CITY OF CARSON

Report For:

Fiscal Impact Analysis for Citywide Future Development

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EXHIBIT NO. 2

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SECTION 1 | INTRODUCTION

The City of Carson ("City") is undertaking a comprehensive review of the net fiscal impact that would be placed upon the City based upon the potential future development or redevelopment throughout the City. To summarize, our review of the anticipated revenues, which will be generated from future development, as compared with the additional costs the City will incur to provide recurring public services, future residential development produces an overall negative fiscal impact and future non-residential development produces an overall positive fiscal impact for the City. To off-set the negative fiscal impacts produced from future residential development, the City should explore establishing a funding source to mitigate those negative fiscal impacts. Further, the established funding source could also pay for additional, enhanced levels of service needed from future residential and non-residential development.

This fiscal impact report will provide a background of the project, financial information, and recommended actions for the City's consideration. To accomplish this objective, the report includes the following information:

- **Background information.** The introductory portion of the report focuses on the City, as well as the public services and operations under review. Existing and future development information is also addressed in this section.
- **Revenues.** This section of the report identifies the various revenue sources and the potential recurring revenues produced from future development, given certain reasonable assumptions.
- **Expenditures.** The expenditure section of the report identifies the estimated recurring cost burden placed upon City operations as a result of future development.
- **Fiscal Impact.** Using future development's identified revenues and expenditures, this section of the report identifies the overall fiscal impact to City operations resulting from future development. Fiscal impacts are addressed on a land use basis in both aggregate and using a per unit factor. Depending on the objectives of the analysis, the per unit factor may be on a per person served, per dwelling unit, per parcel, and/or per acre basis.
- **Recommendations.** Finally, the report concludes with a summary of findings and recommendations for the City's consideration.

SECTION 2 | BACKGROUND

New development can provide a significant benefit to a public agency. As part of the overall decision-making process to move forward with a proposed development project, it is important to evaluate the contributions and demands that development will place upon a public agency's general fund. In this particular instance, the City needs to determine and ensure that developing and redeveloping property, throughout the City, pays their fair share of any additional fiscal burdens placed upon the City's operational budget as a result of future development and redevelopment. To determine the potential positive or negative fiscal impacts placed upon the City from the proposed future development or redevelopment, this fiscal impact analysis is designed to quantify the approximate cost of services provided by the City in order to serve the added population. This fiscal impact analysis assumes that future development will impact current City services in a similar manner that existing development within the City impacts those public services. Further, the analysis anticipates that the same level of public services that are currently provided throughout the City will also be provided to future development. Any enhanced level of public services desired or services not currently provided by the City that may be provided to future development is addressed separately in this fiscal analysis. Costs to provide any enhanced levels of service or the inclusion of new services to future development would be in addition to the costs identified in the fiscal impact analysis portion of the report.

To determine future development's overall fiscal impact, this fiscal analysis focuses on the estimated recurring revenue produced from future development compared to the increased demands placed upon the City's recurring operational budget. Revenue estimates for this fiscal analysis do not include one-time development impact fees that are paid to offset additional burdens placed upon public infrastructure or economic impacts generated from the construction of future infrastructure. Similarly, the expenditure side of the analysis may exclude certain government transfers or capital allocations directed towards public infrastructure.

Analysis Methodology

The revenue portion of the fiscal impact analysis focuses on various taxes, fees, and other City revenues. The expenditures portion of the fiscal impact analysis includes general government activities, public safety protection, community development, and other recurring City expenditures.

There are several industry-accepted methods for allocating the public agency's revenues and expenditures to future development. This analysis largely focuses on two industry standard approaches: the case study approach and the multiplier approach. Both of the approaches are summarized below.

CASE STUDY APPROACH

When data used in a fiscal impact analysis is specific to the analysis itself and is not dependent upon industry accepted generalized multipliers such as the number of residents, employees, etc., the case study approach is utilized. The case study approach relies on development-specific data to estimate the fiscal impacts of the proposed development of a project. Data used in the case study approach may include assessed valuations, property turnover rates, residential and employee populations, household incomes, estimated sales, and retail expenditures.

MULTIPLIER APPROACH

The multiplier approach is used in a fiscal impact analysis when the relationship of the revenues or expenditures generated from the proposed project are difficult to measure. This approach anticipates that certain revenues and expenditures are indicators of future anticipated revenues and expenditures, which can be quantified based upon changes in the number of persons served. To apply this approach, the analysis determines an average revenue or expenditure amount on a per person served basis. Depending on the type of revenue or expenditure, the person served can include a resident, employee, or combination of both.

Current City Persons Served

In order to best utilize the multiplier approach in the fiscal impact analysis, and to allocate applicable revenues and expenditures, City population information is needed. In this particular instance, the City's existing residential and employee population figures need to be identified.

CURRENT RESIDENTIAL AND EMPLOYEE POPULATION

Current City population data used in this fiscal impact analysis was obtained from the 2017 Local Profiles Report prepared by the Southern California Association of Governments[1] ("SCAG Profile Report"). According to the SCAG Profile Report, the City's 2016 total residential population was 93,799 residents and the City's total employee population was 60,804 employees.

TABLE 1. CURRENT RESIDENTIAL AND EMPLOYEE POPULATION

Description	Current Population
Current Residential Population	93,799
Current Employee Population	60,804

CURRENT PERSONS SERVED

Using the residential and employee population estimates provided above, the total number of persons currently served within the City can be determined. When establishing the total number of persons served within an area, it should be noted that the employee population does not have the same impacts that the residential population has on an agency's public services. While the exact service demand relationship between an employee and a resident is often difficult to measure, a relationship of one-half employee to one resident is common fiscal practice. This 50% employee adjustment suggests that a resident will have twice the demand on a public agency's revenues and services than that of an employee. Applying this 50% adjustment to the City's existing employee population base, the total number of persons served within the City is provided in the table on the following page.

1 Footnote: Profile of the City of Carson, Local Profiles Report 2017, Southern California Association of Governments, May 2017.

TABLE 2. CURRENT PERSONS SERVED

Residential Population Served	Employee Population Served(1)	Current Persons Served
93,799	30,402	124,201

(1) Adjusted to reflect 50% of the total employee population of 60,804.

Based upon the City's residential population and adjusted employee population, the total number of persons currently served within the City is 124,201 persons.

Future City Development

The City is located in the central portion of southern Los Angeles County, commonly known as the South Bay region. The City is about ten miles south of downtown Los Angeles and three miles north of the Ports of Los Angeles and Long Beach. While the City is mostly developed, opportunities for development and redevelopment still exist throughout the City. According to the January 2018 Carson 2040 Existing Conditions Report[2] ("Existing Conditions Report"), the largest land use within the City is designated as industrial. The City's industrial land uses include warehousing, manufacturing, refineries, and storage activities. The next largest land use identified within the City is residential, and there are several residential development projects that are either approved, under construction, or under review.

As part of the Existing Conditions Report, many opportunity sites have been identified as having the potential for future land use or intensity changes. These opportunity sites were identified by mapping vacant and underutilized land throughout the City. Underutilized land was identified by using Los Angeles County Assessor's data. Data was reviewed to identify parcels with low assessed value ratios, where the improvement value was compared to the parcel's land value. An assessed value ratio of less than 0.5 indicated a greater potential for future redevelopment. In addition to low assessed value ratios, sites with low building intensity were identified. Low intensity sites are those sites where the ratio of the building floor area to overall site area have a floor area ratio of 0.3 or less. Based on the research, the City identified approximately 1,830 acres of vacant land and underutilized land, and 1,180 acres of development with a low floor area ratio. It should be noted that there are sites that are classified as both underutilized land and low floor area ratios.

FUTURE RESIDENTIAL AND EMPLOYEE POPULATION

The Southern California Association of Governments estimates that by 2040 the City's total residential population will increase to approximately 107,900 residents and the total employee population will increase to 69,700 employees[3].

TABLE 3. FUTURE RESIDENTIAL AND EMPLOYEE POPULATION

Description	Future Population
2040 Estimated Residential Population	107,900
2040 Estimated Employee Population	69,700

2 Footnote: Carson 2040, Existing Conditions Report, Volume 1: Chapters 1-4, Dyett & Bhatia, January 2018.
3 Footnote: Demographics & Growth Forecast, Southern California Association of Governments, Draft December 2015.

FUTURE DEVELOPMENT POPULATION CHANGE

To allocate and assign certain revenue and cost estimates to future development within the City, the future service population needs to be established. Using the current and future population information from Tables 1 and 3 above, the total number of additional persons served can be calculated. As previously noted, to account for the reduced revenue and service demands of the employee population, a 50% adjustment is applied to the future employee population increase. Comparing current and future population figures and applying the employee adjustment, the total number of persons to be served from future development is quantified in the table below.

TABLE 4. FUTURE DEVELOPMENT PERSONS SERVED

Description	Current Population	Future Population	Future Development Persons Served
Residential Population	93,799	107,900	14,101
Employee Population(1)(2)	60,804	69,700	4,448
Totals	**154,603**	**177,600**	**18,549**

(1) Future development persons served represents 50% of the 8,896 employee population increase.
(2) Per Table 6, employees allocated 75% to industrial development and 25% to commercial development. Future development persons served of 4,448 is allocated at 3,336 employees to industrial development and 1,112 employees to commercial development.

Based upon the anticipated future residential and employee population estimates, future development will add 14,101 residents served and 4,448 employees served for a total increase of 18,549 persons served within the City.

FUTURE DEVELOPMENT RESIDENTIAL DWELLING UNITS

To accommodate the City's estimated population increase, the additional number of residential dwelling units and non-residential building square footage to serve the population increase needs to be quantified. To determine the number of dwelling units needed to serve the future residential population, the average persons per household is applied to the future residential population. Based on future residential opportunities, the City has indicated that approximately 80% of future residential development will include residential units, consisting of studio/apartment type units, with approximately 2.00 persons per dwelling unit ("Res – Studio/Apt"). The other 20% of future residential development will include all other residential dwelling units with approximately 3.60 persons per dwelling unit ("Res – All Other"). Given the future residential development plans, the estimated total number of future residential dwelling units are calculated in the following table.

TABLE 5. FUTURE RESIDENTIAL DWELLING UNITS

Description	Res – All Other	Res – Studio/Apt
Future Residential Population(1)	2,820	11,281
Persons per Dwelling Unit(2)	3.60	2.00
Total Future Residential Dwelling Units	**783**	**5,641**

(1) The future population of 14,101 is allocated 20% to Res – All Other and 80% to Res – Studio/Apt.
(2) Per City estimates.

Based upon the estimated future residential population, the City will need 6,424 additional dwelling units to accommodate future residential growth.

FUTURE DEVELOPMENT NON-RESIDENTIAL BUILDING SQUARE FOOTAGE

It is estimated that 8,896 employees will be added to the City's existing employee base and additional building square footage will be needed to accommodate the future employee growth. The City's primary non-residential land use is comprised of industrial land uses, and it is anticipated that future non-residential growth will consist mostly of similar industrial land uses. However, the City has indicated that approximately 25% of future non-residential growth will include commercial development. Based on a buildout methodology study prepared for Los Angeles County,[4] the average median square footage per employee for the retail land use categories within Los Angeles County is approximately 950 square feet per employee and the median square footage per employee for the light industrial land use is approximately 1,000 square feet per employee. Allocating 25% of the future employees to the commercial land use category and 75% of the future employees to the industrial land use category, the total future building square footage can be determined.

TABLE 6. FUTURE NON-RESIDENTIAL BUILDING SQUARE FOOTAGE

Description	Commercial Land Use	Industrial Land Use
Future Employee Population(1)	2,224	6,672
Average Building Square Footage per Employee	950	1,000
Total Future Non-Residential Building Square Footage	**2,112,800**	**6,672,000**

(1) 8,896 employees allocated 25% to commercial and 75% to industrial.

Applying the estimated commercial and industrial land use allocation to the future employee population and the average employment density ratios for commercial and industrial land uses, the City will need approximately 8.8 million of non-residential building square feet to accommodate future employee growth within the City.

4 Footnote: Buildout Methodology Final Draft, Department of Regional Planning/Placeworks, October 2, 2014.

SECTION 3 | REVENUE ESTIMATE

To carry out the goals and objectives of the City-provided services, the City relies on revenue received from a variety of sources. City revenue sources include property tax revenue, property tax in lieu of vehicle license fees, sales tax revenue, revenue from additional taxes, fines, forfeitures, and other revenue sources. To determine the estimated total revenue generated from future development, the case study approach is predominantly used in this analysis. The multiplier approach is used to allocate certain types of revenue to future development when specific data needed to utilize the case study approach is not readily available.

Property Tax Revenue

Under California law, non-exempt property pays an *ad valorem* property tax equal to 1% of the assessed value of the property. Any additional voter-approved taxes or assessments will result in a total property tax rate burden that can exceed 1% of the property's assessed value. The property tax revenue received from the 1% *ad valorem* property tax rate is then allocated to various overlapping public agencies based upon their authorized allocation for each tax rate area ("TRA"). The City is located within several TRAs and per the City's Fiscal Year 2018-2019 Budget, the City receives approximately 6.74% of the 1% *ad valorem* property tax revenue after shifts to the Education Revenue Augmentation Fund.

RESIDENTIAL DEVELOPMENT PROPERTY TAX

Using median sales information for the City provided by Trulia.com and the average asking price for multi-family units prepared by LoopNet.com, the total assessed value for future residential development can be quantified. The reports indicated that the approximate value for studio/apartment type residential units is $257,654 and $530,000 for all other residential units. Applying this approximate value per unit information, the estimated value and secured property tax revenue for the future residential development is determined in the table below.

TABLE 7. RESIDENTIAL SECURED PROPERTY TAX REVENUE

Description	Res – All Other Amount	Res – Studio/Apt Amount
Median Sales Price per Dwelling Unit	$530,000	$257,654
Less: Homeowner's Exemption	(7,000)	(7,000)
Estimated Value per Residential Dwelling Unit	**$523,000**	**$250,654**
Number of Residential Dwelling Units(1)	783	5,641
Total Residential Estimated Value	**$409,509,000**	**$1,413,939,214**
1% *Ad Valorem* Property Tax	$4,095,090	$14,139,392
City Share of 1% *Ad Valorem* Property Tax	6.74%	6.74%
Residential Secured Property Tax Revenue	**$276,009**	**$952,995**

(1) Previously identified in Table 5.

Based on the approximate value for each residential unit type, the future residential development will generate approximately $1,229,000 in total property tax revenue for the City.

NON-RESIDENTIAL DEVELOPMENT PROPERTY TAX

Utilizing the non-residential building square footage calculated in Table 6, the estimated amount of property tax revenue generated from the future non-residential development can be determined. According to information obtained from LoopNet.com, the average Los Angeles County value price of retail development is $285 per building square foot and based on information obtained from CBRE[5], the development cost for industrial buildings within the Los Angeles area is approximately $160 per building square foot. Based on this information, the non-residential property tax revenue is calculated in the table below.

TABLE 8. NON-RESIDENTIAL SECURED PROPERTY TAX REVENUE

Description	Commercial Amount	Industrial Amount
Estimated Value per Building Square Foot	$285	$160
Total Non-Residential Building Square Feet(1)	2,112,800	6,672,000
Total Non-Residential Estimated Value	**$602,148,000**	**$1,067,520,000**
1% *Ad Valorem* Property Tax	$6,021,480	$10,675,200
City Share of 1% *Ad Valorem* Property Tax	6.74%	6.74%
Non-Residential Secured Property Tax Revenue	**$405,848**	**$719,508**

(1) Previously identified in Table 6.

The non-residential portion of the City's future development is estimated to generate approximately $1,125,000 in property tax revenue for the City. In total, the City's future development will generate approximately $3,060,000 in property tax revenue, as shown in the following table.

TABLE 9. FUTURE DEVELOPMENT SECURED PROPERTY TAX REVENUE

Description	Amount
Residential Secured Property Tax Revenue	$1,229,004
Non-Residential Secured Property Tax Revenue	1,125,356
Secured Property Tax Revenue	**$2,354,360**

Property Tax in Lieu of Vehicle License Fee ("VLF") Revenue

Property tax in lieu of VLF is revenue that the City receives in addition to the City's share of property tax revenues. In 2004, the California Legislature permanently reduced the VLF rate from two percent to 0.65% and compensated cities and counties for their revenue loss with a like amount of property taxes, dollar-for-dollar. A public agency's property tax in lieu of VLF revenue allocation changes in proportion to the growth or decline in the gross assessed valuation for that public agency. Therefore, to determine the anticipated amount of property tax in lieu of VLF to be generated from future development, a ratio of the budgeted property tax in lieu of VLF to the City's total secured assessed value is determined. Using information from

5 Footnote: CBRE Analysis Finds that Industrial Rents Support Additional Warehouse Development, CBRE, June 5, 2018.

the City's Fiscal Year 2018-2019 Budget and the Los Angeles County Auditor's Value Report for Fiscal Year 2018-2019, the estimated property tax in lieu of VLF ratio is calculated below:

TABLE 10. PROPERTY TAX IN LIEU OF VLF RATIO

Description	Amount
2018-2019 Total City Secured Assessed Value	$15,145,550,676
2018-2019 Budgeted Property Tax in Lieu of VLF	7,873,445
Property Tax in Lieu of VLF Ratio	**0.052%**

This property tax in lieu of VLF ratio can then be applied to the estimated values for residential and non-residential development presented in Tables 7 and 8 above to determine the amount of potential property tax in lieu of VLF generated from future development. Based on the total estimated value, future development will generate approximately $1,816,000 in property tax in lieu of VLF revenue as shown below.

TABLE 11. FUTURE DEVELOPMENT PROPERTY TAX IN LIEU OF VLF REVENUE

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
Estimated Value	$409,509,000	$1,413,939,214	$602,148,000	$1,067,520,000
Property Tax in Lieu of VLF Ratio	0.052%	0.052%	0.052%	0.052%
Property Tax in Lieu of VLF Revenue	**$212,945**	**$735,248**	**$313,117**	**$555,110**

Documentary Transfer Tax

When property is sold, a documentary transfer tax is charged. The documentary transfer tax is charged at a rate of $1.10 per $1,000 of assessed value. This transfer tax is then split between the City and Los Angeles County. To determine the annual documentary transfer tax, the estimated property turnover rate must be considered. This analysis assumes that residential property will turnover approximately every 13 years[6], which results in an annual turnover rate of about 8%. Non-residential land uses typically have minimal ownership turnover. However, to consider the potential for non-residential land use turnover, a conservative estimate of once every 20 years, or an annual turnover rate of 5%, is applied in this analysis. Based upon the estimated value of future development and the estimated annual turnover rates, the City's share of the documentary transfer tax is calculated in the table below.

6 Footnote: Latest Calculations Show Average Buyer Expected to Stay in a Home 13 Years, Economic and Housing Policy, January 3, 2013.

TABLE 12. FUTURE DEVELOPMENT DOCUMENTARY TRANSFER TAX

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
Total Estimated Value	$409,509,000	$1,413,939,214	$602,148,000	$1,067,520,000
Estimated Annual Turnover Rate	8%	8%	5%	5%
Annual Turnover Estimated Value	$32,760,720	$113,115,137	$30,107,400	$53,376,000
Annual Turnover Estimated Value / $1,000	$32,761	$113,115	$30,107	$53,376
Documentary Transfer Tax Rate per $1,000(1)	$0.55	$0.55	$0.55	$0.55
Documentary Transfer Tax Revenue	**$18,019**	**$62,213**	**$16,559**	**$29,357**

(1) The $1.10 tax rate is split $0.55 to Los Angeles County and $0.55 to the City.

The documentary transfer tax will generate approximate $126,000 in revenue from future development.

Sales Tax Revenue

The base sales tax rate in California is 7.25%. Revenue generated from the base sale tax is then allocated to certain state and local jurisdictions, with the City receiving 1% of the base sales tax rate. As a result of voter-approved measures, the actual sales tax rate levied in the City is 9.50%. However, the incremental sales tax rate over the 7.25% base sales tax rate is collected and remitted to the County to be used for certain governmental purposes.

RESIDENTIAL DEVELOPMENT SALES TAX

To determine the amount of potential sales tax revenue to be generated from the future residential population, the household income needs to be identified. Based on information obtained from the U.S. Census Bureau's American Community Survey[7], the household income for 4-person households in the City is $98,926 and the household income for 2-person households in the City is $67,011. Prorating the 4-person household income information by the number of persons per dwelling unit for the Res – All Other residential category, the estimated household income for Res – All Other units is $89,033 (based on 3.6 persons per dwelling unit. In addition, information from the State Board of Equalization noted that the approximate household spending for California taxable goods was 29.5%[8] of household income. Applying this household spending percentage to the future residential development, the total amount of potential sales tax revenue generated from future residential development can be calculated. However, it should be noted that 100% of the taxable sales will not occur within the City. A portion of a household's taxable sales will occur at establishments that are located outside of the City's limits. To determine the approximate amount sale tax revenue that the City may receive from the future residential population, the City has indicated that approximately 2/3rds of taxable sales will occur outside of the City. Therefore, only 33% of future taxable sales per household are anticipated to occur within the City.

7 Footnote: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.
8 Footnote: State Board of Equalization, Economic Perspective, Discussion of Recent Economic Developments, December 2016.

TABLE 13. RESIDENTIAL SALES TAX REVENUE

Description	Res – All Other Amount	Res – Studio/Apt Amount
Estimated Household Income	$89,033	$67,011
% of Household Income Spent on Taxable Goods	29.5%	29.5%
Taxable Sales per Household	$26,265	$19,768
Number of Future Households	783	5,641
Estimated % of Taxable Sales within City(1)	33%	33%
Residential Taxable Sales within City	$6,786,613	$36,798,725
City Sales Tax	1%	1%
Residential Sales Tax Revenue	**$67,866**	**$367,987**

(1) Estimated; subject to change.

The residential population from future development will generate almost $436,000 in sales tax revenue for the City.

NON-RESIDENTIAL DEVELOPMENT SALES TAX REVENUE

The non-residential portion of future development will generate sales tax revenue from the taxable sales of the commercial development and the discretionary spending of the employees. It is anticipated that no retail activity is to occur upon the industrial land uses, therefore, there is no sales tax revenue anticipated from the industrial land use business operations.

To best estimate the potential sales tax revenue from future commercial development, an estimated $325 taxable sales per square foot[9] is considered. The City has indicated that a portion of sales tax revenue from a significant future commercial development will be reinvested and the City will receive approximately half of the sales tax revenue. Specifically, new commercial development will primarily be concentrated to the 157 acre site owned by the Carson Reclamation Authority for the Fashion Outlet of Los Angeles project. Half of the sales tax revenue generated from this project will be reinvested into the development of the project. It is important to note that not all of the taxable sales generated from future development will be new taxable sales for the City. There will be a portion of future commercial development's taxable sales that will shift from a City's existing place of business to a future development's place of business. This shift in taxable sales from one of place of business to another place of business will not provide an overall increase in sales tax revenue from future development. Therefore, to account for the potential reinvestment of sales tax revenue into future commercial development and shifts in taxable sales from one point of sale to another point of sale within the City, an estimated 75% reduction to sales tax revenue generated from future commercial development has been applied. Applying this information to the taxable sales per square foot, the estimated sales tax revenue from future commercial development can be determined.

Further, a portion of the commercial sales tax revenue will occur from the future residential and employee population. The sales generated from future residential and employee populations have been quantified separately in this analysis.

9 Footnote: Measuring Up Retail Benchmarking Survey, PwC Consulting, 2013

TABLE 14. FUTURE COMMERCIAL SALES TAX REVENUE

Description	Commercial Amount
Estimated Taxable Sales per Square Foot	$325
Future Commercial Building Square Footage	2,112,800
Commercial Taxable Sales	$686,660,000
Commercial Sales Tax Revenue(1)	$6,866,600
Sales Tax Revenue Reduction(2)	75%
Commercial Sales Tax Revenue	**$1,716,650**

(1) Commercial taxable sales multiplied by 1%.
(2) Estimated; subject to change. Reflects the reduction in sales tax revenue as a result of the shifts in taxable sales from one point of sale to another point of sale within the City and committed reinvestment of sales tax revenue into the 157 Acre Carson Reclamation Authority site for the Fashion Outlet Los Angeles project. Future residential and employee population sales tax revenue calculated separately from this analysis.

The International Council of Shopping Centers conducted a national survey[10] that evaluated the average spending habits of the workforce. The survey determined that the average employee within an urban market spends about $5,780 per year on restaurants, goods and services, and personal care. This annual spending amount includes both taxable and non-taxable purchases. While personal spending habits are unique to each individual, this analysis assumes that approximately 50% of the employees annual spending will be on taxable purchases that will occur near their place of employment. Using this information, the estimated sales tax revenue generated from the future employee population is calculated in the table below.

TABLE 15. EMPLOYEE SALES TAX REVENUE

Description	Amount
Average Annual Taxable Spending per Employee	$5,780
Number of Future Employees	8,896
Estimated % of Taxable Sales within City(1)	50%
Total Employee Taxable Sales within City	$25,709,440
City Sales Tax	1%
Employee Sales Tax Revenue	**$257,095**

(1) Estimated; subject to change.

Employees from future non-residential development will generate approximately $257,000, or $28.90 per employee, in sales tax revenue for the City. As previously noted in Table 6, an estimated 6,672 employees are allocated to industrial development and 2,224 employees are allocated to commercial development. Using these population figures, the employee sales tax revenue is allocated to each non-residential land use category below.

10 Footnote: International Council of Shopping Centers, Office-Worker Retail Spending in a Digital Age, 2012.

TABLE 16. ALLOCATED EMPLOYEE SALES TAX REVENUE

Description	Commercial Amount	Industrial Amount
Number of Future Employees	2,224	6,672
Employee Sales Tax Revenue per Employee	$28.90	$28.90
Employee Sales Tax Revenue	**$64,274**	**$192,821**

SALES TAX REVENUE SUMMARY

The total sales tax revenue generated from future development is approximately $2,410,000. The sales tax revenue amounts allocated to residential and non-residential future development are provided in the table below.

TABLE 17. FUTURE DEVELOPMENT SALES TAX REVENUE

Description	Amount
Residential Sales Tax Revenue	$435,853
Commercial Sales Tax Revenue(1)	1,780,924
Industrial Sales Tax Revenue	192,821
Future Development Sales Tax Revenue	**$2,409,598**

(1) Includes $1,716,650 commercial development sales tax revenue and $64,274 employee sales tax revenue.

Other City Revenue

The City also receives revenue from sources that were not previously quantified via the case study approach above. Other City revenues include additional taxes, fees, fines, penalties, property rentals, charges for services, and other revenues. For purposes of this fiscal impact analysis, revenues that are not allocated to future development include one-time building permits and planning fees, as well as taxes paid by specific entities such as the oil industry tax. Further, the City budgets approximately $7,000,000 for the Utility Users Tax and this revenue would typically be considered in the calculation. However, the Utility Users Tax is set to expire on June 30, 2023 and is, therefore, excluded from the calculation. Additionally, the City also has temporary revenues from the Redevelopment Property Tax Trust Fund ("RPTTF") as part of the redevelopment dissolution process. The RPTTF funds are temporary and will eventually be eliminated, and are, therefore, also excluded from the calculation. Using general fund revenue information from the City's Fiscal Year 2018-2019 Budget, the table below presents the other City revenues to be allocated to future development.

TABLE 18. OTHER CITY REVENUE

Description	City's 2018-2019 Budget Amount
Business Tax	$2,930,000
Other Licenses and Permits	908,250
Fines and Forfeitures	2,485,800
Franchise Fees	9,948,750
Use of Money and Property	2,411,820
Motor Vehicle License Fees	40,000
Charges for Services	3,562,800
Other Revenue	3,218,500
Total Other City Revenue	**$25,505,920**

The overall impact that future development will have on the other City revenue sources is based upon the assumption that the current per capita revenue amounts will serve as the best indicator of the future per capita revenue amounts. Therefore, to best allocate these other City revenues to future development, the multiplier approach is utilized. Table 2 previously identified that the total numbers of persons currently served within the City is 124,201, of which the number of residents served is 93,799 and the number of employees served is 30,402. Using the number of persons served, the amount of other City revenue per person can be determined. The total other City revenue amounts, the total number of persons served, and the amount per person served are presented in the table below.

TABLE 19. OTHER CITY REVENUE PER PERSON SERVED

Description	City's 2018-2019 Budget Amount	Persons Served	Amount per Person Served
Business Tax	$2,930,000	30,402(1)	$96.38
Other Licenses and Permits	908,250	124,201	7.31
Fines and Forfeitures	2,485,800	124,201	20.01
Franchise Fees	9,948,750	124,201	80.10
Use of Money and Property	2,411,820	124,201	19.42
Motor Vehicle License Fees	40,000	124,201	0.32
Charges for Services	3,562,800	124,201	28.69
Other Revenue	3,218,500	124,201	25.91
Totals	**$25,505,920**		**$278.14**

(1) Based upon employees served only.

Since the City's business tax revenue is allocated to only the employees served, the total other City revenue amount allocated to each resident served is $181.76 and the total other City revenue amount allocated to each employee served is $278.14. In order to determine the amount of other City revenue allocated to future development, the other City revenue amount per person is multiplied by the number of future persons served. As previously determined in Table 4, the total future development persons served is 18,549, which results in a total other City revenue amount of approximately $3,800,000 as shown in the table below.

TABLE 20. FUTURE DEVELOPMENT OTHER CITY REVENUE

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
Other City Revenue per Person Served	$181.76	$181.76	$278.14	$278.14
Future Development Persons Served	2,820	11,281	1,112	3,336
Total Future Development Other City Revenue	**$512,563**	**$2,050,435**	**$309,292**	**$927,875**

Future Development Revenue Summary

The City's future development will generate revenue from several different sources that will enable the City to provide certain recurring City services. A portion of the anticipated future revenue was calculated based upon the case study approach and the remaining other City revenue was allocated to future development using the multiplier approach. A summary of the estimated City revenue generated from future development is presented in the table below.

TABLE 21. FUTURE DEVELOPMENT TOTAL REVENUE

Description	Res – All Other Total Revenue Amount	Res – Studio/Apt Total Revenue Amount	Commercial Total Revenue Amount	Industrial Total Revenue Amount
Secured Property Tax Revenue	$276,009	$952,995	$405,848	$719,508
Property Tax In Lieu of VLF Revenue	212,945	735,248	313,117	555,110
Documentary Transfer Tax Revenue	18,019	62,213	16,559	29,357
Sales Tax Revenue	67,866	367,987	1,780,924	192,821
Other City Revenue	512,563	2,050,435	309,292	927,875
Total Future Development Revenue	**$1,087,402**	**$4,168,878**	**$2,825,740**	**$2,424,671**

The City's future development is anticipated to generate approximately $10,507,000 in revenue to support recurring City operations.

SECTION 4 | EXPENDITURES ESTIMATE

The future development revenue identified in Section 3 of this report is intended to pay for recurring expenditures related to general City services. City General Fund expenditures that are not considered in this analysis include costs associated with infrastructure improvements, special fund expenditures, governmental transfers, and expenses supported by one-time development fees. For purposes of determining the overall fiscal impact of future development, the City expenditures allocated to future development are based upon amounts presented in the City's Fiscal Year 2018-2019 Budget.

Future development within the City will add several residents and employees to the City's existing population base. This residential and employee population increase will place additional demands on already existing services provided by the City. In order to account for the increased costs associated with the additional demand, City expenditures are allocated to future development using the multiplier approach. However, the increased impacts from future development will not necessarily result in a direct 1:1 relationship increase in City expenditures (i.e., there are some "step" functions). Some of the City's expenditures are fixed amounts or will have only minimal increases, regardless of the population served. Therefore, to account for a relationship that is less than 1:1, the City expenditures have been adjusted to reflect a conservative impact in expenditures as a result of future development. It should be recognized that the City expenditure adjustments are only estimates based upon industry averages and the nature of the future development. The original City's Fiscal Year 2018-2019 Budget amount, the demand adjustment percentage, and the adjusted City's Fiscal Year 2018-2019 Budget amount are presented below.

TABLE 22. CITY EXPENDITURES SUMMARY

Description	City's 2018-2019 Budget Amount	Demand Adjustment Percentage(1)	Adjusted City's 2018-2019 Budget Amount
City Council	$927,549	75%	$695,662
Legal	2,920,000	75%	2,190,000
City Clerk	1,112,767	75%	834,576
City Treasurer	788,874	75%	591,656
City Manager	4,351,107	75%	3,263,331
Public Safety	24,071,329	100%	24,071,329
Finance	4,085,693	75%	3,064,270
HR and Risk Management	2,597,877	75%	1,948,408
Community Development	7,496,259	75%	5,622,195
Public Works	16,444,543	75%	12,333,408
Community Services	13,234,510	75%	9,925,883
Non-Departmental(2)	10,769,305	100%	10,769,305
Totals	**$88,799,813**		**$75,310,023**

(1) Estimated; subject to change.
(2) Reflects retirement benefits.

After adjusting the expenditures from the City's Fiscal Year 2018-2019 Budget to account for estimated costs that are less than a 1:1 relationship in costs per person served, the adjusted City's Fiscal Year 2018-2019 Budget amount to be allocated to future development is approximately $75,310,000.

City Expenditure per Person Served

Each City expenditure category is reviewed to determine whether the expenditure category is intended to serve both the residential and employee population, the residential population only, or the employee population only. As previously noted in Table 2, the total number of persons served in the City is 124,201 and the number of residents served within the City is 93,799. Utilizing the multiplier approach, the number of persons served within each City expenditure category is applied to the corresponding adjusted expenditure line item to determine the allocable expenditure per person. The table below provides the expenditure per person for each of the categories.

TABLE 23. CITY EXPENDITURES PER PERSON SERVED

Description	Adjusted City's 2018-2019 Budget Amount(1)	Persons Served	Adjusted City's 2018-2019 Budget Amount per Person Served
City Council	$695,662	124,201	$5.60
Legal	2,190,000	124,201	17.63
City Clerk	834,576	124,201	6.72
City Treasurer	591,656	124,201	4.76
City Manager	3,263,331	124,201	26.27
Public Safety	24,071,329	124,201	193.81
Finance	3,064,270	124,201	24.67
HR and Risk Management	1,948,408	124,201	15.69
Community Development	5,622,195	124,201	45.27
Public Works	12,333,408	124,201	99.30
Community Services	9,925,883	109,000(2)	91.06
Non-Departmental	10,769,305	124,201	86.71
Total per Person Served	**$75,310,023**		**$617.49**

(1) Established in Table 22.
(2) Employees served has been adjusted to 25% of total employee population to reflect the employee's use of the City's community services. Total employees served for community services is 15,201.

Given the additional demands that the increased population from future development will place upon existing City services, the adjusted City expenditures per resident served is $617.49. Community services are intended to primarily serve the residential population, however, there are benefits and use by employees of the City's community services. To account for the employee's limited use of the City's community services, the employee population has been adjusted to 25%. Applying this additional adjustment for community services, the adjusted City expenditures per employee served is $571.96.

Future Development Expenditure Summary

In order to determine the total amount of City expenditures allocated to future development, the total expenditures per person served is multiplied by the estimated future residential and employee persons served. As previously calculated in Table 4, the total future development population served is 18,549. Applying the total City expenditures per person served amount of $617.49 per resident and $571.96 per employee to the total persons served, the allocated impact of future development's population to the City's expenditures is approximately $11,251,000, as shown in the table below.

TABLE 24. FUTURE DEVELOPMENT TOTAL EXPENDITURES

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
City Expenditures per Person Served	$617.49	$617.49	$571.96	$571.96
Future Development Persons Served	2,820	11,281	1,112	3,336
Total Future Development Expenditures	**$1,741,322**	**$6,965,905**	**$636,020**	**$1,908,059**

SECTION 5 | FUTURE DEVELOPMENT FISCAL IMPACT

Based on the City's future development estimated revenue determined in Table 21 and the future development's allocated expenditures presented in Table 24, future residential development will result in an overall negative fiscal impact and non-residential development will result in an overall positive fiscal impact for the City. The table below sets forth the total anticipated fiscal impact and fiscal impact per person served for both future residential and non-residential land uses.

TABLE 25. FUTURE DEVELOPMENT OVERALL FISCAL IMPACT

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
Total Future Development Revenue	$1,087,402	$4,168,878	$2,825,740	$2,424,671
Total Future Development Expenditures	1,741,322	6,965,905	636,020	1,908,059
Future Development Positive / (Negative) Fiscal Impact	**($653,920)**	**($2,797,027)**	**$2,189,720**	**$516,612**
Future Development Persons Served	2,820	11,281	1,112	3,336
Future Development Positive / (Negative) Fiscal Impact per Person Served	**($231.89)**	**($247.95)**	**$1,969.18**	**$154.86**

Future Development Fiscal Impact per Dwelling Unit or Acre

To better understand the overall future development fiscal impact, the fiscal impact per person amount identified in Table 25, is quantified on a per dwelling unit rate basis for residential property and on a per acre rate basis for non-residential property.

RESIDENTIAL FISCAL IMPACT PER DWELLING UNIT

As previously noted in Table 5, the average number of persons per Res – All Other dwelling unit is 3.60 persons and the average number of person per Res – Studio/Apt dwelling unit is 2.00 persons. Applying the residential negative fiscal impact per resident of $231.89 per Res – All Other person and $247.95 per Res – Studio/Apt person to the persons per dwelling unit for each residential land use, the negative fiscal impact per dwelling unit is established in the table below.

TABLE 26. RESIDENTIAL FISCAL IMPACT PER DWELLING UNIT

Description	Res – All Other Amount	Res – Studio/Apt Amount
Persons per Residential Dwelling Unit	3.60	2.00
Negative Fiscal Impact per Resident	($231.89)	($247.95)
CFD Special Tax Rate per Residential Dwelling Unit	**($834.80)**	**($495.90)**

The overall negative fiscal impact for future residential property is $834.80 per Res – All Other dwelling unit and $495.90 per Res – Studio/Apt dwelling unit.

NON-RESIDENTIAL FISCAL IMPACT PER ACRE

In order to establish future non-residential development's overall fiscal impact on an acreage basis, the acreage building densities need to be considered. The City's General Plan notes that the average floor area ratio expected at build out for commercial land uses is approximately 0.32 and for light industrial land uses is approximately 0.42. Using these floor area ratios and the estimated building square footage per employee, the number of employees per acre for each non-residential land use can be identified. Applying the approximate number of employees per acre for each non-residential land use to the calculated fiscal impacts per employee, the commercial and industrial overall fiscal impact per acre can be calculated.

TABLE 27. COMMERCIAL AND INDUSTRIAL FISCAL IMPACT PER ACRE

Description	Commercial Amount	Industrial Amount
Square Feet per Acre	43,560	43,560
Floor Area Ratio	0.32	0.42
Estimated Building Square Feet per Acre	13,939	18,295
Estimated Employees per Acre(1)	14.70	18.30
Employees Served per Acre(2)	7.4	9.2
Positive Fiscal Impact per Employee Served	$1,969.18	$154.86
Positive Fiscal Impact per Acre	**$14,571.93**	**$1,424.71**

(1) Estimated building square feet per acre divided by the estimated commercial building square feet (950) per employee and the estimated industrial building square feet (1,000) per employee identified in Table 6.

(2) Adjusted by 50% to reflect the numbers of employees served per acre.

The overall positive fiscal impact for future commercial property is $14,571.93 per acre and the overall fiscal impact for future industrial property is $1,424.71 per acre.

FUTURE DEVELOPMENT FISCAL IMPACT SUMMARY

The table below summarizes the overall fiscal impact for future development within the City.

TABLE 28. FUTURE DEVELOPMENT FISCAL IMPACT SUMMARY

Description	Res – All Other Dwelling Unit	Res – Studio/Apt Dwelling Unit	Commercial Acre	Industrial Acre
Positive / (Negative) Fiscal Impact	($834.80)	($495.90)	$14,571.93	$1,424.71

Since the estimated future residential development produces an overall negative fiscal impact, the City should consider the establishment of a Special Financing District (SFD) to mitigate the negative fiscal impacts created from the residential development. Further, any enhanced levels of service or newly provided services to future development can also be funded via the SFD. Alternatives for the City's consideration are presented in Section 6 of this report.

SECTION 6 | FISCAL IMPACT FUNDING OPTIONS

To mitigate the overall negative fiscal impact identified in Section 5 of this report, the City should consider the establishment of a SFD, which could include a special tax or a special assessment. Since the City's negative fiscal impact is attributable to the provision of general City services, a special assessment would not be the most appropriate funding option for the City. Special assessments require the identification and separation of general and special benefits. Special benefits can be assessed to property, but all general benefits must be funded by sources other than the special assessments. Therefore, a special assessment would not entirely alleviate the negative fiscal impact created by future residential development. Alternatively, the City could implement a special tax.

Community Facilities Districts

A Community Facilities District, or CFD and also referred to as a Mello-Roos District, is a type of SFD that is established via the Mello-Roos Community Facilities District Act of 1982 ("1982 Act"). Through the levy and collection of a special tax, CFDs provide funding for authorized public improvements and/or public services. The CFD's Rate and Method of Apportionment includes procedures for identifying and classifying property within the CFD, establishing the initial maximum special tax rates, and the formula for calculating the annual special tax and assigning the special tax to taxable property within the CFD. Since CFDs authorize the levy and collection of a special tax, as opposed to a special assessment, there is no requirement to make a finding of special benefit for the property subject to the special tax. However, the special tax should be based on a benefit received by property, the cost of providing the facilities or services, or some other reasonable basis for assigning the special tax, as determined by the legislative body.

In order to establish a CFD, the 1982 Act requires a two-thirds approval of the registered voters, residing within the proposed CFD boundary, voting in the special tax election. If there are less than 12 registered voters within the proposed CFD boundaries, then a landowner special tax election can take place. In the case of a landowner special tax election, a two-thirds approval is still required and each landowner receives one vote per acre or portion of an acre of land owned. It should be noted that if a CFD is approved via a landowner special tax election, the CFD is only authorized to fund additional services. In Building Industry Association of the Bay Area v. City of San Ramon, the California Appellate Court held that a landowner approved CFD can only fund the increase in demand for pre-existing services, so long as the special tax revenue is not available for general government purposes. The additional services funded by the CFD shall not replace services already available and provided within the boundaries of the CFD. Further, special tax revenue generated from the CFD can only be used to fund the authorized public services set forth in the 1982 Act. CFD authorized public services may include, but are not limited to, police, library and the maintenance of parks, roads and open space. A list of recurring City expenditures and the amount allocated to future residential development are presented in the table below.

TABLE 29. CITY EXPENDITURES ALLOCATED TO FUTURE RESIDENTIAL DEVELOPMENT

Description	Total City Expenditure Allocated to Future Residential Development(1)	CFD Eligible Expenditure
City Council	$78,966	No
Legal	248,601	No
City Clerk	94,759	No
City Treasurer	67,121	No
City Manager	370,433	No
Public Safety	2,732,915	Yes
Finance	347,872	No
HR and Risk Management	221,245	No
Community Development	638,352	Yes(2)
Public Works	1,400,229	Yes(2)
Community Services	1,284,037	Yes(2)
Non-Departmental	1,222,697	No
Totals	**$8,707,227**	

(1) Adjusted City's 2018-2019 Budget amount per person served identified in Table 23 multiplied by future residential population served of 14,101 identified in Table 4.
(2) Subject to further review to exclude any services that are not authorized CFD services.

Per Table 25, the total negative fiscal impact for future residential development is $3,450,947. However, the total amount of expenditures allocated to future residential development is $8,707,227. The allocated expenditures include both eligible and ineligible CFD authorized services. Therefore, to mitigate the negative fiscal impact from residential development, the City should establish a CFD to provide funding for CFD authorized public services such as public safety and, to the extent allowed and needed, other departments that provide CFD authorized public services. The remainder of City expenditures allocated to future residential development will be off-set by other general City revenues generated from future residential development.

FUTURE DEVELOPMENT SPECIFIC COSTS

In addition to using a CFD to mitigate future residential development's negative fiscal impacts, the CFD can also fund authorized CFD services that are intended to provide an enhanced level of service or services that are unique to future development. These services would be in addition to any previously identified negative fiscal impacts placed upon the City in providing the existing level of service. Funding for any enhanced and/or additional recurring public service costs, including repairs and replacements, reserves and administration can be accomplished through a CFD.

BENEFITS TO CITY

Through the formation of a CFD, the City can establish an ongoing funding source that mitigates the negative fiscal impacts created by future residential development and provides funding for new or enhanced services within the City. The CFD's maximum special tax rate can include an annual escalation factor, to keep pace with changing costs, that is based upon an annual fixed amount or an escalation factor that is tied to a specific inflation index. Further, the CFD special tax can be established without a sunset date so that the CFD special tax can be levied in perpetuity.

CFD Special Tax Recommendation

In order for the City to continue to provide necessary services to their population base, the City needs to ensure that developing property pays their fair share as a result of any additional fiscal burdens placed upon the City's operational budget due to new development. It has been determined that the future residential development will produce an overall negative fiscal impact of $3,450,947. To mitigate the negative fiscal impact, the City should consider establishing a CFD. The levy and collection of the special tax could generate sufficient revenue to offset the negative residential fiscal impact to the City. Further, the CFD provides the flexibility to generate additional revenue to fund any enhanced or new project specific costs desired by future residential and non-residential development. The CFD's Rate and Method of Apportionment establishes the special tax formula and sets the initial maximum special tax rates. A benefit of the CFD is that it allows for a great deal of flexibility in structuring the special tax formula so that the formula and maximum special tax rates best fit and accomplish specific needs. In this particular case, the CFD special tax rates could be sized to recover the annual negative fiscal impact on residential development, fund enhanced levels of existing service or new services, recover ongoing administrative costs related to the CFD, and be structured to create both a residential special tax rate and non-residential special tax rate.

SECTION 7 | CFD SERVICES AND SPECIAL TAX RATES

It has been previously determined in Table 25 that future residential development will produce an overall negative fiscal impact of $3,450,947. The City should establish a CFD to fund the negative fiscal impact from future residential development. In addition, the City has identified enhanced and/or new public services needed to serve future development, including park services and roadway services. Currently, there is not a revenue source to provide funding for these services and the annual costs associated with each enhanced service should also be included in the CFD. The two enhanced services are further described below.

Enhanced Park and Sidewalk Services

In 2016, Los Angeles County prepared a Comprehensive Parks and Recreation Needs Assessment ("Parks Assessment")[11] to understand the existing conditions and what steps need to be taken to ensure that communities have adequate access to thriving parks and open space. The portion of the assessment that was specific to the City identified several infrastructure priorities for the City to consider. In addition to the priority infrastructure, the Parks Assessment also identified various deferred park maintenance costs to replace park and recreation amenities that are either in poor or fair condition. In order to replace those amenities that are either in poor or fair condition, at some point in the future, the City will need approximately $54,000,000 to fund all of the deferred maintenance identified in the Park Assessment.

Further, NCE performed an assessment[12] of the City's publicly maintained sidewalks, curb and gutters, and curb ramps to identify and evaluate potential tripping hazards and non-ADA compliant sidewalks. In addition to identifying the qualifying sidewalk improvements needed, the assessment also included a cost estimate for the maintenance repairs and/or replacements of the sidewalks, curb and gutters, and curb ramps. The assessment established a cost estimate of approximately $11,500,000 that will be needed to address the tripping hazards and non-ADA compliant sidewalk improvements.

To determine the costs associated with future development, the deferred park maintenance and sidewalk improvement cost estimates were apportioned over a period of 20 years. Utilizing the annualized deferred park maintenance costs, sidewalk improvement costs and the total future population served, the annual enhanced park and sidewalk services amount per future person served is calculated in the table below.

11 Footnote: Los Angeles Countywide Comprehensive Parks & Recreation Needs Assessment, Los Angeles County Department of Parks & Recreation, May 3, 2016.

12 Footnote: City of Carson, Citywide Sidewalk Assessment 2017 Update, Final Report, NCE, April 2017.

TABLE 30. ENHANCED PARK AND SIDEWALK SERVICES PER FUTURE PERSON SERVED

Description	Amount
Total Deferred Park Maintenance Costs	$54,000,000
Total Sidewalk Costs	11,500,000
Total Enhanced Park and Sidewalk Services	**$65,500,000**
Annual Enhanced Park and Sidewalk Services Costs(1)	**$3,275,000**
Total Future Population(2)	125,325
Annual Enhanced Park and Sidewalk Services per Person Served	**$26.13**

(1) Allocated over a period of 20 years.
(2) Includes 107,900 residents and 69,700 employees factored at 25% per employee.

The amount of annual enhanced park services per resident is $26.13. The City's parks, recreation areas, sidewalk improvements are intended to primarily serve the residential population, however, there is a benefit to employees and it is anticipated that employees will likely use the areas. Therefore, to account for an employee's limited use of the facilities, an employee is weighted at 25% of a resident. Based on this adjustment, the annual enhanced park and sidewalk services per employee is $6.53. Applying these annual enhanced park and sidewalk services costs per person to the future development land uses, the amount per dwelling unit or acre is presented in the table below:

TABLE 31. FUTURE DEVELOPMENT ENHANCED PARK AND SIDEWALK SERVICES PER DWELLING UNIT/ACRE

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
Enhanced Park and Sidewalk Services per Person or Employee	$26.13	$26.13	$6.53	$6.53
Persons per Dwelling Unit or Employees per Acre	3.60	2.00	14.70	18.30
Enhanced Park and Sidewalk Services per Dwelling Unit or Acre	**$94.07**	**$52.26**	**$95.99**	**$119.50**

For the future development's residential property, the enhanced park services are $94.07 per Res – All Other dwelling unit and $52.26 per Res – Studio/Apt dwelling unit. Future development's enhanced park services are $95.99 per acre for commercial property and $119.50 per acre for industrial property.

Enhanced Roadway Services

The City has determined that vehicular traffic is producing significant impacts to roadways throughout the City and there is a significant need to provide for the maintenance and repair of these roadways. In addition to the negative impacts created on the roadway system, truck traffic negatively affects traffic and air quality, generates increased noise and vibrations, and increase health impacts upon the community. Currently, the City does not have a long-term funding source to pay for the enhanced level of services and maintenance needed for the roadway impacts created. To provide a long-term funding solution, and have future development fund their proportional share of costs, the enhanced roadway services should be included in the proposed CFD. The annual enhanced roadway services costs are presented in the table below.

TABLE 32. ENHANCED ROADWAY SERVICES COSTS

Description	Total Amount(1)	Residential Allocation	Commercial Allocation	Industrial Allocation
Arterial, Collector or Residential(2)	$1,000,000	$800,000	$86,000	$114,000
Regular Truck Routes(3)	5,792,437	0	2,490,748	3,301,689
Truck Oriented Routes(4)	1,358,514	0	0	1,358,514
Overweight Truck Routes(4)	849,049	0	0	849,049
Totals:	**$9,000,000**	**$800,000**	**$2,576,748**	**$5,623,252**

(1) Per PMP 2017 CIP Budget Recommendations for Truck Routes.
(2) Per City, costs allocated 80% to residential property and 20% to non-residential property. The non-residential portion is allocated 57% to industrial property and 43% to commercial property.
(3) Per City, costs allocated 57% to industrial property and 43% to commercial property.
(4) Per City, costs allocated to industrial property only.

To determine the amount of enhanced roadway services allocated to future development, the enhanced roadway services costs per person needs to be determined. The truck oriented route and overweight truck routes are enhanced roadway services that are allocated to industrial property only, and those enhanced roadway services are addressed later in this analysis. The estimated total future population of 107,900 residents and 69,700 employees are used in the enhanced roadway services analysis. It is anticipated that the future employees within the City will be allocated approximately 50% to commercial property and approximately 50% to industrial property. Based on the future population estimates and the allocation of the future employee population, the enhanced roadway services costs per person or employee are as follows:

TABLE 33. ENHANCED ROADWAY SERVICES PER FUTURE PERSON OR EMPLOYEE

Description	Residential Allocation	Commercial Allocation	Industrial Allocation
Enhanced Roadway Services Costs(1)	$800,000	$2,576,748	$3,415,689
Estimated Future Population	107,900	34,850	34,850
Enhanced Roadway Services Costs per Person or Employee	**$7.41**	**$73.94**	**$98.01**

(1) The industrial allocation excludes the truck oriented routes and over weight truck routes costs that are addressed separately in the analysis.

The amount of annual enhanced roadway services costs per resident is $7.41, the costs per commercial employee is $73.94, and the costs per industrial employee is $98.01. Applying these annual enhanced roadway services costs per person or employee to the future development land uses, the amount per dwelling unit or acre is presented in the table below:

TABLE 34. FUTURE DEVELOPMENT ENHANCED ROADWAY SERVICES PER DWELLING UNIT/ACRE

Description	Res – All Other Amount	Res – Studio/Apt Amount	Commercial Amount	Industrial Amount
Enhanced Roadway Services Costs per Person or Employee	$7.41	$7.41	$73.94	$98.01
Persons per Dwelling Unit or Employees per Acre	3.60	2.00	14.70	18.30
Enhanced Roadway Services Costs per Dwelling Unit or Acre	**$26.68**	**$14.82**	**$1,086.92**	**$1,793.58**

For the future development's residential property, the enhanced roadway services costs are $26.68 per Res – All Other dwelling unit and $14.82 per Res – Studio/Apt dwelling unit. Future development's enhanced roadway services costs are $1,086.92 per acre for commercial property and $1,793.58 per acre for industrial property.

ENHANCED ROADWAY SERVICES INDUSTRIAL COST ZONES

The truck oriented routes and overweight truck routes are intended to primarily serve industrial land uses only. The City has identified two areas as enhanced industrial zones that will be impacted by future development or redevelopment. Zone 1 contains the local truck and truck oriented routes and includes approximately 2,884 acres and 49.69 lane miles. Zone 2 includes the overweight truck routes and includes approximately 787 acres and 8.55 lane miles. Appendix A of this report provides a map that identifies each of these zones within the City. The City estimates that approximately 20% of the Zone 1 and Zone 2 land will either develop or redevelop within the next 20 years. Applying this percentage to each zone, the future development or redevelopment acreage is 576.81 acres for Zone 1 and 157.32 acres for Zone 2. Based on the enhanced roadway costs associated with each zone and the estimated acreage of future development included within each zone, the additional industrial zone rates per acre are calculated in the table below.

TABLE 35. ADDITIONAL ENHANCED ROADWAY SERVICES PER INDUSTRIAL ZONE

Description	Zone 1	Zone 2
Additional Enhanced Roadway Services Costs	$1,358,514	$849,049
Estimated Development or Redevelopment Acreage(1)	576.81	159.46
Additional Enhanced Roadway Services Costs per Acre	**$2,355.22**	**$5,324.46**

(1) Assumes 20% of the area identified is each zone will developed or redevelop over the next 20 years. Appendix A of this report includes a GIS Map that identifies each zone.

Future development's industrial property may be located within one of the additional industrial zones. For the industrial property located within Zone 1, the additional enhanced roadway services costs are $2,355.22 per acre and for industrial property located within Zone 2, the additional enhanced roadway services costs are $5,324.46 per acre. These enhanced roadway services costs are in addition to the enhanced roadways services costs of $1,793.58 per acre for industrial property previously established in Table 34.

CFD Special Tax Rates

Based on the overall fiscal impacts created by future development, as well as the enhanced park services and enhanced roadway services previously identified, the proposed CFD special tax rates can be calculated for each land use.

TABLE 36. PROPOSED CFD SPECIAL TAX RATES – RESIDENTIAL PROPERTY

Description	Res- All Other CFD Tax Rate	Res – Studio/Apt CFD Tax Rate
Overall Fiscal Impact(1)	$834.80	$495.90
Enhanced Park and Sidewalk Services	94.07	52.26
Enhanced Roadway Services	26.68	14.82
Enhanced Industrial Zones(2)	N/A	N/A
Total CFD Special Tax Rate per Dwelling Unit:	**$955.55**	**$562.98**

(1) Reflects the negative fiscal impact to be collected from residential property.
(2) Allocated to industrial property only.

TABLE 37. PROPOSED CFD SPECIAL TAX RATES – NON-RESIDENTIAL PROPERTY

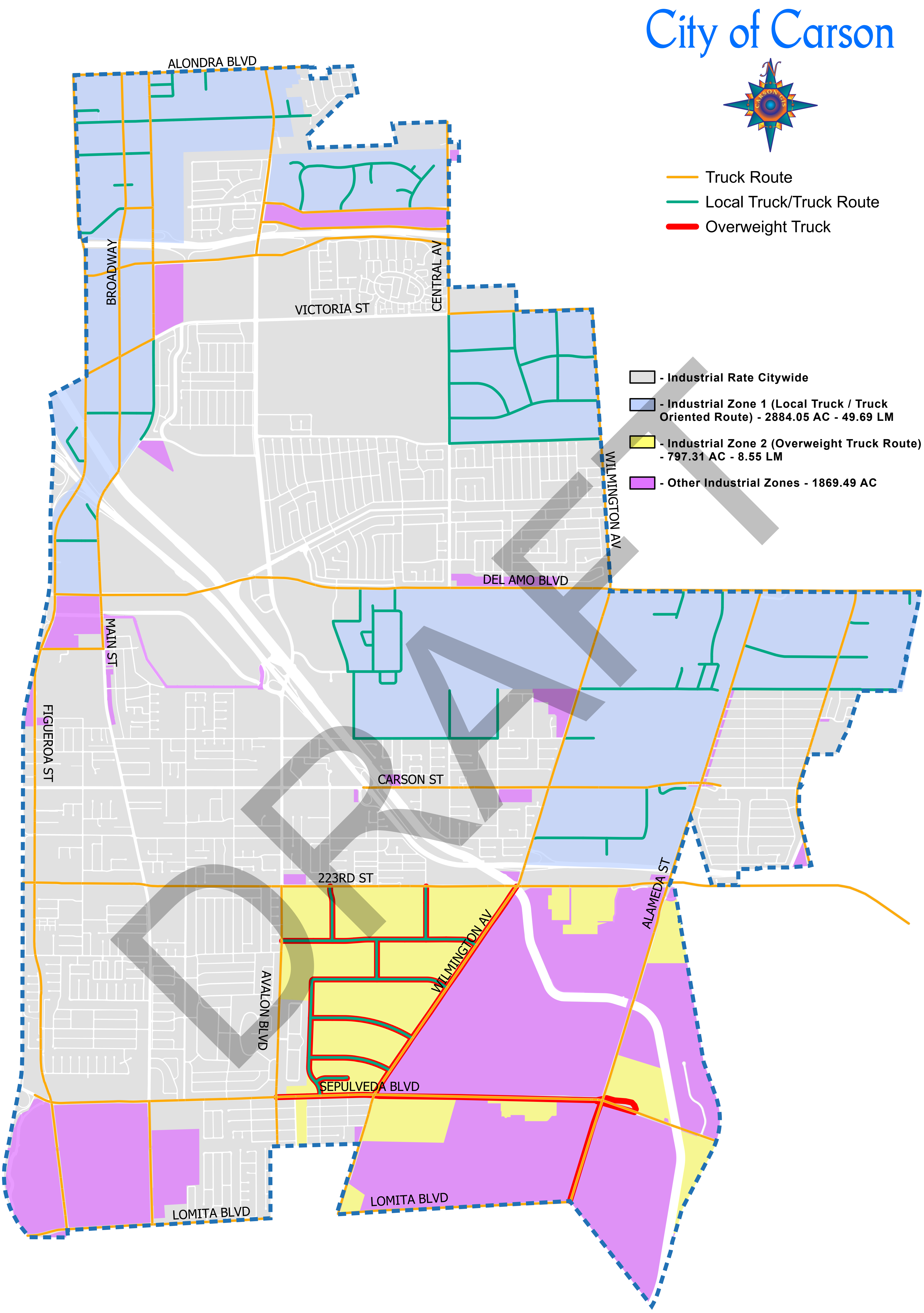
Description	Commercial CFD Tax Rate	Industrial CFD Tax Rate	Industrial – Zone 1 CFD Tax Rate	Industrial – Zone 2 CFD Tax Rate
Overall Fiscal Impact(1)	($14,571.91)	($1,424.71)	($1,424.71)	($1,424.71)
Enhanced Park and Sidewalk Services	95.99	119.50	119.50	119.50
Enhanced Roadway Services	1,086.92	1,793.58	1,793.58	1,793.58
Enhanced Industrial Zones(2)	N/A	N/A	2,355.22	5,324.46
Totals CFD Special Tax Rate per Acre:	**$0.00**	**$488.37**	**$2,843.59**	**$5,812.83**

(1) Reflects the positive fiscal impact to be credited to commercial property and industrial property.
(2) Allocated to industrial property only.

The CFD special tax rates presented in Tables 36 and 37, would represent the initial CFD maximum special tax rates to fund the negative fiscal impact for residential property, as well as enhanced services. The City could also increase the initial CFD maximum special tax rates to cover the added costs for administering the CFD, as well as establish any reserves or contingency funds. Further, the CFD would be structured to include a special tax escalation factor, which would allow for an annual increase to the initial CFD maximum special tax rates. While the CFD maximum special tax rates would increase on an annual basis, the City is not required to levy the special tax at the CFD maximum special tax rates each year. In order to meet the CFD annual special tax requirement, authorized services and administrative costs, the City has the flexibility to levy a CFD special tax amount that is less than or equal to the CFD maximum special tax.

APPENDIX A – INDUSTRIAL ZONE MAP

The following map identifies the Citywide industrial area, as well as the two enhanced industrial zones within the City.



Enhanced Service Zones - Lane Miles(Non Truck Routes)