Main Street in St. Helena, California. Noble House Hotels and Resorts commissioned this report.

The economic impact estimates herein focus on the business revenues (and the portion that remains in St. Helena, later referred to as "value-add" incomes), wages, and jobs supported by the project's two phases: (1) construction and (2) operations. The construction phase provides income to St. Helena from workers' on-site spending their income within St. Helena's economy and the hard construction costs and administrative (soft) expenses, providing more revenues to local vendors and city government. Gains for the City of St. Helena (city government), except for property-tax gains due to the site's improvements after construction is completed, are also complete when construction ends. The operations phase has ongoing, annual economic and fiscal impacts. Workers on-site and visitors spending new to St. Helena from overnight stays at the resort drive daily economic gains due to operations. These gains become business revenues and value-added income after vendors are paid, wages are paid, and jobs are supported within St. Helena. State and local tax revenues, including sales and transient occupancy tax (TOT) revenues, are derived from resort operations and subsequent "ripple" or multiplier effects. Because such gains are ongoing, annual changes are estimated, including costs to St. Helena to support the resort's operations.

The resort's fiscal impacts include fees paid to St. Helena's city government, property tax changes due to resort property being an improvement to the land (continuing gains from the construction phase), and gains from property transactions due to the resort's economic activity creating income for workers, vendors and city government related to resort operations. Our results include only state and local tax impacts, with estimates for St. Helena distinct from state or county-level gains.[1] We also consider ongoing municipal costs based on recent city budgets and new activity from this site. We start with an overview of the project, estimate assumptions, and report methodology. The economic and fiscal impact estimates are followed by a summary to conclude the report.

Project Overview

The project is known as St. Helena Resort as of March 2024. Noble House Hotels & Resorts is the developer. The property is planned for a specific portion of 2800 Main Street in St Helena, California (see map below). Access to the property would come from: (1) Deer Park Road, (2) from the Charles Krug Winery, and (3) from the Napa Valley Wine Train depot in St. Helena. The resort would be constructed adjacent to the northern terminus of the Wine Train's rail tracks. The proposal plans to develop approximately 10 acres of unused ground on the Charles Krug winery property, including a one-acre landscape area. The current design is for 52 rooms with the ability to create 56 rooms within the same building footprint. These rooms are in a two-story estate house with 14 guest rooms and 38 guest rooms spread out across 17 one-story villa buildings, two villa buildings with two stories each, and two rail car guest rooms. Additional planned amenities include an organic culinary garden and olive tree grove, meeting



Source: Google Maps

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[1] The resort has future plans to add 50 housing units for on-site workers and may include additional workers for other St. Helena businesses to increase the local workforce available for job openings. To remain conservative we do not add the construction or occupancy impacts of these units to our analysis.

and event spaces, swimming pools, and an on-site spa and restaurant. The final design ultimately dictates the actual project costs. The economic and fiscal impacts come from this project's two phases: construction and resort operations.

Construction Phase

Once ground is broken, approximately 15 to 18 months are needed to complete the construction. This analysis assumes construction expenses are split between hard and soft costs. Hard costs relate to on-site project work, including what goes in each room and office (fixtures, furniture, equipment, or FF&E). Soft costs are administrative, design, and legal costs. We remain conservative by recognizing only a subset of the total cost estimates, as some spending will occur outside St. Helena. We identify costs used in the final economic impact estimates by an asterisk (*) in the list below; not all the costs will be spent inside St. Helena. We include the entire contingency fund in our hard-cost estimates.

- Hard Costs of $66.7 million over 16 months
  - Construction = $58.2 million*
  - Fixtures, Furniture and Equipment (FF&E) = $5.52 million
  - Other costs = $2.93 million
- Soft Costs of $15.53 million
  - Permits and Legal Costs = $1.99 million*
  - Design = $3.33 million
  - Project Management = $1.0 million*
  - Developer fees = $2.67 million*
  - Marketing for opening = $4.0 million*
  - Other Costs = $2.54 million
- Contingency costs for project = $3.33 million*
- Financing Costs = $9.09 million
- **Totals = $103.76 million (as of March 2024)**
    - **Total assigned to St. Helena for economic impact analysis based on estimated spending in St. Helena:**
      - **$61.5 million for hard costs (including contingency);**
      - **$9.66 million for soft costs.**

The operations phase begins once construction is complete. Once operations begin, the resort welcomes guests and begins to generate income. We assume the two phases are sequential; within two months of construction ending, the operations phase begins.

Operations Phase

Based on current forecasts for resort revenues, costs, and hiring levels, we use years 1 to 5 of operations to estimate the resort's economic and fiscal impacts once visitors begin to stay overnight. The list below summarizes the assumptions used in the calculations.

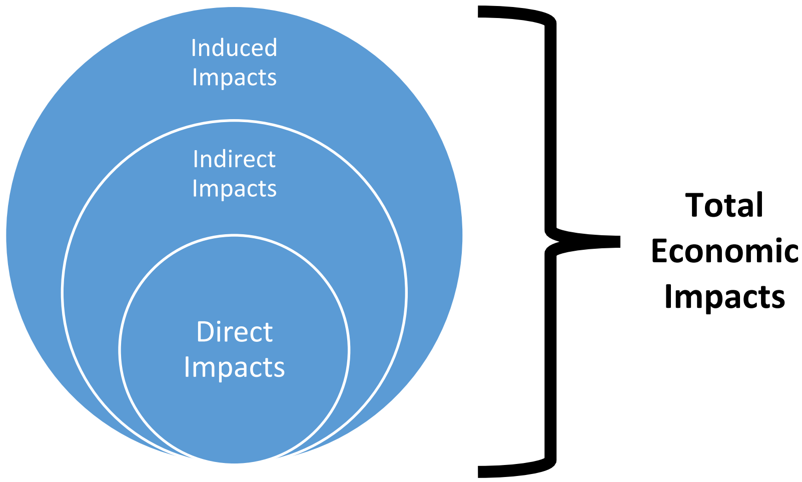
- Hiring will average 101 full-time equivalent (FTE) staff for years 1 to 5;
- The expected annual occupancy rates on average for years 1 to 5 is 55.3%;
    - The assumed range is between 32.5% in year 1 to 71.5% in year 5;
- The expected annual average daily room rate in current dollars is $1,716 for years 1 to 5;
    - The assumed range is between $1,849 in year 1 to $1,700 in year 5;
- Number of available rooms = 52 (18,350 hotel nights added to the local/regional inventory);
- Estimated operational expenses as a percentage of hotel revenues = 68.3%
    - Operational expenses suggest potential vendor revenues derived from the resort for St. Helena businesses;
- Expected transient occupancy tax (TOT) revenues = $2,568,900 per year, using 15% as the TOT rate (with 13% as the core rate for the City of St. Helena, as discussed below); and
- Year 1 is currently forecasted as 2027 to start operations.

The indirect and induced effects (the broader economic effects on the local economy, including additional taxable transactions) on St. Helena's city economy are based on the city's economic breadth and depth. As shown in the estimates below, the resort's hiring of workers, wages paid to these workers, vendor payments, and broader spending by overnight guests are critical ways this resort affects St. Helena's economy. These are the economic impacts.

Methodology

The levels of spending, wages, and revenues above help determine the starting point of "direct" economic impacts, as described below and estimated by the IMPLAN® model.[2]

Figure 1: Economic Impacts



Direct effects come from a business or a construction project generating revenue or costs and then paying vendors and workers as costs of operations. **Indirect** effects come from worker and vendor spending on various merchants, vendors, and employees, creating a second round of supported business revenues, jobs, wages, and tax revenues. This round of spending creates further **induced** effects. As affected employees and businesses spend on purchasing or producing goods and services within St. Helena's city limits (where taxable sales (including hotel stays that generate transient occupancy tax or TOT revenues) for the city government would apply), business revenues rise for grocery stores, marketing and public relations, personal services, restaurants, accountants, carpenters, and various other industries.

Estimated fiscal impacts come from various transactions and affect federal, state, county, and city finances. We show state and local tax revenues only to focus on those sources of funds directly related to city government. Costs to the City of St. Helena would be partially offset by fees paid during construction and ongoing revenues. Our analysis below considers the construction period and then five (5) years of operations.

An essential aspect of economic impact studies is what is retained in the local economy from

[2] Please see http://www.implan.com for more information on IMPLAN® and also the "Economic Impact Estimation" section in this report.

each project phase and ongoing revenues, wages, and taxes. Value-added revenues are those gains "added" to the local economy and not leaked away based on purchases elsewhere from incomes made locally. As shown below, wages and salaries of workers on-site are vital expenses during both phases that provide income to local residents. By economic necessity or choice, it is essential to consider how many on-site workers would live in St. Helena versus some other place (such as Santa Rosa or the city of Napa). The breadth of the local economy, in terms of industry mix, helps retain local gains versus leaking away to other areas.

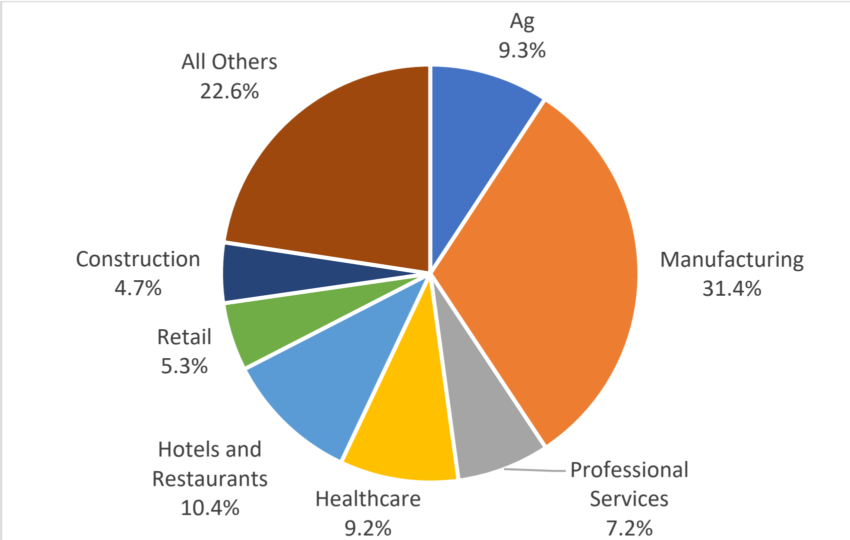
St. Helena as a City Economy

Northern Napa County employers are primarily in the wine industry (wineries and vineyards), restaurants, healthcare (St. Helena Hospital is a significant employer northeast of the city of St. Helena), and an array of professional services businesses (legal, accounting, architecture, etc.). In contrast to southern Napa Valley, "Up Valley" Napa County is more rural, with smaller towns (Calistoga, St. Helena, and Yountville). There are long-standing commute patterns into St. Helena from other places to work at St. Helena employers. Gains from the resort's daily operations partially remain in St. Helena versus other parts of Napa County and beyond based on where spending is done and vendor relationships exist. From 2010 to 2021 (the latest official data available on commute patterns), employers in St. Helena hired between 87 and 90 percent of local workers outside St. Helena. The more workers are local, the more their spending is retained at local merchants (grocery, medical and dental services, etc.).[3] In the estimates below, the indirect and induced gains from both project phases are small compared to the direct gains because St. Helena's economy is minuscule compared to the surrounding area.

In 2022, the latest data available and estimated for cities in California by the Census Bureau, the following data provide some perspectives. Figure 2 shows the mix of employers by their industry's proportion of total city employment for St. Helena. For the income generated by local businesses that remain in St. Helena (value-added income or gross city product, an analog to the national-level gross domestic product or GDP), Figure 3 shows the industry breadth in St. Helena. Notice that manufacturing, as related to the wine industry, dominates employment and value-added income in St. Helena. St. Helena employs approximately 6.75 percent of Napa County's total employed workers.

[3] See the Longitudinal Employment and Housing Database of the federal Census Bureau at http://lehd.ces.census.gov for more details and data.

Figure 2: St. Helena Industry Mix, Employment Levels, 2022, % of City Total

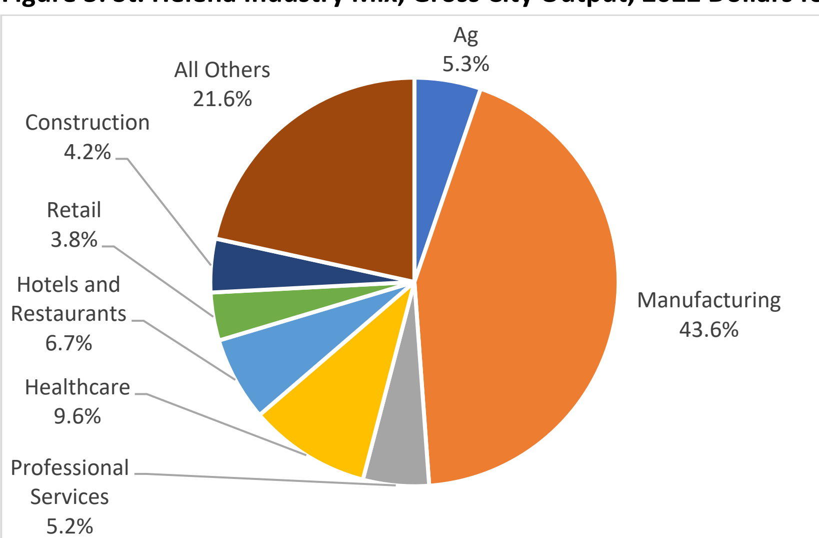


Sources: IMPLAN®, Census Bureau, and Author's Calculations

St. Helena's economic mix is essential to reducing "leakage" as more visitors come to town to enjoy this resort or as more jobs on site are offered. Leakages are lost business or government revenues in other areas because of local economic activity, creating gains for other areas where vendors or workers live.

The housing construction associated with the resort will provide additional economic benefits, which are not analyzed in this report. The resort's revenues are driven by visitors who stay overnight in St. Helena, a marketplace with voluminous regional competition.

Figure 3: St. Helena Industry Mix, Gross City Output, 2022 Dollars for 2022, % of City Total



Sources: IMPLAN®, Census Bureau, and Author's Calculations

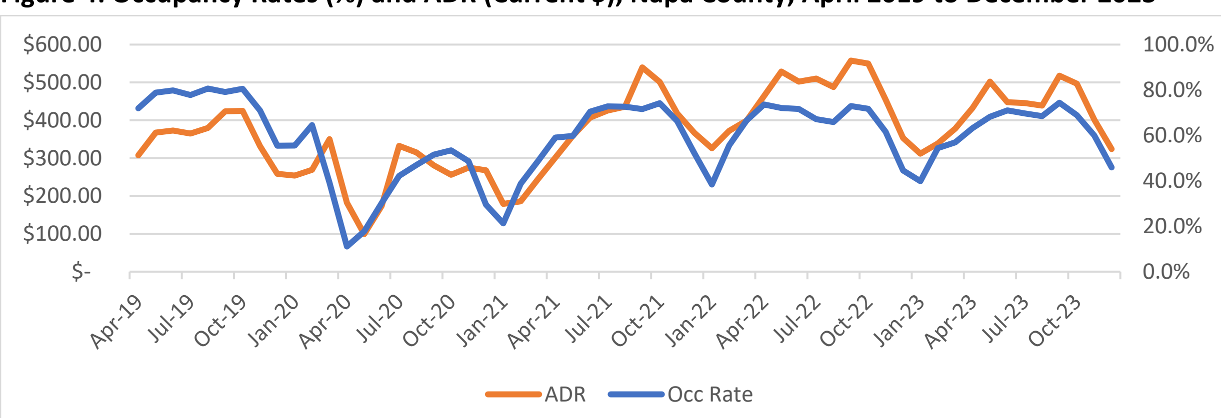
Recent Regional Performance of Overnight Stays: Napa County

Napa County has become synonymous with food and wine, and adults come to California for a European-style experience. St. Helena's location is close to many wineries in northern Napa County, including some along the Silverado Trail. St. Helena is a small center of restaurants, wineries, and retailers with a market focus on visitors. Visitors may come from points worldwide or surrounding counties throughout northern California.

Recent data on the larger overnight-stay market in Napa County is shown in Figure 4 below. These properties are broad in breadth, from budget hotels (Motel 6) to luxury resorts (Stanly Ranch and Silverado) in Napa County. The data also show typical tourism seasonality when comparing Napa County, Sonoma County, and San Francisco. A primary indicator of market strength is the estimated occupancy rate of available rooms based on the current number of hotel properties. The average daily rate (ADR) is another indicator of demand; an increase in ADR, the price offered for a room by an overnight stay property on average every day, suggests that hotel demand is rising. The supply of hotel rooms evolves slowly across a region, so demand generally drives a regional market for overnight stays versus a significant change in the number of new rooms. When occupancy rates and ADR are multiplied, revenue per available room (RevPAR) is the basis for a city economy's transient occupancy tax (TOT) revenues.

Figures 4 and 5 show occupancy rates and ADRs for Napa, Sonoma, and San Francisco counties. As a central air travel hub, San Francisco (SFO) has acted as a regional portal for international and national visitors to the Bay Area and, ultimately, Napa County. Sonoma County Airport (STS) acts as another regional portal. In some cases, resort patrons will come by their transportation, from driving to being flown by private plane.

Figure 4: Occupancy Rates (%) and ADR (Current $), Napa County, April 2019 to December 2023



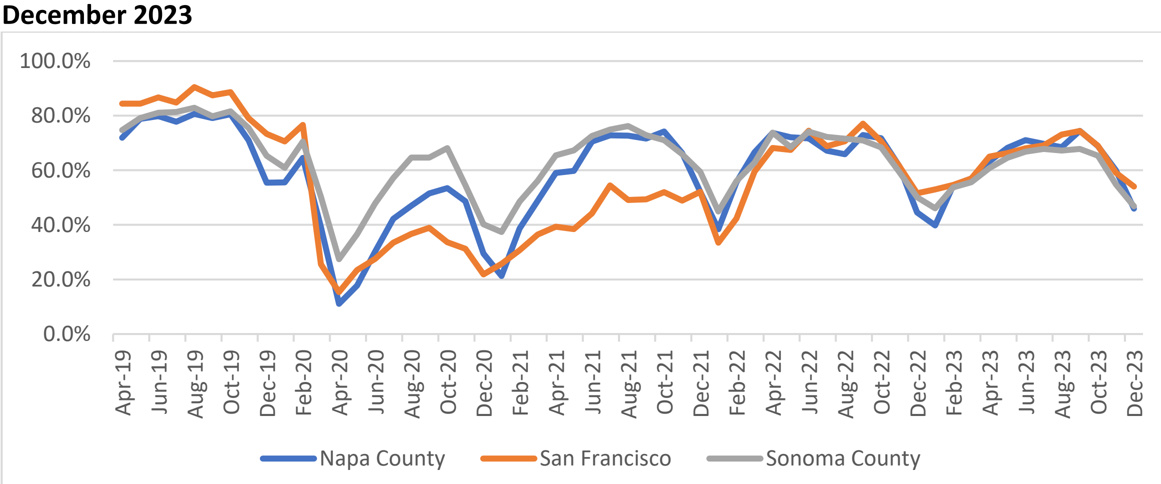
Source: Smith Travel Research and Author's Calculations

The volume of passengers and hotel choices in San Francisco create competition and partnerships based on visitor desires. Notice, in all cases, the pandemic's effects on these counties' markets. Dean Runyan Associates provides data for all 58 counties in California in terms of economic impact from travel based on their estimates of overnight stays and per-person spending when on vacation.

For St. Helena, the city economy is driven by local wineries, restaurants, retail, vineyards, and health care. As a small city in a rural county, St. Helena provides a job market for residents in northern Napa County or adjacent counties (Lake or Sonoma counties). Tourism data shows that staying in St. Helena overnight has been tracked with Napa County overall (see Figure 8). Traveling to St. Helena, especially from outside Napa County, means passing through either the city of Napa and points south within Napa County, Sonoma, or Marin counties.

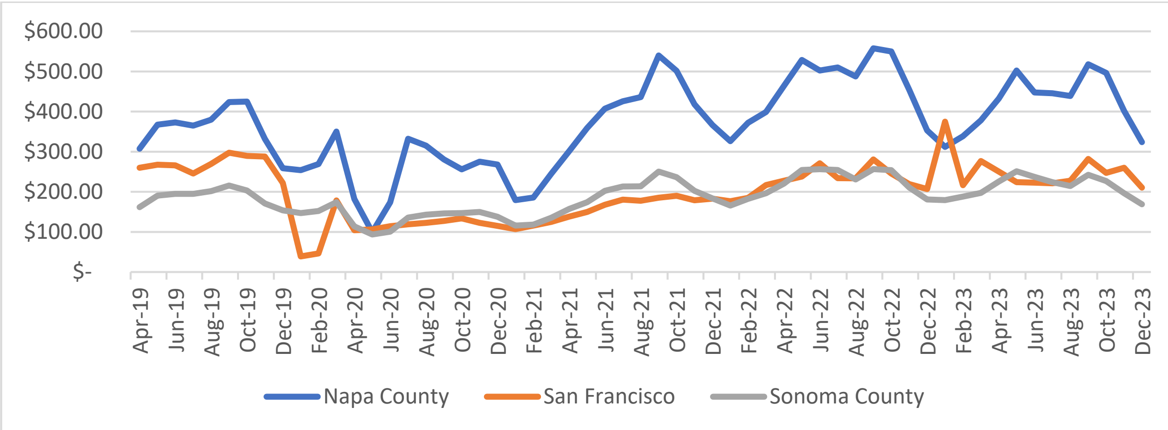
The resort provides another relatively large employer (101 employees would imply almost two percent more jobs in St. Helena once the resort is operational) and 10 percent more transient occupancy tax (TOT) revenues, as shown below. Sales tax and property tax revenue are additional tax gains from this resort's construction and operations. A key component of how this resort affects a local economy is through additional transient occupancy tax (TOT) revenues. The overnight stay revenues of city hoteliers in Figure 8 generate TOT revenues.

Figure 5: Occupancy Rates, Napa County, Sonoma County, and San Francisco, April 2019 to December 2023



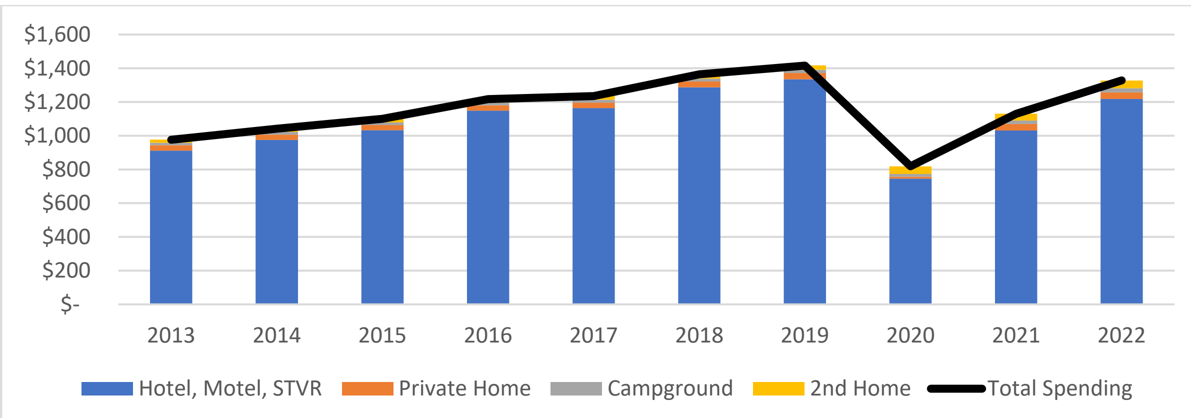
Source: Smith Travel Research and Author's Calculations

Figure 6: Average Daily Rates, Napa County, Sonoma County, and San Francisco, April 2019 to December 2023



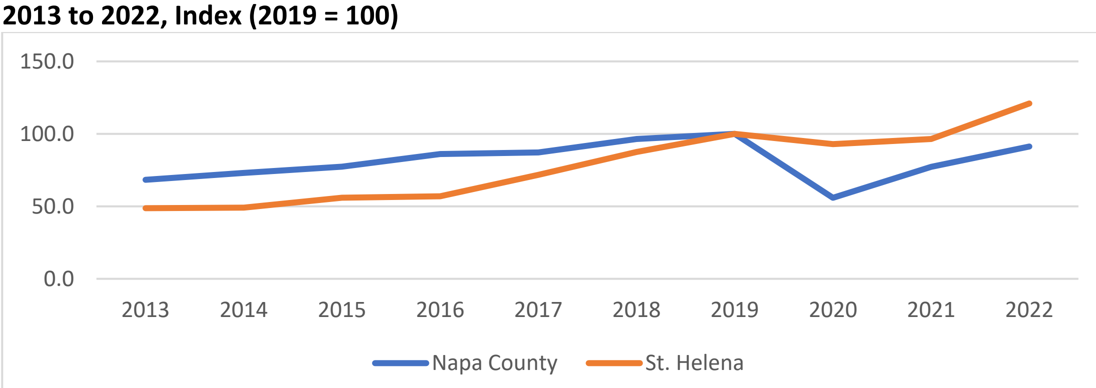
Source: Smith Travel Research and Author's Calculations

Figure 7: Traveler Data for Overnight Stay Spending in Napa County, 2013 to 2023 (est.), Current Dollars



Source: Dean Runyan Associates and Author's Calculations

Figure 8: Napa County and St. Helena Estimated Hotel Revenues in Current Dollars, 2013 to 2022, Index (2019 = 100)



Sources: City of St. Helena, Dean Runyan Associates, and author's calculations

Table 1 shows the progression of TOT tax revenues for St. Helena from fiscal year 2013-14 to 2022-23. Using the projected growth of TOT revenues to 2027, we show the estimated jump in TOT revenues when this resort starts operations. In Table 5, we consider how additional TOT revenues from this resort provide both borrowing capacity and the ability to pay off borrowing for the city in terms of new infrastructure or improvements.

Table 1: Transient Occupancy Tax (TOT) Revenues, Various TOT Rates
St. Helena, Fiscal Years 2012-13 to 2022-23, Current Dollars

Fiscal Year End	St. Helena TOT History
2013	$1,610,039
2014	$1,731,740
2015	$1,848,419
2016	$1,980,116
2017	$2,212,455
2018	$2,806,658
2019	$3,296,741
2020	$2,485,353
2021	$3,762,794
2022	$4,421,435
2023	$4,066,538

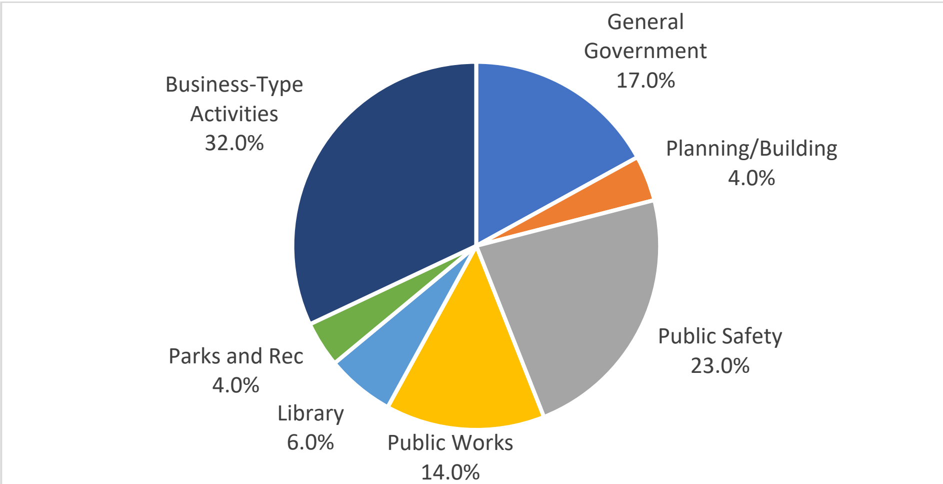
Source: City of St. Helena, Author's Calculations

St. Helena's Fiscal Budget: An Overview

Figure 9 shows the mix of significant city expenses in the 2019-20 fiscal year as a pre-pandemic benchmark compared to the latest fiscal year (2022-23) shown in Figure 10. These data are nominal and not inflation-adjusted. Notice the larger expenditures are for public safety (police and fire), public works (city infrastructure), and general government administration. There will be more expenditures toward public safety in 2022-23 as the budget expands with Measure E funds (from TOT) and sales tax revenues.

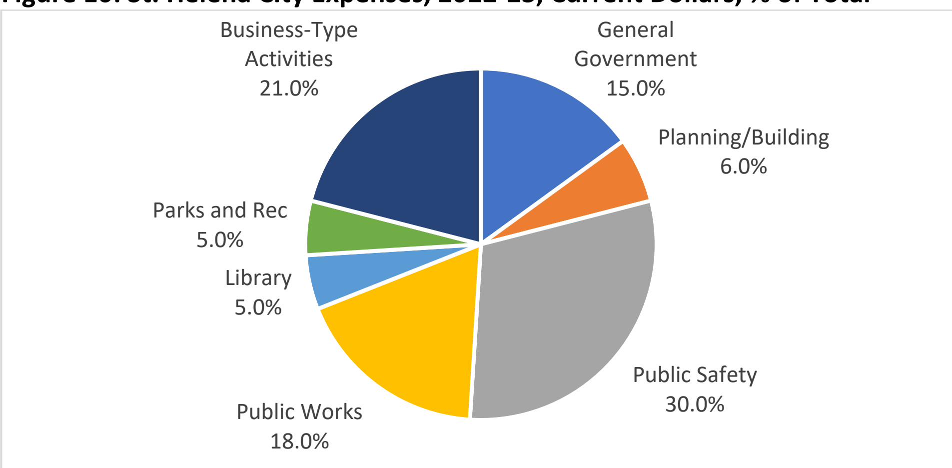
Based on St. Helena's population of 5,300 residents and recent budgets of approximately $20,000,000, we estimate the average municipal cost for the City of St. Helena to be $3,793 per resident or $8,723 per household (occupied housing unit). At full capacity (the most liberal estimate and not the basis of the financial projections below), the resort would have 52 rooms year-round that were occupied by approximately 104 equivalent "residents" (2 people per room night sold).

Figure 9: St. Helena City Expenses, 2019-20, Current Dollars, % of Total



Source: City of St. Helena, Author's Calculations

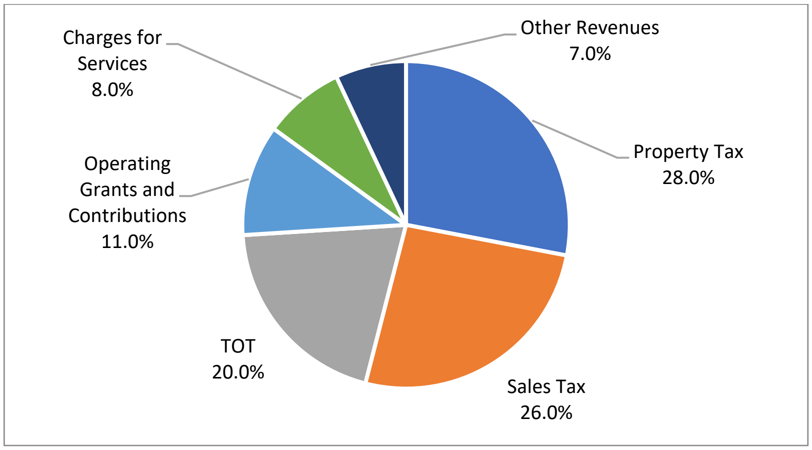
Figure 10: St. Helena City Expenses, 2022-23, Current Dollars, % of Total



Source: City of St. Helena, Author's Calculations

Figures 11 and 12 examine city revenue sources in fiscal years 2019-20 and 2022-23. St. Helena's revenues come primarily from sales and transient occupancy taxes (TOT), fees, intergovernmental transfers, and grants. Property taxes are the most significant revenue contributor in fiscal year 2022-23, but they are somewhat encumbered for local education and initiatives that involve parcel taxes. Sales taxes and TOT comprise approximately 46 percent of fund sources in the 2022-23 fiscal year.

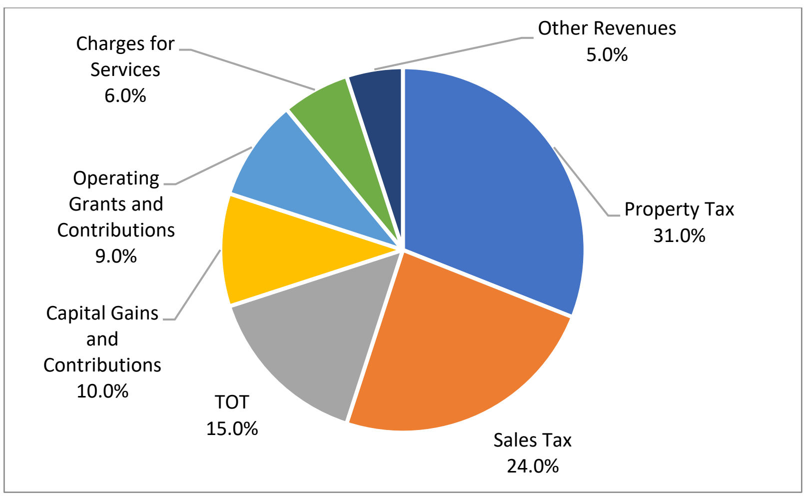
Figure 11: St. Helena Sources of Funds, Fiscal Year 2022-23



Source: City of St. Helena, Author's Calculations

In our fiscal impact estimates, we consider how daily employees and visitors to the resort may incur costs on the City of St. Helena as "new" to town. This is a conservative look at the cost of these additional people versus the current employment base or population to compare municipal costs to revenues generated by the resort's operations.

Figure 12: St. Helena Sources of Funds, Fiscal Year 2019-20



Source: City of St. Helena, Author's Calculations

As we see in the economic impact estimates, during the construction and operations phases, the resort generates property tax, sales tax, and TOT revenues that augment the City of St. Helena's sources of funds. Some of those gains come from the broader spending impacts estimated from visitors coming to St. Helena and staying overnight that would not take place without this resort expanding the rooms and amenities in St. Helena to attract overnight visitors and create multiple days of visitor spending per room sold.

Economic Impact Estimates

Based on the above assumptions, the economic impacts on St. Helena are shown in Tables 2 and 3 in summary form. Each table shows the amount of spending that remains in St. Helena, known as “value-add” income. For the construction phase, a certain amount of local hiring and use of local vendors across all project spending creates localized gains. Table 2 provides the “ripple” effects based on the methodology described above for the construction phase. The data in Tables 2 and 3 can also be seen as an algorithm if the assumptions change. For example, every $10 million in construction spending creates $8.4 million in local income for workers and St. Helena businesses, supporting 70 full-time equivalent workers.

Table 2: Construction Impacts
Incomes (Current Dollars) and Jobs (Number of Workers)

	Hard Costs	Soft Costs
	Annual Average	Annual Average
	Construction Period	
Applicable Spending (Direct Impacts)	**$61,500,000**	**$9,660,000**
Value Added	$51,662,200	$5,402,400
Wages	$20,845,000	$2,790,500
Jobs	316.0	23.0
Indirect Impacts		
Value Added	$398,100	$259,800
Wages	$162,400	$136,300
Jobs	3	2
Induced Impacts		
Value Added	$255,400	$64,200
Wages	$128,400	$32,300
Jobs	2	1
Totals		
Value Added Income	**$52,315,700**	**$5,726,400**
Wages	**$21,135,800**	**$2,959,100**
Jobs	**321.0**	**26.0**

For operations, the first five years show rising demand for the resort as a place to stay overnight to long-term average levels. Operations cannot begin until the construction phase ends. A daily flow of overnight visitors to the resort increases spending in St. Helena. Such spending creates more demand for an array of vendors. Similarly to the construction impacts, Table 3 shows the effects of having visitors on property and in St. Helena daily and throughout the year. The value-added incomes, including wages and vendor payments, are generated and kept in St. Helena for local businesses. Table 3 summarizes how revenues generated by resort operations have broader economic impacts in St. Helena.

Additional spending that comes to St. Helena due to visitors staying overnight becomes regional spending throughout Napa County. Vendors from the City of Napa, American Canyon, and other parts of Napa County indirectly gain income and job support from resort operations. In the next section, we consider the fiscal impacts on the City of St. Helena's government and its sources of funds. Table 3 summarizes the estimated impacts of the first five years of resort operations.

Table 3: Operations Impacts
Incomes (Current Dollars) and Jobs (Number of Workers)

	Year				
	1	2	3	4	5
Resort Revenues	$15,316,000	$21,124,000	$26,597,000	$31,129,000	$33,375,000
Value Add	$10,749,800	$14,826,300	$18,667,600	$21,848,500	$23,424,900
Wages	$5,636,000	$7,773,300	$9,787,200	$11,454,900	$12,281,400
Jobs	93	99	101	104	106
Indirect					
Value Add	$125,700	$173,400	$218,400	$255,600	$274,000
Wages	$75,600	$104,300	$131,300	$153,700	$164,800
Jobs	1.5	1.6	1.6	1.6	1.7
Induced					
Value Add	$15,000	$20,700	$26,000	$30,400	$32,600
Wages	$7,500	$10,400	$13,100	$15,300	$16,500
Jobs	0.1	0.1	0.1	0.1	0.1
Totals					
Value Add	$10,890,500	$15,020,400	$18,912,000	$22,134,500	$23,731,500
Wages	$5,719,100	$7,888,000	$9,931,600	$11,623,900	$12,462,700
Jobs	94.6	100.7	102.7	105.7	107.8

Fiscal Impact Estimates

Our estimations of fiscal impacts are a blend of the IMPLAN® model's calculations based on the construction and operations spending and revenues, assumptions for the number of rooms sold annually, the resort's operations revenues beyond rooms sold (hotel stays are just one part of revenue and taxable sales generated), and the City of St. Helena data on its sources and uses of funds as a municipal government based on its financial reports.[4] Fiscal gains from the resort come from three primary sources for St. Helena:

- Sales tax revenues;
- Transient occupancy tax (TOT) revenues; and
- Property tax revenues.

Sales tax revenues come from the spending during the construction project at all levels based on taxable transactions. There may also be some use taxes, but sales taxes will be how the construction project provides retail tax revenues. The resort itself will have taxable transactions on-site. Enhanced spending within St. Helena, from retail sales to restaurant meals to local residents spending more at home because they work on-site, drives more sales and tax revenues. Every year, sales tax revenues start at zero; we assume the sales tax rate for the City of St. Helena is 8.25 percent, whereas the City of St. Helena retains 0.5 percent from the 8.25 percent or 6.06 percent of sales tax revenues generated within the city limits. For example, $1 million of taxable sales in St. Helena would generate $82,500 in sales tax revenue, of which $5,000 (0.5 percent of the taxable sales amount) would go to the City of St. Helena.

Transient occupancy tax (TOT) revenues depend on overnight stays at the resort and what is paid for each room when occupied. To be conservative, we only estimate additional TOT revenues from the resort and not indirect effects on other properties or short-term rentals because of events supported by the property's infrastructure. Some of that is captured as "Other Taxes and Fees" in Table 4. For example, corporate or other groups may have events centered on the resort, leading to additional hotel room demand beyond the resort.

TOT revenues depend on average daily rates (ADR) and occupancy rates; their product is revenue per available room or RevPAR. It is RevPAR that determines TOT. One difference between TOT and sales taxes is that the City of St. Helena keeps a more significant proportion of the TOT rate than sales taxes. The 15 percent TOT rate is 12 percent TOT for the City of St. Helena, 1% local Measure E (to help finance affordable and workforce housing efforts in the City of St. Helena), and 2% for the Napa Valley Tourism Improvement District (TID), providing

[4] See https://www.cityofsthelena.org/Archive.aspx?AMID=38 for several years of the City of St. Helena's financial reports and city budgets.

financing for the Visit Napa Valley organization to promote and market the entire region to potential visitors. In our summary, only 13% of the TOT is counted in the city-level fiscal impacts, which are those that stay in St. Helena directly; we assume no changes over the five years of operational estimates here. Every year, TOT revenues also start at zero.

Property tax revenues come from transactions related to property workers and vendors affected by the resort's operations. Initial changes in property tax revenues for the City of St. Helena come from the property's construction and how the construction spending generates income gains and property transactions that provide an increase in the assessed value of properties in St. Helena. Once operations begin, annual incomes for workers and vendors related to the property allow real-estate transactions that augment property tax revenues each year. In our analysis below, we show those estimates. In contrast to sales and TOT revenues, property taxes, once augmented, remain in terms of an increase in the assessed property values in St. Helena.

This resident equivalent translates to an estimated municipal cost of roughly $394,472 per year for the resort or $3,792 per St. Helena resident. Our fiscal impact estimates show the resort generates approximately $4,045,300 per year from the resort in years 1 to 5; this equates to an average revenue of $38,897 per equivalent resident annually based on 104 equivalent residents in the 52 rooms at the resort for the City of St. Helena. This means the average per equivalent resident annual revenue is over 10 times the municipality's annual cost per resident. Table 4 provides the estimates as a blend of the estimates from the IMPLAN® model and the construction and operational outcomes assumptions regarding taxable transactions. We show employment and other taxes and fees that construction and subsequent operations would generate at the local and state levels. To be conservative, we show only local fees and other taxes related to the resort.

Table 4: Estimated State and Local Tax Revenues from Construction (Const) and Operations

	Const Year 1	Const Year 2	Operations 1	Operations 2	Operations 3	Operations 4	Operations 5
Property Taxes (IMPLAN)	$248,400	$82,800	$208,500	$287,600	$362,100	$423,800	$454,400
Property Taxes (Resort)	$-	$730,400	$745,000	$759,900	$775,100	$790,600	$806,400
Sales Taxes (Resort)	$-	$-	$321,600	$497,500	$690,900	$802,400	$848,200
Sales Taxes (IMPLAN)	$179,100	$59,700	$38,500	$53,100	$66,900	$78,300	$84,000
TOT (Resort)	$-	$-	$1,425,900	$1,883,800	$2,268,100	$2,671,400	$2,882,600
Subtotal	$427,500	$872,900	$2,739,500	$3,481,900	$4,163,100	$4,766,500	$5,075,600
Employment Taxes	$548,400	$182,800	$60,100	$82,900	$104,400	$122,100	$130,900
Other Taxes and Fees	$540,700	$180,200	$506,700	$698,900	$880,000	$1,029,900	$1,104,200
Totals	**$1,516,600**	**$1,235,900**	**$3,306,400**	**$4,263,700**	**$5,147,500**	**$5,918,500**	**$6,310,700**
Subtotal Per Hotel Room	$-	$-	$52,700	$67,000	$80,100	$91,700	$97,600

Sources: IMPLAN®, City of St. Helena, Noble House Hotels and Resorts, Author's Calculations

Note: Property taxes are assumed to be 1.18% of the assessed value post-construction and increase by 2% per year over the years, as shown in Table 4. Additional TOT Revenues are estimated at 13% of room revenues. We assumed 52 rooms.

Borrowing Capacity from TOT

Based on TOT revenues increasing, the City of St. Helena can borrow up to four (4) times the income to finance an additional infrastructure or municipal support needed for this resort. By Operations Year 4, this property will have over $10.0 million to the City of St. Helena's borrowing capacity from TOT alone. Much like an enhanced infrastructure financing district (EIFD) does with property taxes, the additional TOT generated from this property could be used to pay for the principal and interest of infrastructure debt. The property's existence acts as collateral for the TOT loan, where the projected revenues guide a lender on the ability to repay the loan. Table 5 shows the estimated change in TOT revenues as provided in Table 4 from 13 percent TOT and the amount of borrowing that could occur in years 1 to 5, with loan payments after year 5.

Table 5: Borrowing Capacity from Additional TOT Revenues from Resort Operations

City Borrowing Using Additional TOT	**Operations**	**Operations**	**Operations**	**Operations**	**Operations**
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
TOT (resort operations)	$1,425,900	$1,883,800	$2,268,100	$2,671,400	$2,882,600
Borrowing Capacity	$5,703,500	$7,535,100	$9,072,400	$10,685,700	$11,530,400

Sources: Author's Calculations using Table 4's Data

Conclusions

The economic effects of this resort's two phases, construction and operations, provide the City of St. Helena with increased tax revenues from additional economic activity. The construction phase starts with workers coming to the site and spending income at St. Helena's merchants. The project spending creates an enhanced value for the current property. The hard construction costs create those gains as the resort comes to life. After 15 to 18 months of building, the economic effects of construction end, except for the augmented property tax revenues. Those include new transactions due to workers in St. Helena being paid for the project and the property improvements.

Operations bring overnight visitors to St. Helena, which means more revenue for local businesses daily. We estimate approximately 101 workers on the property by year 5 of operations. Some of these workers will be housed in St. Helena. The visitor spending on and off property creates more income for those workers and more taxable transactions, including transient occupancy tax (TOT) revenues. Property and sales taxes are also increased based on the daily operations and broader economic activity throughout the city economy. Table 6 summarizes both phases' economic and fiscal impacts through year 5 of operations. The resort is estimated to generate revenue for the City of St. Helena 10 times the estimated cost.

Table 6: Total Economic Impacts, Current Dollars (Value-Added Income, Wages and Taxes) and Full-Time Equivalent Workers (Jobs)

	Construction	**Construction**	**Operations**	**Operations**	**Operations**	**Operations**	**Operations**
Year	**1**	**2**	**1**	**2**	**3**	**4**	**5**
Value Added Income	$43,531,575	$1,594,975	$15,456,700	$21,318,100	$26,841,400	$31,415,000	$33,681,600
Jobs	344	115	95	101	103	106	108
Wages	$18,071,175	$812,475	$5,719,100	$7,888,000	$9,931,600	$11,623,900	$12,462,700
Tax Revenues*	$427,500	$872,900	$2,739,500	$3,481,900	$4,163,100	$4,766,500	$5,075,600
Sales	$179,100	$59,700	$360,100	$550,600	$757,800	$880,700	$932,200
TOT	$-	$-	$1,425,900	$1,883,800	$2,268,100	$2,671,400	$2,882,600
Property	$248,400	$813,200	$953,500	$1,047,500	$1,137,200	$1,214,400	$1,260,800
Per new Resident**			$26,341	$33,480	$40,030	$45,832	$48,804
Per new Household**			$52,683	$66,960	$80,060	$91,663	$97,608

* These estimates of tax revenues are specific to St. Helena's portion of Table 4's estimates ("Subtotal")

** We assume 104 equivalent residents and 52 resort rooms/household equivalents over years 1 to 5.

About Economic Forensics and Analytics, Inc. (EFA)

Economic Forensics and Analytics, Inc. (EFA) is an independent research and consulting firm located in Sonoma County, California. Since 2000, EFA has provided clients with customized economic analysis at reasonable costs compared to competitors. We have a wide range of clientele in the private and public sectors across the United States and Canada. For government and businesses alike, EFA provides economic forecasting and economic impact analysis using the latest data and a proven method of describing the effects of decisions. EFA president Robert Eyler has a doctorate in economics from the University of California at Davis. See more at www.econforensics.com.

Appendix: Table A-1: Industry Detail for St. Helena

Industry in St. Helena	Employment	Gross Regional Product (GRP)
Agriculture	465	$35,561,800
Natural Resources	21	$2,656,900
Utilities	5	$4,195,700
Construction	235	$28,687,600
Food and Beverage Manu	1,433	$274,462,100
Light Manu	58	$8,105,900
Heavy/Advanced Manufacturing	90	$12,233,100
Wholesale	92	$28,130,600
Store Retail	152	$17,360,100
Non-Store Retail	114	$8,324,000
Transportation	12	$549,600
Logistics/Warehousing	20	$1,906,700
Information	1	$476,600
Financial Services	93	$17,186,400
Real Estate	258	$28,535,000
Professional Services	360	$35,313,300
Management Offices and Consulting	76	$11,017,400
Admin and Waste and Security	96	$5,059,800
Private Education	13	$638,500
Healthcare and Non-Profit Health	462	$65,238,200
Events, Entertainment and Fitness	75	$8,011,800
Hotels and Restaurants	524	$45,056,900
Other Personal Services	194	$15,423,400
Government	180	$21,583,300
Estimated Totals	**5,029**	**$675,714,700**

Sources: IMPLAN® and EFA