ECONOMIC IMPACT ANALYSIS FOR DRAPER UNIVERSITY PLANNING APPLICATION

REVISED and RESUBMITTED November 9, 2012

27.38.140 DOWNTOWN ECONOMIC DEVELOPMENT, Section (c)

The Draper University project achieves both efficient usage of the sites (hotel, Bank and Collective buildings) and provides significant economic opportunity to the City and local businesses.

The approval of the Draper University Planning Application will enable Draper University to maximize its use of the three sites in a complementary ecosystem that benefits not only students and members of the Collective, but also the community and local businesses.

With the combined programs described in the Program Description revised November 9, 2012, we estimate businesses in the downtown San Mateo district to see **~$2.4M** increase in sales revenues, which results in over **$209K** in additional tax revenues (sales tax and business tax) per year for San Mateo County. *See appendix for detailed financial analysis*

Background

Draper University's residential program model in essence creates 400 new residents of downtown San Mateo and the Collective members will add over 100 entrepreneurs to the downtown business community. Students are expected to reside at the hotel. The school's "no-car" policy ensures that the residential students will stay local within the area and in proximity of the school throughout the duration of the program. The school's schedule/structure (speakers, workshops and activities through the day and into the evening, weekdays and weekends) has been designed specifically to ensure that students stay in walking distance of the school. As Draper University is situated within the heart of downtown San Mateo, the school is relying on local businesses to provide access to food services, retail shopping and entertainment to ensure a positive student experience. This translates into a significant revenue opportunity for local businesses as they serve the varied needs of the student population.

Increased sales revenues to local merchants

Draper University provides limited meals to students in the program. The school currently plans to provide breakfast in the morning and host a weekly reception for the student population. Students are expected to purchase other meals (lunch, dinner, snacks) on their own. In addition, the school anticipates that all events and receptions hosted by the school will be sourced from local restaurants/catering businesses. Draper University staff and guest speakers are also on-site at the school 7 days a week when school is in session, and will also frequent local eateries for meals.

The Collective members will receive light refreshments as part of their membership fees; so they will likely go out for lunch and dinner.

The school's 8-week residential model means that students will reside at the hotel and will engage in the San Mateo community during this time. The hotel "dorm rooms" are furnished, but students are expected to provide their own supplies. Over the 8-weeks, students will need to purchase supplies from local businesses (i.e. at Walgreens, Draeger's). In their free time, students are likely to consume "entertainment" and other services as well – i.e. go to the movies, play pool, hang out at cafes or bars, go shopping, buy hair/nail salon services.

The project will further maximize use of the space and provide economic opportunity with the proposed use of the Collective. The Collective will attract and retain a vibrant community that fosters entrepreneurism, enhancing the existing community of startups in San Mateo. Entrepreneurs and other professionals will be offered the ability to rent office space on a flexible, as-needed basis: daily, monthly or annually. The Collective will offer services and amenities to its members, including printing, faxing, a game room, conference room space, etc. Any member of the Community will be able to buy a daily membership pass to access the Club; Draper University students will get free access to the Collective included in their tuition. It is expected that the Collective and School will also attract visitors who will frequent local businesses in downtown also, as well as non-locals who want to experience the entrepreneurial community.

With the additional traffic of Collective members, local businesses will have opportunities to offer food, services, etc., as the Club will not offer significant food service. We anticipate that Club visitors and customers will go to local businesses for meals and services, which not only results in increased revenues for local businesses but also increased tax revenues for the City.

Draper University and the Collective expect to hire janitorial, landscaping, refuse/recycling and other service vendors for school operations. All buildings in the project require servicing and maintenance of the interior and exterior.

$209K+ Additional sales and business tax revenues

With the estimated $2.4M increase in revenues to local businesses, sales tax revenue and business tax revenue is estimated to be $209K. This conservative estimate does not include the additional business taxes that SMC would receive as a result of other local businesses' increased sales receipts, or special events that could be held at the Collective theater (i.e. live music events, art shows, etc).

Appendix: Projected Annual Financial Impact for City & Local Businesses

Note: This is a conservative estimate - this analysis only includes conservative core business scenario. Does not include special events at Collective from outside groups or full capacity in school or Collective.

Sales Tax		
Draper University	320	Estimated students per year (Four sessions/year @ average of 100 students per class)
	56	Days spent in Downtown San Mateo per student
	8	Average $ spent on breakfast (catering or local eateries)
	10	Average $ spent on lunch at local eateries
	15	Average $ spent on dinner at local eateries
	84,000	Draper University Receptions (1 / week when school is in session @$2K, graduation@$5K)
	16,000	Students' families/friends visiting downtown ($50/student)
	32,000	Student supplies (Walgreens, Draegers etc) $100/student
	12,800	Draper University Retail Store $40/student
	96,000	Student 'entertainment' /services (movies, hair salons, etc) $30/student/week
	8,000	Service businesses (copy centers, shipping etc) - students and staff. $2K per session
	100,000	Building services (custodial, plumbing, landscaping, recology)
	$ 940,160.00	Total Draper University Spending at Local Businesses
The Collective	918,200	Collective Membership Dues
	130	Average # of members per year
	10	Average $ spent on lunch at local eateries
	15	Average $ spent on dinner at local eateries (assumes 25% of club members will eat locally)
	429,000	Total Spent at Local eateries
	36,000	Special Event Catering (one per month)
	100,000	Building services (custodial, plumbing, landscaping, recology)
	$ 1,447,200.00	
Staff	8	Estimated staff for all sites
	300	Average Days spent in Downtown San Mateo per year
	15	Average $ spent on meals per day (coffee, lunch, occasional dinners)
	$ 36,000.00	Staff meal spending
	$ 2,423,360.00	Total Additional Revenues for Local Businesses

Business Tax	**Projected Annual SMC Tax Revenue**	
	2,423,360	Total Additional Taxable Revenue
	8.50%	San Mateo tax
	$ 205,985.60	Additional sales tax revenue
	Business Tax Rate	
	4,000,000	Annual Tuition Revenue
	$ 3,023.50	SMC Business Tax ($143.50 plus $3.60 for each $5,000)
	$ 209,009.10	Total additional tax revenue to SMC