



*Development Driven by Data*

# City of Brentwood Resident/Non-Resident Analysis

## Overview

In general, the retail market fundamentals for the East Bay, including Brentwood and the unincorporated communities surrounding it, continue to show signs of strengthening. Residential developments that are slated to be delivered in the coming months foster the critical mass of local consumers needed to support a flourishing retail environment. The Brentwood market has seen a steady and constant retail activity and the arrival of new tenants, making it one of the top retail hubs in the East Bay. The demand for additional retail is taking shape on Brentwood Boulevard and the Streets of Brentwood, a premier lifestyle center offering shopping, dining and entertainment, strategically located off Highway 4.

The City of Brentwood located in Contra Costa County and is approximately 46 miles east of downtown Oakland and 27 miles west of Stockton. According to the U.S. Census Bureau, the city has a total area of 14.8 square miles and is near the cities of Oakley, Antioch and unincorporated areas of Contra Costa County.

	20-Minute Drive Time	City of Brentwood
<b>Population</b>	240,397	60,983
<b>Households</b>	75,973	19,953
<b>Average HH Income</b>	\$98,337	\$114,206
<b>Area Employees</b>	45,852	11,825
<b>Daytime Population</b>	205,188	53,173

The economy of Brentwood employs approximately 11,825 (SiteSeer Demographics) people in specialized industries such as Construction, Retail Trade, Finance, as well as Educational Services. However, the largest industry in Brentwood is the Healthcare & Social Assistance industry providing employment to approximately 18% of the area’s workers.



### Non-Resident Spending Summary

The City has requested an estimate of the approximate amount of sales and use tax revenue generated by residents and non-residents. Hereafter, individuals and businesses residing and located within the city will collectively be referred to as residents. While individuals and businesses residing and located outside of the city will collectively be referred to as non-residents.

The table below summarizes the results of the analysis based on calendar year 2018 revenue estimates, showing 23.2% of the 1% Bradley Burns Sales Tax is estimated to be paid by non-residents. Such a tax is generally assessed based on where the sale is negotiated or the place where the order is taken. Because Transactions and Use Taxes (TUT) are charged in accordance with where purchased goods are delivered or placed into use, HdL's estimate for the percentage of a 1% TUT that would be paid by non-residents is lower at approximately 20.2% due to the businesses that primarily market and sell their goods and services to buyers and businesses outside the City's jurisdictional boundaries.

Economic Segment	Bradley Burns 1% Sales & Use Tax	Transactions & Use Taxes (TUT) @ 1%
Autos & Transportation	7.5%	7.4%
Building & Construction	42.0%	22.0%
Business & Industry	51.0%	14.7%
Food & Drugs	23.2%	23.2%
Fuel & Service Stations	35.9%	35.9%
General Consumer Goods	13.0%	12.7%
Restaurants & Hotels	21.5%	21.5%
<b>Estimated Average Non-Resident Generated Revenue</b>	<b>23.2%</b>	<b>20.2%</b>

*Estimated % of Sales Tax Revenue Generated from Non-Residents*

The figures shown above were obtained utilizing a variety of methodologies customized to each economic segment. These methodologies considered the mix of businesses located in the City, per capita sales within the City versus the per capita sales across Contra Costa County as well as factoring average income population and trade area daytime trade area population for the designated trade areas previously described as a percentage of those categories within the City. The findings for each economic segment that led to the conclusions are listed below.

### Autos & Transportation

The Autos & Transportation sector makes up approximately 14.7% of the Bradley Burns Sales Tax revenue for the City of Brentwood. A large majority of revenue will be generated by residents and local business when they purchase and register a vehicle at a Brentwood address. The per capita sales comparison between the City and the County shows that potentially more residents are leaving Brentwood to shop for products and services outside of the City, which is supported by reviewing the Consumer Demand & Market Supply Assessment which shows the City and trade area is underserved by approximately 50% in auto related retail categories. To that end, 7.5% of the total 1% Bradley Burns Sales Tax is generated by non-residents.

Any TUT that would be generated from the businesses in this sector will come primarily from sales of auto supplies, repairs, tires and related items which would include transactions to non-residents. For a registered vehicle of any type that is purchased by a resident a TUT would apply regardless of where the vehicle is purchased. As a result, the percent of a potential TUT revenue generated by non-residents is estimated at 7.4%.

### Business & Industry / Building & Construction

The Business & Industry and Building & Construction sectors together generated 15.7% of the City of Brentwood's total 1% Bradley Burns Sales Tax in calendar year 2018. Most sales within these sectors rely on Business to Business transactions, of which many take place outside of the City. The methodology used to estimate revenue from non-residents relies on adjustments to both segments' Top 10 sales tax producers, which were used as a relative sample of sales tax generation within these industry groups. The top 10 businesses in the Building & Construction industry group accounted for 95% of the revenue generated in calendar year 2018, while 68% of the total revenue generated in the Business & Industry group was attributed to its top 10 sales tax producers. To that end, 42% of the Building & Construction and 51% of the Building & Industry groups 1% Bradley Burns Sales Tax is generated by non-residents.

Additionally, applying the approximate non-resident sales to a potential TUT total for Building & Construction and Building & Industry, it is estimated that 22% and 14.7% respectively, of revenue would be attributed to non-residents within these sectors.

### Food & Drugs

The Food & Drugs sector has a higher level of per capita sales than the countywide per capita sales average (24% higher than county per capita levels) at grocery and drug stores, which would suggest that non-residents are on occasion shopping in the City of Brentwood for food & drug purchases. However, when reviewing the Consumer Demand & Market Supply Assessment the Grocery segment shows that there is roughly a 40% supply gap, suggesting that Brentwood retailers are not supplying the demand that exist from its residents, let alone non-residents and visitors.

To that end, this leads to an estimated 21.8% of the sectors revenue to be generated from non-residents for the Bradley Burns Sales Tax and any potential TUT that would be imposed. Additionally, please note that only 20% to 30% of grocery store sales are taxable.

### Fuel & Service Stations

The Fuel & Service Station sector generally brings in the same revenue volume between the 1% Bradley Burns Sales Tax and any potential TUT. The City of Brentwood's per capita fuel sales are 22% higher than that of the countywide levels suggesting that non-residents are purchasing fuel in Brentwood in moderate numbers. Additionally, when viewing the commuting patterns of those who work in the City of Brentwood

or pass through the area, nearly 14% of employees in Brentwood have super commutes of 90 minutes or more with the average commute being approximately 41 minutes. This along with higher per capita sales numbers than the County, suggests that those commuters and visitors are coming in from relatively long distances and as such are potentially making gas purchases at moderately high levels. The estimated percentage of non-resident sales for the 1% Bradley Burns Sales Tax is 35.9% Receipts in this group are generally 1:1 between the Bradley Burns and a potential TUT tax.

### General Consumer Goods

Located toward the northern region of the City and along Highway 4, within the 20-minute drive time trade area is the Streets of Brentwood, which is classified as a Lifestyle Center and is situated adjacent to the Highway 4 bisected by Sand Creek Rd. The Streets of Brentwood is an upscale entertainment, retail and restaurant destination for Brentwood and the surrounding communities. Brentwood has a population of just over 60,000 and the General Consumer Goods sector serves a daily average of an additional 68,000 non-residents who not only are visting the area to shop, but also commute in for work or work in the primary 20-minute drive-time trade area and an easy distance to the Streets of Brentwood.

However, analysis of the General Consumer Goods sector shows average per capita sales well below countywide levels suggesting that Brentwood retailers are not pulling large numbers from outside the City. This is also supported by a review of the Consumer Demand & Market Supply Assessment, which should large gaps in demand supplied in many of the General Consumer Goods establishment categories. To that end, an estimate of 13% of the sectors 1% Bradley Burns Sales Tax revenue to be generated from non-residents. Applying the same methodology used for the 1% Bradley Burns Sales Tax estimate to a potential TUT, the estimated percent of a potential TUT would generate 12.7% from non-residents.

### Restaurants & Hotels

Analysis of the Restaurants & Hotels sector shows only slightly higher per capita sales between the the City of Brentwood compared to countywide average per capita sales, suggesting visitors and commuting employees are helping boost up sales levels. Combining revenue from hotels and approximate non-resident resturant spending the estimated sales to non-residents is 21.54%. Receipts in this group are generally 1:1 between the Bradley Burns and a potential TUT tax.

### Conclusion

Local tax is the general term for sales and use taxes imposed under the Bradley Burns Uniform Sales and Use Tax Law. The basic statewide sales and use tax rate is divided between the State, the local jurisdiction (City or county of place of sale or use) and the local transportation fund (County of place of sale or use). Whereas, when implemented District Taxes are imposed locally under the Transaction and Use Tax Law (TUT). The tax rate in a locality that imposes a TUT will have a higher tax rate than the statewide rate, depending on the district taxes that apply. Additionally, it should be noted that TUT collection is destination based, and the total tax rate in effect generally applies to sales delivered or shipped into the district.

Commuting considerations, such as where commuters shop during their day in addition to evening and weekend shopping patterns help local and regional government officials make decision to help capture and redistribute revenues on a regional basis. If no new addition to retail outside City occurs or occur at a slower pace than residential growth inside the City, this will increase the percentage of both the Bradley Burns and a potential TUT contribution by non-residents. However, additional analysis would need to be done as trade area patterns and inflows will change as more residents or retailers enter the City and its surrounding trade areas.