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Study: Two projects could bring city \$1.7M in tax

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Published: Saturday, February 13, 2010 at 3:00 a.m.

A newly-released study has quantified the financial benefit that proposed shopping centers would have on Petaluma.

The solution to the city's budget crisis, according to the study presented Friday at the Petaluma Area Chamber of Commerce, is approving two development projects that could bring in \$1.7 million in annual sales tax revenue.

"Petaluma is in great need of building materials and general merchandise stores," said Lon Hatamiya, an economist with Navigant Consulting, the firm that did the study. "Petaluma can help itself by approving Deer Creek Village and East Washington Place," he said.

If both shopping centers are approved, they will bring in about \$1.7 million to the city's general fund each year. That money would have prevented the need for city staff pay cuts, said Hatamiya.

The study was funded by Merlone Geier Partners, the developers of Deer Creek Village, a proposed Lowe's shopping center on North McDowell Boulevard just south of Rainier Avenue. The firm compiled publicly-available financial information to analyze the impacts of Petaluma's retail leakage. Hatamiya said he was "asked to purely look at the numbers" rather than the city's past policy decisions.

According to the study, Petaluma's general fund tax revenues have dropped 35 percent in the last two years, from \$52 million in 2007 to \$34 million currently. Sales tax revenues, which make up the largest portion of the city's general fund, have decreased by 20 percent in the last two years, while the state's economy is starting to rebound and 17 percent increases in sales tax revenue are expected for California over the same period.

“I can point to many communities within a 50-mile radius of here that aren't having the same problems as you are,” said Hatamiya.

Cotati, which opened a Lowe's in 2005, had \$78,678 in retail sales income in the year prior to opening the store and \$131,900 in the year after it opened.

“You're supporting the people of Cotati,” said Hatamiya about Petalumans who drive to Lowe's. “Why don't you support yourselves?”

“This is a vastly under-served market,” said Dennis Linville, real estate director for Lowe's. “We would (move in) tomorrow if we could,” he said. “We're ready to go.”

Impact fees in Petaluma are among the highest in the nation, and can often cost more than the retail building itself, said Greg Geertsen, managing director of Merlone Geier. But businesses want to come to Petaluma because they know that they can fill a need and be successful, he said.

“We need to stop the sinking of the ship,” said Onita Pellegrini, CEO of the chamber of commerce. She noted that unemployment is about to run out for many people, and that concerns such as a living wage are not a necessity now.

“People on unemployment would take those \$11 per hour jobs,” she said.

“The study is a reflection and what we need to do is move forward,” said Mayor Pam Torliatt.

Torliatt also pointed out that the study was “put together by a private developer. It wasn't one that was overseen by our city staff.”

“We are processing quite a few projects to fill retail leakage,” she said, “but the point is that we need to look forward on the projects rather than backwards.”

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