



**Grady Ranch, Lucas Company Productions
Economic Impacts on Marin County, CA
March 2012**

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Executive Summary

Skywalker Properties (Skywalker) owns a parcel of land that has an approved master plan, which includes the Grady, Big Rock, Maguire, and Loma Alta Ranches. The Grady/Big Rock Ranches Master Plan was approved in 1996, and was partially implemented with the completion of Big Rock Ranch in 2002. Grady Ranch will be a digital media production facility for movies and television. The Main Building will house offices for advanced, digital technology-based film production, costume storage, make-up and dressing rooms, production suites, guest suites, and a fitness center. The Main Building will also house production stages (green screen rooms), equipment storage and an outdoor stage, office suites, a café, and screening rooms. This company's project is in-fill development in a targeted industry for Marin County. Both the construction and the digital filmmaking industries are included in targeted industries for Marin County based on the 2007 Countywide Plan. A targeted industry is one that has the following characteristics: (1) Businesses that add value and exports from Marin County; (2) generates high-paying jobs for Marin County residents; and (3) is an explicit partner for both social equity and environmental balance in the community in which it is located. Both phases of this project support industries hurt by the recent recession or by the industry's movement elsewhere as companies have been courted by other locations.

Lucas Company Productions moved some of its operations from Marin County to San Francisco in 2006. This project provides construction and high-technology jobs and also provides net benefits for county government (providing complementary public services for fire and emergency medical services for itself and its neighbors while also paying property and other taxes), as well as creating open space and structures that enhance Marin County's environmental balance. From the perspective of the analysis performed by the Marin Economic Forum, this project is a clear example of how a business, county government, and the larger county community can work together on the three E's of community development (economic vitality, social equity, and environmental balance).

There are two phases to the Grady Ranch project in terms of the economic impacts. For the construction phase, over a two-year timeframe, Marin County receives 690 jobs, including 463 jobs directly related to the construction project itself. There will also be approximately \$133.9 million in new business revenue generated and over \$4.9 million in new state and local tax revenues on average for each year of construction. These impacts affect local professional services, restaurants, retail, but specifically local construction companies and suppliers of raw materials for this phase's projects.

Once the facility begins operations, for every 100 employees hired by Lucas Company Productions to work within the new facility, there would be an additional 276 jobs supported in Marin County; there will also be approximately \$82.9 million in new business revenue (including the estimated business revenue for Lucas Company Productions' new operations), and approximately \$3.8 million in new state and local tax revenue as annual averages into the foreseeable future. The economic impacts affect local professional services, personal services, restaurants, and retail beyond Lucas Company Productions.

**Grady Ranch, Lucas Company Productions
Economic Impacts on Marin County, CA
Analysis provided by Marin Economic Forum
March 2012**

1. Introduction

Marin Economic Forum (MEF) provides economic analyses and data to inform public policy decisions on issues parallel to MEF's mission. MEF was asked by Skywalker Properties to provide an economic analysis of its Grady Ranch project along these lines.

Skywalker Properties (Skywalker) owns parcels of land that has an approved master plan, which includes the Grady, Big Rock, Maguire, and Loma Alta Ranches. The Master Plan was approved in 1996, and was partially implemented with the completion of Big Rock Ranch in 2002. Grady Ranch will be a digital media production facility for movies and television. The Main Building will house offices for advanced, digital technology-based film production, costume storage, make-up and dressing rooms, production suites, guest suites, and a fitness center. The Main Building will also house production stages (green screen rooms), equipment storage and an outdoor stage, office suites, a café, and screening rooms. There will be a Gate House building for security access, as this will be a private production facility and not open to the public. (Skywalker, 2012b)

There are over 80 Master Plan conditions of approval, about half of which have already implemented over 10 years ago, including thousands of acres of open space and agricultural preservation deeds, traffic mitigations along Lucas Valley Road locations, enabling the 11-mile multi-use trail easement (part of the Bay Area Ridge Trail System) that runs through Grady, Big Rock, Maguire and Loma Alta Ranches, and expensive stream restoration to protect the plant and animal life of Miller, Grady and Nicasio Creeks. (Skywalker, 2012a)

The overall footprint for this main building is 269,000 square feet, including additional trees planted to make the building less visible from the road and reduce the amount of grading; the development plan being considered is for a smaller building with much less grading, and an improved creek restoration plan using current best practices in that field. The restoration plan results in removal of steelhead passage barriers within Miller and Grady Creeks, reduced sediment inputs to Miller Creek, reduced flood risk, increased available groundwater storage and restoration to the pre-grazing conditions of the valley and creeks. Existing trees will be protected and an environmentally desirable geo-exchange heating and cooling system will be added to the property. (Skywalker, 2012a)

There are two phases to this project in terms of the economic impacts. For the construction phase over two years, Marin County will see an increase of 690 jobs, including 462 jobs directly related to the construction project itself. There will also be approximately \$133.9

million in new business revenue generated and over \$4.9 million in new state and local tax revenues on average for each year of construction.

Once the facility begins operations, for every 100 employees hired by Lucas Company Productions to work within the new facility, there would be an additional 276 jobs created in Marin county; there will also be approximately \$82.9 million in new business revenue (including the estimated business revenue for Lucas Company Productions' new operations) and approximately \$3.8 million in new state and local tax revenue as annual averages into the foreseeable future. As the results of this analysis shows, Marin County companies are affected by the economic impacts beyond Lucas Company Productions. In the construction phase, local construction firms, design firms, restaurants, delis, and other professional and personal services are affected; in the operations phase, professional and personal services of many types are also affected, including accounting, legal, insurance, real estate, restaurants and retail.

2. Grady Ranch and Targeted Industries

The economic impact analysis in this report focuses on the construction efforts and subsequent operations of Lucas Company Productions on the Grady Ranch property. In the Economic Element of Marin County's Countywide Plan adopted in 2007, the "Screening Criteria" for desired industries includes:

- Above-average wages;
- Locally-owned businesses;
- Emphasis on value-added activities and products or services;
- Primary vs. secondary engines of growth in attracting wealth and investment to the region, and selling products beyond the county borders;
- Occupational diversity and upward mobility;
- Provides jobs that reduce the need for residents to commute to work outside the county;
- Contributes to social equity;
- Creative and innovative; and
- Consistent with County goals and principles.

Very few industries and the firms that grow within them will meet all these criteria. However, this project comes very close. Relatively high wages paid comes with two other criteria that are more important long-term: creative and innovative firms; and emphasis on value-added activities and products or services. This construction effort and operation exports creative and innovative services that add value to films and television projects made anywhere in the world. That income is derived from filmmakers and brought to Marin County through this company operating here.

The economic impacts in Section 2.2 show that this firm is a major engine for growth and selling products beyond the borders of Marin County. The number of additional jobs

generated and the types of firms affected are deep and wide. In the construction phase, professional and personal services firms such as legal, medical, insurance, real estate, restaurants all have increased demand due to the primary and secondary engines of growth. Once operating, Lucas Company Productions generates demand for industries such as advertising, information technology firms, accounting, as well as similar industries affected by construction efforts, due to primary and secondary engines of growth.

The fact that Lucas Company Productions is owned by a Marin resident is a key, final criterion to consider. Local ownership provides a root system for a business to consider local options before a move away from this county. This is a mobile business, and can operate anywhere in the world. The fact that this business is locating in Marin County and is going to build and operate on its own land provides new jobs, new business revenues and new local government revenue for this county. Local ownership had to play a part in that decision; this project shows what can be done in a digital technology firm that wants to engage in in-fill development. Before assessing the economic impact estimates in more detail, section 2.1 addresses how this project contributes to social equity and environmental balance.

2.1 Social Equity and Environmental Balance

The Grady Ranch/Big Rock Master Plan outlines additional, public benefits to Marin County in exchange for the right to build. Most notable among these benefits was the protection of an extraordinary amount of Open Space – 3,283 acres, including 800 acres of public open space and 2,483 acres of agricultural preserve through the Marin Agricultural Land Trust, parts of which were originally zoned for development with numerous housing developments proposed for the properties. (Skywalker, 2012a)

The benefits to the community include tax dollars to benefit the community at large; fire and rescue aid operations as a first responder on Lucas Valley Road and in the community, helping motorists, cyclists and others in times of need; Skywalker's fire and rescue services are also an active member in the Marin County Fire Chiefs Association and Mutual Aid Plan, and regularly provide training and support to the Nicasio Volunteer Fire Department. In addition, Skywalker received the 2006 "Good Neighbor" Award from Nicasio Landowners Association and is a leader in the annual Nicasio Cleanup Day with employee volunteers and equipment. (Skywalker, 2012a) The Grady Ranch project provides both tax revenues and services that would otherwise be provided by local government. This is a rarity for any firm to have the scale to provide such services to its neighbors, and adds to the social equity element of this project.

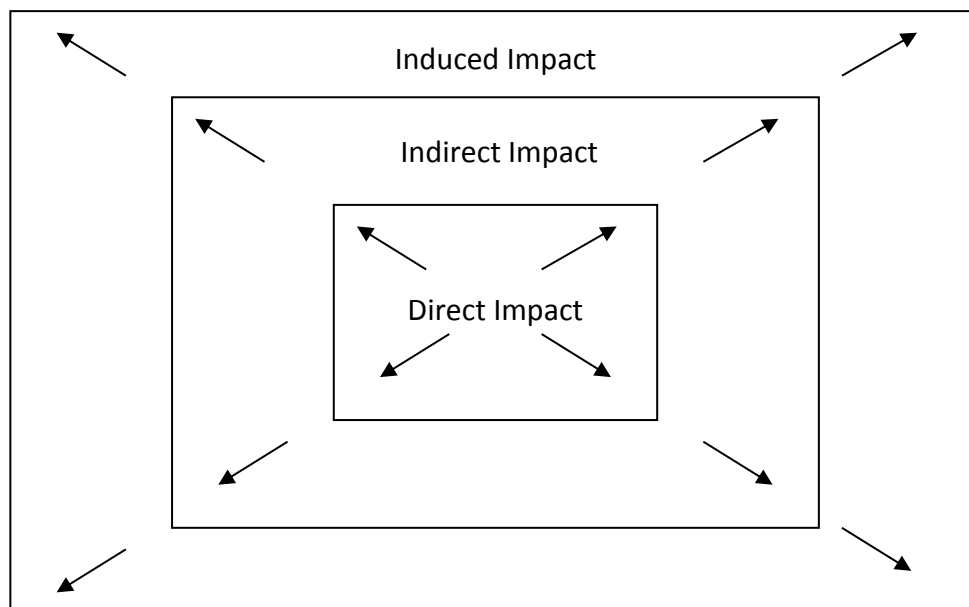
2.2 Economic Impacts

There are two phases to this project: a construction and then an operations phase.

The construction phase provides construction jobs to Marin County. Further, the economic impacts of these construction jobs will be felt throughout the Marin County economy, mainly in personal, professional and retail services. The second phase of this project includes ongoing operations within the facility once construction has ended. Part of this digital filmmaking industry was lost when Lucas Company Productions moved from its space in the Canal area and northern San Rafael to its new facility in San Francisco's Presidio National Park. The Grady Ranch expansion to upper Lucas Valley represents lost jobs gained back from Lucas Company Productions' operations by Marin County. The operation of the Grady Ranch facility is an expansion of core technology jobs and revenues from a targeted industry in Marin County.

Like dropping a rock into a pond, the Grady Ranch expansion of Lucas Company Productions' operations in Marin County has effects on many industries in Marin County based on new business revenues, jobs and tax revenues. The IMPLAN[®] model used here, which stands for IMpact analysis for PLANning, is a model by which municipalities and counties worldwide analyze the employment, business revenue and tax effects of economic events (see www.implan.com). There are three classifications of effects. The **direct** effects are those that initiate the impacts. For example, hiring construction workers to build the main building or perform the land improvements generates an increase in wages paid and people employed in Marin County. This direct benefit from new wages and jobs begins a chain reaction of gains, which affects local employment, taxes and business revenues generated in other industries.

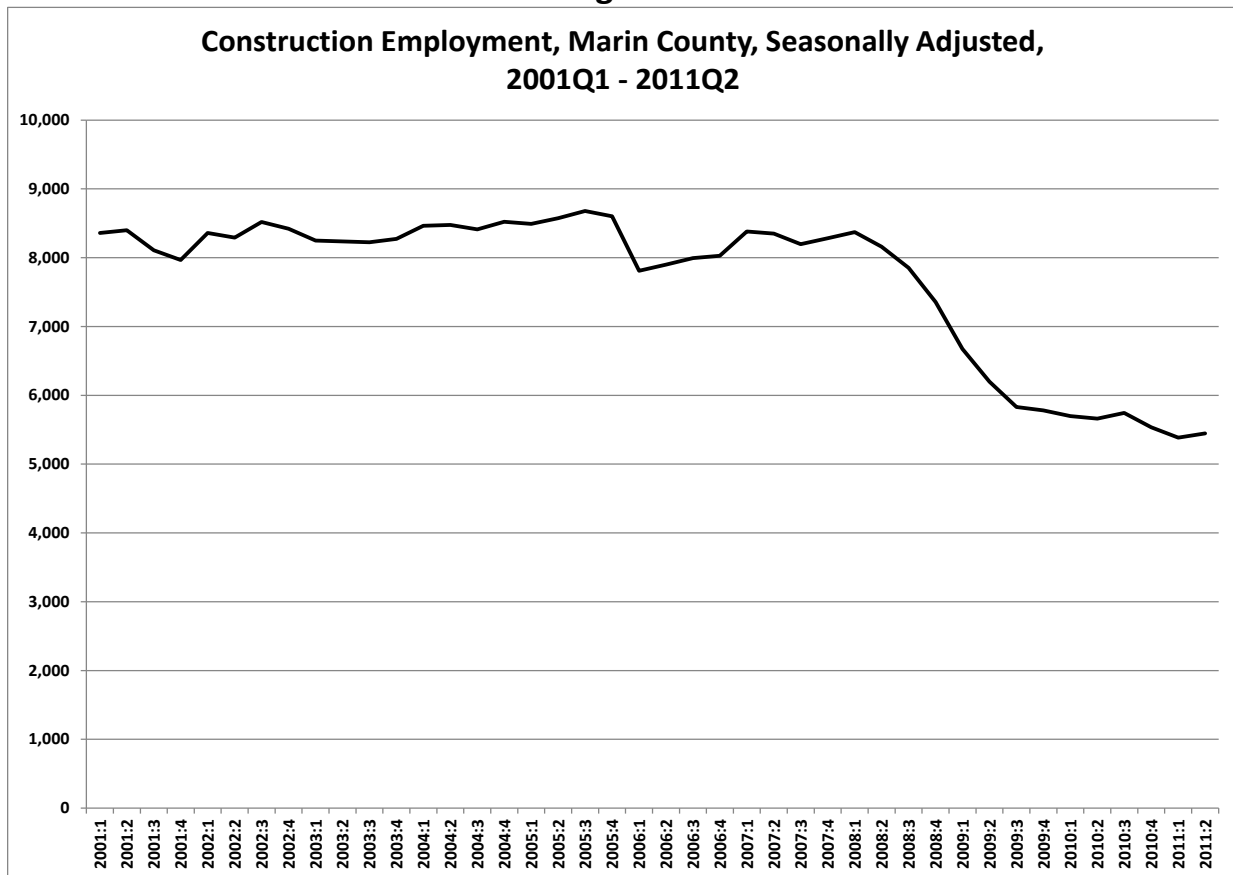
Figure 1: Economic Impact Concept



Indirect effects come from directly-affected workers and businesses (new construction jobs and revenues for local construction companies) increasing their spending on local businesses. For example, when a construction worker purchases more restaurant meals, groceries, and other local goods and services, the restaurants and grocery stores gain more revenues. As these merchants' sales increase, they increase their employment levels based on enhanced levels of demand. These additional jobs and revenues create **induced** effects. The induced effects are similar to the indirect effects, but come from the indirectly-affected workers and firms and their spending on the local economy more broadly. The deli worker, who gets a job due to an increase in demand for the deli's goods and services, increases her demand of a broad range of personal services, retail products and other spending. The sum of these effects is the total or overall economic impacts from the original event.

These industries have felt both recession and shifts in location since 2001. Figure 2 illustrates the movement in construction employment since 2001 for Marin County. Notice the movement after the first quarter of 2008 and the lack of recovery through June 2011 (the data is available for Marin County only through the second quarter of 2011 as of March 2012). While jobs remain in this industry, a project such as the Grady Ranch project will help support an industry which continues to struggle in the wake of recession.

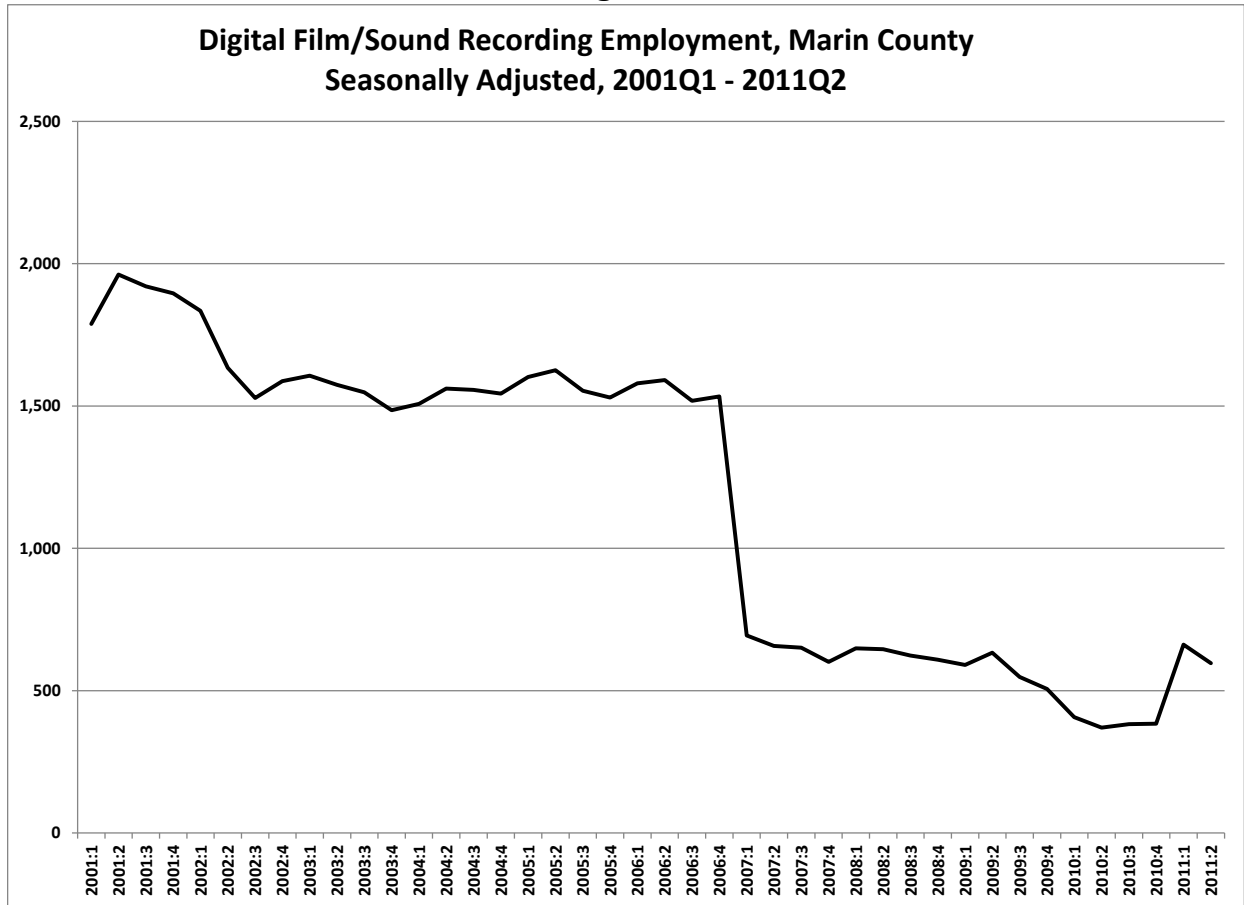
Figure 2



Source: Employment Development Department of California (EDD)

For digital filmmaking and sound recording, the effects are twofold. First, the exodus of Lucas Company Productions to the Presidio from San Rafael is shown explicitly in Figure 3 after the fourth quarter of 2006. The recession had some effects on this industry; a downturn in 2009 to 2010 can be seen. However, bringing some of these jobs back to Marin County is an important step in Marin County’s economic evolution as a place of frontier technology firms that are also creative and innovative in their approach. Figures 2 and 3 represent targeted industries in Marin County.

Figure 3



Source: Employment Development Department of California (EDD)

This report provides summary data to show the new business revenue, employment and state and local taxes generated by this project over a five-year timeframe. The figures are in 2012 dollars and show both phases. A discount rate of 4 percent is used on all future cash flows to convert to 2012 dollars. Lucas Company Productions’ business is not the only business affected. Tables 1 and 2 show the new business revenue and employment gains for businesses across Marin County due to the construction phase; Table 3 shows the new state and local taxes derived from these construction projects.

Construction Phase Estimates

(Two years, annual averages: business and tax revenues created, jobs supported)

TABLE 1

New Business Revenue, Industries across Marin County, Thousands of 2012\$

Description	Direct	Indirect	Induced	Total
Construction of operations structures	\$63,750			\$63,750
Construction of compliance structures	34,327			34,327
Architectural, engineering, and related services		4,935	48	4,983
Rental income for apartment owners			3,928	3,928
Wholesale trade businesses		2,190	746	2,936
Real estate agencies		844	1,052	1,896
Bars and Restaurants		276	868	1,144
Legal services		810	295	1,105
Insurance carriers		141	894	1,035
Medical and Dental Offices			1,028	1,028
All Others		7,873	9,985	17,858
Total	\$98,077	\$17,069	\$18,844	\$133,990

TABLE 2

New Jobs Supported, Industries across Marin County

Industry	Direct	Indirect	Induced	Total
Construction of operations structures	306.3			306.3
Construction of compliance structures	156.9			156.9
Architectural, engineering, and related services		39.9		39.9
Bars and Restaurants		4.1	12.8	16.9
Wholesale trade businesses		9	3	12
Real estate agencies		5.1	6.4	11.5
Legal services		5.5	2	7.5
Medical and Dental Offices			7.1	7.1
Employment services		4.9	1.4	6.3
Maintenance Services for Buildings/Homes		3.7	1.8	5.5
All Others		38.4	82.2	120.6
Total	463.2	110.6	116.7	690.5

To summarize, the construction efforts in this project have economic effects that generate over 690 jobs for Marin County, over \$133 million per year for the two years of construction, and almost \$5 million in new state and local tax revenue. Because budgets may contract or rise, these figures are based on the current estimates of construction spending.

TABLE 3
New State and Local Taxes, Annual, Thousands of 2012\$

State and Local Taxes	Amount
Employment Taxes	\$159
Sales taxes	1,121
Property Taxes	911
Corporate Income	79
Personal Income	1,752
Other Taxes and Fees	958
Total State and Local taxes	\$4,980

There are two important elements contained within these numbers. The number of jobs supported can also be seen as jobs saved from being lost without this demand for services. Whether the jobs are created or saved, these are wages paid to construction (a targeted industry) in Marin County. Also, the multiplicative effect of these jobs is an important factor. There are approximately 227 additional jobs supported in Marin County beyond the 462 construction jobs estimated for the two-year project. For every two construction jobs created, approximately one more job is supported somewhere in the Marin County economy.

Tables 4 and 5 show the new business revenue and employment gains for businesses across Marin County due to the operations phase for every 100 workers employed at the facility; Table 6 shows the new state and local taxes derived from operations for every 100 workers.

Operations Phase Estimates: Impacts from every 100 workers
(Four years, annual averages: new business and tax revenues created, jobs supported)

TABLE 4
New Business Revenue, Marin County, Thousands of 2012\$, Annual Average

Industry	Direct	Indirect	Induced	Total
Motion picture and video industries	\$51,841	\$5,288	\$62	\$57,191
Rental income for apartment owners			2,476	2,476
Real estate agencies		1,614	697	2,311
Commercial structures maintenance and repair	1,336	125	34	1,495
Advertising and related services		1,087	71	1,158
Facilities and IT management	1,012	46	10	1,068
Accounting and payroll services	610	324	64	998
Insurance agencies		250	567	817
Bars and Restaurants		147	558	705
Medical and Dental offices			665	665
All Others		7,247	6,849	14,096
Total	\$54,799	\$16,128	\$12,053	\$82,980

TABLE 5
New Jobs Supported, Industries across Marin County

Industry	Direct	Indirect	Induced	Total
Motion picture and video industries	74.5	14.1	0.2	88.8
Commercial structures maintenance and repair	21.2	0.9	0.3	22.4
Real estate establishments		10.7	4.6	15.3
Bars and Restaurants		2.4	9.1	11.5
Employment services		8.5	1.0	9.5
Advertising and related services		8.6	0.6	9.2
Independent artists, writers, and performers		8.1	0.1	8.2
Accounting and payroll services	2.3	2.8	0.6	5.7
Medical and Dental offices			5.1	5.1
Services to buildings and dwellings		3.8	1.3	5.1
All Others	2.0	34.0	59.6	95.6
Total	100.0	93.9	82.5	276.4

TABLE 6
New State and Local Taxes, Annual Average, Thousands of 2012\$

State and Local Taxes	Amount
Employment Taxes	\$130
Sales taxes	931
Property Tax: Commercial	752
Corporate Income	109
Personal Income	1,101
Other Taxes and Fees	792
Total State and Local taxes	\$3,815

For the operations phase, the facility provides value-add services in digital filmmaking (a targeted industry). For every 100 new workers at the facility, the multiplier is 2.76, or for every 10 new workers at Grady Ranch for Lucas Company Productions, almost 28 total jobs are supported in Marin County. For every 100 workers, Marin County businesses (including Lucas Company Productions) generate approximately \$82 million in new revenue and \$3.8 million in new state and local taxes.

3. Summary

A thriving, sustainable local economy is what drives the ability to keep the other two E's thriving as well. Targeted Industries are important because they drivers prosperity and further job growth through their economic impacts. Targeted industry businesses purchase products and services from other, local businesses and generally offer higher wage levels and upward career paths, creating a consumer population, which drives the local economy's overall success. Supporting growth in targeted industries is a core element of Marin Economic Forum's mission.

The Grady Ranch project discussed in this report provides a balanced approach to the three E's philosophy of Marin County and its economic evolution. This project has massive open space areas, green business and building practices, and provides tax revenue on top of privately-provided emergency services that are shared with the local community when called. Because there are two phases to this project in terms of the economic impacts, there are two targeted industries supported by this project. While the operations side of this project is ongoing, using frontier technology, and exporting value-add services from Marin County, the construction phase supports an industry that remains hurt by the recent, large recession in both residential and commercial projects. This project provides an array of jobs across a wide breadth of wages through the two phases.

For the construction phase over two years, Marin County will see an increase of 690 jobs, including the 463 jobs directly related to the construction project itself. There will also be approximately \$133.9 million in new business revenue generated and over \$4.9 million in new state and local tax revenues on average for each year of construction. Once the facility begins operations, for every 100 employees hired by Lucas Company Productions to use within the new facility, there would be an additional 276 jobs created in Marin County; there will also be approximately \$82.9 million in new business revenue (including the estimated business revenue for Lucas Company Productions' new operations), and approximately \$3.8 million in new state and local tax revenue as annual averages into the foreseeable future.

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Input data for economic impact estimates provided by Skywalker Properties, Ltd. and Lucas Company Productions.

Employment data available at www.edd.ca.gov