

Fiscal Impact Analysis Report for  
the City of Vallejo General Plan Update

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# EXECUTIVE SUMMARY

The Fiscal Impact Analysis (FIA), prepared by BAE Urban Economics, Inc. (BAE), assists community leaders in determining whether the General Plan Update (the Project) is fiscally prudent, based on its impact to the City's General Fund, and in better understanding the General Plan Update in the overall context of the City's long-term fiscal sustainability.

## Purpose

New development generates new local government revenue through additional taxes and fees, but also increases demands on local government services and infrastructure. The FIA determines whether the incremental new development, as reflected in the General Plan Update, generates enough new fiscal revenue to cover new fiscal costs associated with the provision of public services.

## Approach

The FIA analyzes the net increment of development that would be allowable under the General Plan Update, using buildout of the City's existing General Plan as the baseline condition. As described in the DEIR for the Project, the increment of new development from the General Plan Update consists of 718,840 square feet of nonresidential development, 250 hotel rooms, and 3,332 residential units, generating an increase of 6,811 new residents and 1,312 new employees.

Revenue estimates are based on per capita, per employee, or per service population calculations, depending on which populations are associated with particular revenue sources, or on statutory requirements, such as those for property tax revenues. Expense estimates are based largely on the City's current costs to serve the existing service population, inflated based on the increase in service population associated with the Project. However, some costs are adjusted to better represent the cost of full service provision, as detailed in the body of the report.

## Findings

Selected FIA findings are summarized in the following table. As shown, ***buildout of the General Plan Update would result in General Fund revenues that exceed the cost to provide services to new development*** by approximately \$1.4 million without an extension of Measure B, or \$2.0 million if Measure B is extended. The modest fiscal surplus associated with the General Plan Update corresponds to the relatively small increase in service population from the Update (a six percent increase over the 2015 service population). These annually-recurring surplus revenues are significant in that they could not only be used to restore and improve needed city services, but would also help ensure the city's long-term fiscal health.

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**Selected Fiscal Impact Findings for the Net Increment of Growth of the Proposed General Plan Update at Full Buildout in 2040**

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*All figures in 2015 dollars*

<b>ANNUAL IMPACTS</b>	<b>City of Vallejo</b>	
	<b>w/o Measure B</b>	<b>w/ Measure B</b>
<b>Propel Vallejo 2040</b>		
New Revenues	\$6,379,100	\$7,016,900
New Expenditures	<u>\$5,019,000</u>	<u>\$5,019,000</u>
<b>Net Fiscal Impact</b>	<b>\$1,360,100</b>	<b>\$1,997,900</b>

See report for explanation of Project, methodologies, and limiting conditions.

Source: BAE, 2016.

As demonstrated in the figures above, Measure B provides additional sales tax revenues. It is important to note that Measure B sales tax revenues are critical to maintaining the City’s existing tax base, separate from the Measure B sales tax revenues that the General Plan Update would generate. Moreover, the additional Measure B sales tax revenues from the Update could help restore City services that are currently underfunded.

The General Plan Update would also generate one-time impact fees to the City, which would offset specific, one-time City capital costs that would be directly attributable to the developments that would be constructed pursuant to the Update.

## **Long-Term Fiscal Sustainability**

The General Plan Update supports the City’s economic development efforts by providing a fresh vision for the City and framework for action. Vallejo has rich assets that can act as development and investment catalysts, such as the central and northern waterfront, historic downtown, Mare Island, and Solano 360. Under the General Plan Update, these catalyst projects can stimulate investment in other parts of Vallejo, increasing the City’s existing assessed value base and stimulating new retail spending. New development under the General Plan Update, growth of the existing tax base, and renewal of Measure B collectively provide a pathway to long-term fiscal sustainability for Vallejo.

# Table of Contents

<b>Introduction .....</b>	<b>1</b>
Report Organization .....	1
<b>Fiscal Impact Methodology .....</b>	<b>3</b>
Service Population .....	3
Revenue Items.....	4
Expenditure Items .....	4
<b>Development Program Overview .....</b>	<b>6</b>
Project Development Program .....	6
<b>City General Fund Fiscal Impact Analysis.....</b>	<b>9</b>
Annually Recurring General Fund Revenues.....	9
Impact Fees .....	25
General Fund Expenditures.....	26
Summary of Net Fiscal Impact to General Fund .....	33
<b>Ensuring Long-Term Fiscal Sustainability .....</b>	<b>36</b>
General Plan Update: Framework for Economic Development.....	36
How City Economic Development and Planning Activities Contribute to Fiscal Sustainability .....	36
Catalytic Projects.....	37
How the General Plan Update Supports Catalytic Projects .....	38
Ensuring Long Term Fiscal Sustainability.....	38
<b>Appendix A: ERAF Distribution for Property Tax .....</b>	<b>41</b>

# Table of Tables

Table 1: Existing Vallejo Service Population, 2015 .....	4
Table 2: Total Net New Development at 2040 Buildout .....	7
Table 3: Projected Change to Vallejo Service Population at 2040 Buildout.....	8
Table 4: Estimated Annual Taxable Expenditures per Resident, Vallejo, 2015 .....	11
Table 5: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Resident Spending at 2040 Buildout (without Measure B renewal) .....	11
Table 6: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Resident Spending at 2040 Buildout (with Measure B renewal) .....	12
Table 7: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Employee Spending at 2040 Buildout (without Measure B).....	13
Table 8: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Employee Spending at 2040 Buildout (with Measure B).....	13
Table 9: Net Change in Business-to-Business Sales Tax Generation to the City of Vallejo at Buildout .....	14
Table 10: Distribution of Base 1% Property Tax Assessment, 2015.....	15
Table 11: Projected Increase in Assessed Property Values at 2040 Buildout .....	17
Table 12: Projected Increase in Annual Property Tax Revenues to the City of Vallejo General Fund at 2040 Buildout .....	18
Table 13: Projected Increase in Property Tax In-Lieu of VLF Revenues at 2040 Buildout	19
Table 14: Net Change in Annual Transient Occupancy Tax Revenues to Vallejo at 2040 Buildout .....	20
Table 15: Net Change in Annual Utility User Tax Revenues to the City of Vallejo General Fund at 2040 Buildout .....	21
Table 16: Net Change in Other Projected Annually Recurring Revenues to the City of Vallejo General Fund at 2040 Buildout.....	23
Table 17: Summary of the Net Increase in Annually Recurring General Fund Revenues from the Project to the City of Vallejo at 2040 Buildout.....	24
Table 18: Total Net Change in Impact Fees from the Project, 2015-2040 .....	26
Table 19: Net Change in Annual Police Department General Fund Expenditures at 2040 Buildout .....	28
Table 20: Net Change in Annual Fire Department General Fund Expenditures at 2040 Buildout .....	30
Table 21: Net Change in Annual Public Works General Fund Expenditures at 2040 Buildout .....	31

Table 22: Net Change in Annual Administrative Services Expenditures at 2040 Buildout	31
Table 23: Summary of the Net Increase in Annually Recurring City General Fund Expenditures due to the Project, at 2040 Buildout .....	32
Table 24: Summary of Net Fiscal Impact to the City of Vallejo General Fund at 2040 Buildout in 2015 dollars .....	33
Table 25: Projected Net Fiscal Impact to the City of Vallejo General Fund (without Measure B), 2015-2040.....	34
Table A-1: ERAF Distribution of Property Tax, Vallejo.....	41

## Table of Figures

Figure 1: Existing General Fund Revenues, FY 2015-16 Budget .....	9
Figure 2: Distribution of Net Change in General Fund Revenues at 2040 Buildout.....	24
Figure 3: Distribution of Net Change in Annually Recurring City General Fund Expenditures at 2040 Buildout .....	32
Figure 4: Pathway to Fiscal Sustainability.....	40

# INTRODUCTION

New development brings with it increased demands on local government services and infrastructure, but also generates new local government revenues through additional taxes and fees. A fiscal impact analysis describes a systematic approach to analyzing these increased expenditures and revenues in order to determine whether proposed new development would generate sufficient new fiscal revenues to cover new fiscal costs associated with the provision of public services.

The City of Vallejo (City) retained BAE Urban Economics (BAE) to conduct a Fiscal Impact Analysis (FIA) for the proposed General Plan Update. As discussed in the Draft Environmental Impact Report (DEIR), the General Plan Update (Project) provides a policy framework to guide the type and scale of development that may occur in Vallejo over the next 25 years (2015-2040). This FIA estimates the fiscal impacts of full buildout of the increment of new growth that would be possible due to the General Plan Update, using full buildout of the City's current General Plan in 2040 as the baseline condition. For the purposes of this analysis, the increment of new growth is defined as the net difference in full development potential of the current General Plan vs. the proposed General Plan Update. While it is possible that not all potential development may actually occur, the analysis uses the net difference in maximum allowable development in order to fully capture all of the potential impacts of new growth that could occur as a result of the Project.

The following sections of the FIA address a series of revenue and expense topics in turn, outline the methodology used for the FIA, and present the findings from the analysis. The appendices contain additional technical information on selected topics.

## Report Organization

This report is organized into the following sections:

- ***Fiscal Impact Methodology.*** This section provides an overview of the methodology used to conduct the fiscal impact analysis.
- ***Development Program Overview.*** This section provides an overview of the General Plan Update.
- ***City's General Fund Fiscal Impact Analysis.*** This section provides an analysis focused on the City's General Fund. Specific topics are listed below.
  - ***General Fund Revenues.*** This section provides an overview of current General Fund revenue sources and describes methodologies for estimating revenues that will be generated by the Project. Detailed source-by-source estimates of the City's revenues are provided.

- *General Fund Expenditures.* This section describes methodologies for estimating expenditures and provides a detailed, department-by-department estimate of the City's General Fund expenditures.
- *Summary of Annual Ongoing Net Fiscal Impact.* This section provides an estimate of the annual ongoing net fiscal impact to the City's General Fund resulting from the General Plan Update in five-year increments by comparing the findings of the two preceding sections.
- *25-Year Projection.* This section presents the total net fiscal impact of General Plan Update across a 25-year period (2015-2040), expressed in nominal dollars adjusted for inflation.
- ***Ensuring Long Term Fiscal Sustainability.*** This section discusses how the General Plan Update can contribute to City's goal of reaching fiscal sustainability.



# FISCAL IMPACT METHODOLOGY

The objective of any fiscal impact analysis is the projection of changes in public revenues and costs associated with development of a project. This FIA focuses on impacts to the City's General Fund, which represents the portion of municipal and district budgets that help finance the ongoing provision of basic services. To pay for these services, the City's General Fund and operating funds are dependent on discretionary revenue sources such as property taxes, sales taxes, transient occupancy taxes, and various local taxes, as well as revenues allocated by the State of California and the federal government.

Within this FIA, except as otherwise noted in the text, the annual ongoing fiscal impact of the Project is described in constant 2015 dollars, based on the future point in time when the Project would be fully built out, which is assumed to be in year 2040. In addition, an inflation-adjusted annual projection of fiscal impact through year 2040 is provided to describe year-by-year fiscal impacts that could result from the Project.

Throughout this FIA, all revenue and expenditure estimates presented in tables are rounded to the nearest \$100 increment. The data and other inputs that are used to calculate revenue and expenditure estimates are not rounded.

## Service Population

The cost of providing government services is often based on the number of persons served. In general, as the "service population" increases, there is a need to hire additional public safety and other government employees, as well as a need to increase spending on equipment and material budgets.

Accepted practice in fiscal impact analysis is to define the service population as 100 percent of residents residing within a jurisdiction, plus one half of workers employed within the jurisdiction. Calculating service population in this manner is intended to reflect the fact that local employment contributes to a jurisdiction's daytime population, thereby increasing demands for governmental services. The residential population is generally considered to generate a larger share of demand for services. Table 1 presents the existing Vallejo Service Population used throughout this FIA.

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**Table 1: Existing Vallejo Service Population, 2015**

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	<u>Vallejo</u>
<b>2015 Service Population (a)</b>	<b>132,768</b>
Residents	117,732
Employees	30,071

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**Notes:**

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate the service population, each employee is multiplied by 1/2

Sources: California State Department of Finance, 2015; U.S. Census ACS 2010-2014; BAE, 2016.

While a fiscal impact methodology based on service population is an important and useful means for estimating increased expenditures, in some instances, other approaches are more appropriate, such as estimation of the increase in costs directly attributable to a project. Where other methodologies are used for specific revenues, these are explained in the relevant sections.

## Revenue Items

This FIA uses a variety of techniques to estimate revenues. Estimates for many revenue items rely on per capita, per employee, or per service population calculations, depending on which populations are associated with particular revenue sources. Other estimation methodologies are based on statutory requirements, such as those for property tax revenues. Measure B transactions and use tax revenues, which are accounted for separately in the City's General Fund, are similarly treated as a separate General Fund revenue source throughout this FIA. Although Measure B is set to expire in 2021, the City Council recently voted to approve the placement of a measure on the November 2016 ballot that, if approved by voters, would extend Measure B indefinitely. In order to provide a basis for evaluating how the extension of Measure B might affect the fiscal impacts of the Project, this FIA examines the fiscal impacts both with and without an extension of Measure B. Detailed information regarding revenue estimation methodologies is provided in each of the relevant sections below.

All revenue figures are presented in constant 2015 dollars, except as noted, in order to facilitate comparisons.

## Expenditure Items

Expenditure estimates are based on one of two estimation methods. Where practical, specific incremental or "marginal costs" were identified. Marginal costs represent direct estimates of the costs associated with the addition of staff, equipment, and/or supplies needed to provide services to new development. BAE contacted representatives of City departments, including the Finance, Economic Development, Police, Fire, and Public Works departments, to determine whether marginal cost estimates could be reasonably calculated. Discussions with

department staff addressed issues related to the adequacy of existing staffing levels and equipment to serve new development, as well as specific needs for increased personnel, equipment, supplies, and facilities.

In cases where it was impractical to identify specific marginal costs, an “average cost” approach was used to calculate the impact to public service costs. Calculation of average costs involves the calculation of unit costs on a per service population basis, such as the cost to provide human resources services in Vallejo. This unit cost is calculated by dividing the entire department budget by the jurisdiction’s current service population. The unit cost is then applied to an estimate of the increase in service population projected from new development. Detailed information regarding expenditure estimation methodologies is provided in each section below.

All expenditure figures are presented in constant 2015 dollars, except as noted, in order to facilitate comparisons.

# DEVELOPMENT PROGRAM OVERVIEW

This section provides an overview of the type and quantity of development analyzed in this FIA. As mentioned previously, the development program for the Project includes the full buildout of the increment of new growth that would be possible due to the General Plan Update, using full buildout of the City's current General Plan in 2040 as the baseline condition. Therefore, the development program analyzed in the FIA does not include any of the remaining unbuilt development potential under the City's current General Plan.

## Project Development Program

According to the DEIR, the increment of new growth that would be possible based on the General Plan Update, as compared to the existing General Plan, totals 718,840 square feet of non-residential space and 3,410 multifamily residential units. The DEIR estimates that Propel Vallejo will accommodate 1,312 new employees at full buildout. Of these, 281 will be employed in retail, 773 in service, 150 in manufacturing, and 108 in trade occupations.<sup>1</sup> Average employment densities were used to calculate the total square footage of non-residential development based on these figures. Using the employment density factors presented in Table 2, the Project's total non-residential space equals approximately 140,500 square feet of retail, 384,600 square feet of service (including 214,500 square feet of hotel uses), 150,000 square feet of manufacturing, and 43,740 square feet of "other" non-residential uses.<sup>2</sup>

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<sup>1</sup> Service employment includes 206 hotel employees.

<sup>2</sup> This FIA uses the same employment categories identified in the DEIR for the Project. Retail employment includes traditional retail trade, as well as eating and drinking places. Service employment includes business and personal services, lodging, information and education. "Other" includes government and hospital employment.

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**Table 2: Total Net New Development at 2040 Buildout**

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	<u>Net Increase</u>
<b>Total Net New Non-residential Sq. Ft. (a)</b>	<b>718,840</b>
Retail	140,500
Service (b)	384,600
Hotel	214,500
Manufacturing	150,000
Other	43,740
<b>Total Net New Residential Units</b>	<b>3,332</b>
Multifamily	3,410
Condominiums	341
Multifamily Rentals	3,069
Single Family (c)	(78)

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**Notes:**

(a) Assumes non-residential density factors of:

Retail:	500	s.f. per employee
Service (non-hotel):	300	s.f. per employee
Other:	405	s.f. per employee
Manufacturing:	1,000	s.f. per employee

(b) Service category includes 214,500 s.f. of hotel uses and 170,100 s.f. of non-hotel uses. Project includes two hotels consisting of 250 rooms total. Total hotel square footage assumes a density factor of 858 s.f. per room.

(c) The FIA assumes a net decrease of 78 single-family units for the Project compared to full buildout under the City's current General Plan. This net decrease represents a reduction in the expected total buildout of single-family units resulting from the Project, relative to the expected total future buildout resulting from the City's current General Plan, not an actual decrease in existing single-family units in the City.

Sources: PlaceWorks, 2016; BAE, 2016.

The analysis also incorporates assumptions related to the tenure of the residential units that would be included as part of the Project. Of the 3,410 net new multifamily residential units, 341 (10 percent) are assumed to be for-sale condominium housing. The remaining 3,069 (90 percent) are assumed to be rental apartment units. In addition, the DEIR projects a net decrease of 78 single-family units for the General Plan Update compared to full buildout under the City's current General Plan. This net decrease represents a reduction in the expected total buildout of single-family units resulting from the General Plan Update, relative to the expected total future buildout resulting from the City's current General Plan, and not an actual decrease in existing single-family units in the City. As shown in Table 2, the General Plan Update will result in a net increase of 3,332 residential units (3,410 multifamily units minus 78 single-family units).

The increment of residential growth potential would primarily be distributed in the City's downtown and waterfront areas. Potential employment growth would be concentrated in three areas, including South of Downtown around Solano Avenue, Mare Island, and Sonoma-Broadway. Ultimately, the actual development resulting from the General Plan Update will depend on several factors, including real estate market conditions and individual property owner interest in developing certain uses, and could differ from the quantities reported in Table 2.

**Population and Employment Increases**

According to the DEIR, the Project will generate 6,811 net new Vallejo residents at full buildout. This increase in population would be in addition to the population increase that is expected to occur as a result of buildout of the City’s current General Plan. In total, the DEIR estimates that the Project would result in a maximum citywide population of 142,744 residents by 2040, up from 117,730 residents in 2015.

The DEIR estimates that the Project would generate 1,312 employees in addition to the City’s current employment and the potential employment increase that is anticipated as a result of buildout of the City’s current General Plan. As shown in Table 3, this results in a net increase of 437 members of the service population from new employment.<sup>3</sup>

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**Table 3: Projected Change to Vallejo Service Population at 2040 Buildout**

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	<u>Net Increase</u>
<b>Service Population (a)</b>	<b>7,467</b>
Employees (b)	1,312
Residents (b)	6,811

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Notes:

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by 1/2.

(b) Net increase in employees and residents based on Project DEIR.

Sources: PlaceWorks, 2016; BAE, 2016.

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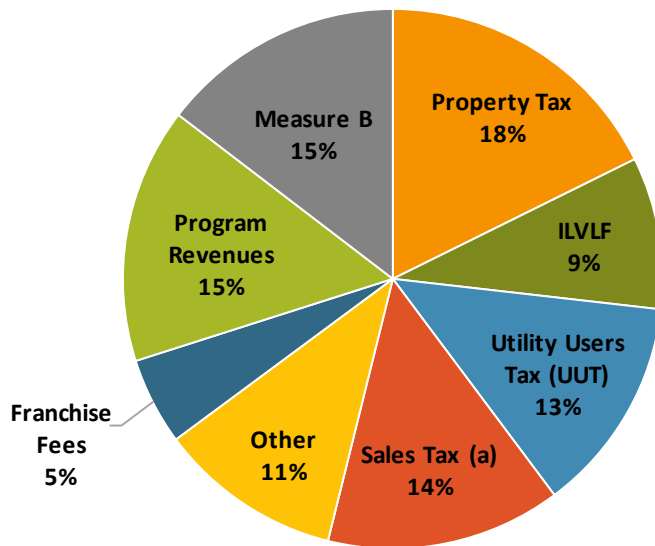
<sup>3</sup> As discussed in the methodology section, each new employee is counted as an increase in service population of one-half.

# CITY GENERAL FUND FISCAL IMPACT ANALYSIS

## Annually Recurring General Fund Revenues

This analysis focuses on fiscal impacts to the City of Vallejo’s General Fund, which primarily finances the ongoing provision of basic City services. To pay for these services, the City’s General Fund is dependent on discretionary revenue sources such as property taxes, sales taxes, franchise fees, and various local taxes. Figure 1 presents the major General Fund revenue sources according to the Fiscal Year (FY) 2015-16 Budget. As of FY 2015-16, the City generated approximately \$93.5 million in total General Fund revenues. As shown, property taxes and property tax in-lieu fee payments accounted for approximately 27 percent of total revenues, while sales tax revenues including Measure B revenues made up an additional 29 percent. The remaining 44 percent was accounted for by program revenues (15 percent), utility user taxes (13 percent), franchise fees (5 percent), and “other” sources such as business licenses, transfer tax, and medical marijuana tax (11 percent).

**Figure 1: Existing General Fund Revenues, FY 2015-16 Budget**



Notes:

(a) Does not include Measure B.

Source: BAE, 2016.

The General Plan Update would generate additional General Fund revenues from a variety of sources. The following section details the methodology for calculating these revenues and provides an estimate of the revenues that would be generated by the Project.

### ***Sales and Use Tax***

Sales tax revenues associated with the General Plan Update would be expected to accrue from new taxable retail spending at Vallejo retailers by new residents and employees, as well as business-to-business taxable transactions resulting from new Vallejo businesses that are accommodated through the Project.

Because the FIA already calculates sales tax revenue from new residents' and employees' spending, the FIA does not separately calculate revenues from new retail space to avoid double-counting these revenues. Although the Project would include a net increase in retail space, it is expected to be supported at least in part by the net increase in residents and workers in the City. Overall, the estimates of new sales and use tax revenues are conservative because they do not assume any changes in underlying spending patterns, median household incomes, or injections of sales.

#### ***Net Change in Sales Tax Revenues from New Residents' Spending***

According to the SBOE, 2013 taxable expenditures averaged \$8,774 per capita in Vallejo and \$11,514 per capita in Solano and Napa counties combined.<sup>4</sup> As shown in Table 4, the SBOE data demonstrate wide variation in expenditures across business categories, indicating that Vallejo residents had to leave the City to purchase at least some items elsewhere in Solano and Napa counties, potentially due to the limited availability of these goods in the City. Only one category, motor vehicle and parts dealers, drew shoppers from outside the City. After accounting for purchases by Vallejo residents that typically occur outside of Vallejo, taxable purchases by Vallejo residents within the City average an estimated \$8,585 per resident annually, as shown in Table 4.

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<sup>4</sup> In 2015 dollars. Taxable expenditure estimates shown in this section do not include expenditures in the category that SBOE classifies as "All Other Outlets" because sales in this category consist primarily business-to-business sales taxes, which are not impacted by population growth.



**Table 4: Estimated Annual Taxable Expenditures per Resident, Vallejo, 2015**

<b>Business Category</b>	<b>2013 Taxable Sales Per Capita (a)</b>		<b>Sales Leakage (b)</b>	<b>Estimated % in City (c)</b>	<b>Estimated New Sales in Vallejo (d)</b>
	<b>Vallejo</b>	<b>Solano &amp; Napa Counties</b>			
	Retail and Food Services				
Motor Vehicle and Parts Dealers	\$2,162	\$1,973	(10%)	100%	\$1,973
Home Furnishings and Appliance Stores	\$371	\$496	25%	75%	\$371
Bldg. Materials, Garden Equip. and Supplies	\$700	\$947	26%	74%	\$700
Food and Beverage Stores	\$558	\$836	33%	67%	\$558
Gasoline Stations	\$1,373	\$1,750	22%	78%	\$1,373
Clothing and Clothing Accessories Stores	\$320	\$996	68%	32%	\$320
General Merchandise Stores	\$1,407	\$1,627	13%	87%	\$1,407
Food Services and Drinking Places	\$1,115	\$1,714	35%	65%	\$1,115
Other Retail	\$767	\$1,175	35%	65%	\$767
<b>Total (e)</b>	<b>\$8,774</b>	<b>\$11,514</b>			<b>\$8,585</b>

Notes:

(a) 2013 data inflated to 2015 dollars. Population estimates from the CA Department of Finance used to calculate 2013 per capita sales. Population estimates for 2013:

Vallejo: 117,888  
 Solano County: 421,003  
 Napa County: 138,083

(b) Retail spending for Vallejo residents assumed to be equal to per capita spending patterns for the two counties. If Vallejo residents spend fewer dollars per capita than in Solano and Napa Counties, the analysis assumes the difference leaks out to other shopping centers in the two counties. A zero percent leakage indicates that residents can get all shopping needs met in Vallejo. Negative figures indicate that Vallejo receives a net injection, i.e. more sales than are likely attributable to just Vallejo residents.

(c) Based on data in column (b); estimates the percentage of resident spending within a category that will occur in Vallejo; numbers cannot be greater than 100%.

(d) Equals (Taxable Sales per Capita in Solano and Napa Counties) x (Estimated % of Residents Sales in City). Assumes the City of Vallejo will capture most or all new residents' retail spending in categories with low/no leakage, and little spending in high leakage categories. Assumes that mix of retail offerings in Vallejo remains relatively constant.

(e) Total does not include taxable sales in the category that SBOE classifies as "All Other Outlets", as these taxable sales consist primarily of business-to-business sales taxes that would not be impacted by population growth.

Sources: CA Department of Finance, 2013; State Board of Equalization, 2013; BAE, 2016.

The FIA assumes that new residents will generate the same amount of annual taxable sales within Vallejo as existing Vallejo residents. This figure (\$8,585) was multiplied by the number of new residents projected for the Project in order to estimate the total taxable sales that would be generated by residents under the Project. As Table 5 shows, absent an extension of Measure B, the sales tax revenues associated with new residents' spending from the Project would be \$584,700 per year.

**Table 5: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Resident Spending at 2040 Buildout (without Measure B renewal)**

<b>Project</b>	<b>Buildout</b>
<b>Total New Sales Tax Revenue (a)</b>	<b>\$584,700</b>
Total Taxable Sales	\$58,470,211
Number of Net New Residents	6,811

Note:

(a) Sales tax rate to the Vallejo General Fund:  
 1.00% of total taxable sales.

Source: BAE, 2016.

Table 6 provides an estimate of the sales tax revenues generated by new residents under the Project under the assumption that Measure B is renewed and in effect at buildout. As shown, the Measure would double the amount of total sales tax revenues generated by new residents under the Project to approximately \$1.2 million per year.

**Table 6: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Resident Spending at 2040 Buildout (with Measure B renewal)**

<b>Project</b>	<b>Buildout</b>
<b>Total New Sales Tax Revenue (a)</b>	<b>\$1,169,400</b>
New General Sales Tax Revenue	\$584,700
New Sales Tax Revenue from Measure B	\$584,700
Total Taxable Sales	\$58,470,211
Number of Net New Residents	6,811

Note:

(a) Sales tax rate to the Vallejo General Fund:

1.00% of total taxable sales.

(b) Measure B sales tax rate:

1.00% of total taxable sales.

Source: BAE, 2016.

*Net Change in Sales Tax Revenues from New Employees' Spending*

Sales tax revenues associated with new employees' taxable retail spending generally consists of on- and off-site food purchases (e.g., lunches) and other convenience goods retail purchases. The International Council of Shopping Centers (ICSC) publishes a detailed survey of office worker spending patterns, which provides a useful estimate of spending by employees that the General Plan Update would generate. According to these data, office employees at urban locations spend approximately \$6,236 annually on food and retail purchases near their place of work (both taxable and non-taxable retail sales). Of this total, approximately \$1,193 is spent in drug or grocery stores. Purchases in drug and grocery stores typically consist of items that are not taxable in California, with roughly 30 percent of sales in these stores falling into taxable categories. Based on these assumptions, annual taxable sales per employee would be \$5,401. As shown in Table 7, assuming 75 percent of these sales are captured in Vallejo, new employee spending would generate \$53,100 per year in annual sales tax revenue to the City of Vallejo.

**Table 7: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Employee Spending at 2040 Buildout (without Measure B)**

<b>Project</b>	<b>Net Change</b>
<b>Sales Tax Receipts to City of Vallejo</b>	<b>\$53,100</b>
Net Additional Employment	1,312
Estimated Annual Taxable Retail Spending in Vallejo	\$5,314,997
<b>Assumptions</b>	
Annual Spending per Employee (a)	\$6,236
Spending per Employee in Drug and Grocery Stores (a)	\$1,193
Percent of Drug and Grocery Store Sales that are Taxable	30%
Taxable Retail Sales per Employee (b)	\$5,401
Local Share of Sales Tax Receipts	1.00%
Share of Spending in Vallejo (c)	75%

Notes:

(a) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates adjusted to 2015 dollars.

(b) Includes only one third of purchases at drug and grocery stores because the remaining sales at these stores are assumed to be non-taxable.

(c) Assumption for which portion of spending would occur in Vallejo, rather than in neighboring areas outside the City.

Sources: ICSC, 2012; BAE, 2016.

Table 8 shows the net change in sales tax revenues from new employees assuming that Measure B is renewed. As shown, revenues would increase to approximately \$106,200 annually.

**Table 8: Net Change in Annual Sales Tax Revenues to the City of Vallejo from New Employee Spending at 2040 Buildout (with Measure B)**

<b>Project</b>	<b>Net Change</b>
<b>Total Sales Tax Receipts to City of Vallejo</b>	<b>\$106,200</b>
New General Sales Tax Revenues	\$53,100
New Sales Tax Revenues from Measure B	\$53,100
Net Additional Employment	1,312
Estimated Annual Taxable Retail Spending in Vallejo	\$5,314,997
<b>Assumptions</b>	
Annual Spending per Employee (a)	\$6,236
Spending per Employee in Drug and Grocery Stores (a)	\$1,193
Percent of Drug and Grocery Store Sales that are Taxable	30%
Taxable Retail Sales per Employee (b)	\$5,401
Local Share of Sales Tax Receipts	1.00%
Share of Spending in Vallejo (c)	75%

Notes:

(a) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates adjusted to 2015 dollars.

(b) Includes only thirty percent of purchases at drug and grocery stores because the remaining sales at these stores are assumed to be non-taxable.

(c) Assumption for which portion of spending would occur in Vallejo, rather than in neighboring areas outside the City.

Sources: ICSC, 2012; BAE, 2016.

Net Change in Business-to-Business Sales Tax Revenues

The Project could potentially generate a significant amount of sales tax revenue through business-to-business and other non-retail transactions for which Vallejo is identified as the point of sale. As opposed to retail transactions where the point of sale is at the retail location, for non-retail sales of taxable goods to final users, the State Board of Equalization defines the point of sale as the seller’s location where the principal sales negotiations are carried out – typically a company sales office.

Actual business-to-business sales tax revenue generation would depend on the specific mix of tenants who occupy commercial spaces. As no detailed information exists regarding potential future tenants, non-retail taxable sales are estimated on a per employee basis by dividing current annual business-to-business revenues by the number of non-retail employees in the City. As shown in Table 9, business-to-business sales tax revenues in 2014 totaled \$506,889, or \$19.17 per non-retail employee.<sup>5</sup> Multiplying this number by the net change in non-retail employees projected for the Project yields additional annual business-to-business revenues of approximately \$19,800 to the City of Vallejo at 2040 buildout.

**Table 9: Net Change in Business-to-Business Sales Tax Generation to the City of Vallejo at Buildout**

<b>Project</b>	<b>Net Change</b>
<b>Business-to-Business Sales Tax Receipts to City of Vallejo</b>	<b>\$19,800</b>
Net Additional Non-Retail Employment	1,031
<b>Assumptions</b>	
Annual Business-to-Business Revenues (a)	\$506,889
Current Non-Retail Employees (b)	26,444
<b>Estimated Non-Retail Sales Generation Rate per Employee</b>	<b>\$19.17</b>

Notes:

- (a) Based on data provided by the City of Vallejo for the year 2014, which is the most recent year for which complete data is available. Figures reported in 2015 dollars.
- (b) Based on 2015 employment estimates provided by Placeworks.

Sources: Placeworks, 2016; City of Vallejo, 2016; BAE, 2016.

**Property Taxes**

Property tax revenues to the City of Vallejo are allocated each year based on the assessed valuation of real property and real property interests within the City’s limits. As mentioned previously, the distribution of the base 1.0 percent property tax varies based on the Tax Rate Area (TRA) in which a property is located. Because the specific location of new development resulting from the General Plan Update will be determined in part by property owner interest in developing particular land uses on individual sites, it is not possible to definitively determine which TRAs will accommodate new uses. The FIA incorporates assumptions regarding the distribution of property tax revenues generated by the General Plan Update based on the

<sup>5</sup> 2014 is the most recent year for which complete data are available. Revenues are reported in 2015 dollars.

anticipated geographic distribution of new development and the allocation of property taxes in the TRAs where new development will be located.

The incremental growth from the Project is concentrated in the six TRAs shown in Table 10, which also shows the distribution of the base 1.0 percent property tax rate to various jurisdictions in each of these six TRAs, after accounting for the ERAF shift.<sup>6</sup> As shown, the City's allocation ranges from 19 to 23 percent of the base 1.0 percent property tax in each of these six TRAs, with the remainder going to various other jurisdictions. As the City's allocation equals 19 percent in all but one of these six TRAs, the 19 percent figure is used for the purposes of calculating property tax revenues throughout this report.

**Table 10: Distribution of Base 1% Property Tax Assessment, 2015**

Jurisdiction	Distribution of Base 1.0% Property Tax (a)					
	TRA 007-000	TRA 007-013	TRA 007-065	TRA 007-080	TRA 007-078	TRA 007-079
City of Vallejo	19.02%	19.02%	19.02%	23.21%	19.02%	19.02%
Solano County	19.92%	19.92%	19.92%	18.74%	19.92%	19.92%
County Free Library	2.26%	2.26%	2.26%	2.13%	2.26%	2.26%
Accum County Outlay	0.52%	0.52%	0.52%	0.49%	0.52%	0.52%
Mosquito Abatement	0.45%	0.45%	0.45%	0.42%	0.45%	0.45%
Aviation	0.08%	0.08%	0.08%	0.07%	0.08%	0.08%
Recreation	0.13%	0.13%	0.13%	0.12%	0.13%	0.13%
Greater Vallejo Recreation District	4.51%	4.51%	4.51%	4.24%	4.51%	4.51%
Vallejo Unified School District	24.07%	24.07%	24.07%	22.64%	24.07%	24.07%
Vallejo Sanitation and Flood Control	1.20%	1.20%	1.20%	1.12%	1.20%	1.20%
Solano County Water Agency	1.53%	1.53%	1.53%	1.44%	1.53%	1.53%
Bay Area Air Quality Management District	0.22%	0.22%	0.22%	0.21%	0.22%	0.22%
Library Special Tax Zone 6	0.00%	0.00%	0.00%	0.13%	0.00%	0.00%
Library Special Tax Zone 7	0.58%	0.58%	0.58%	0.00%	0.58%	0.58%
Solano Community College District	2.76%	2.76%	2.76%	2.59%	2.76%	2.76%
County School Service Fund	1.03%	1.03%	1.03%	0.96%	1.03%	1.03%
County Office of Ed Development Center	0.22%	0.22%	0.22%	0.20%	0.22%	0.22%
County School Service Fund II	0.11%	0.11%	0.11%	0.10%	0.11%	0.11%
County Board of Education	0.33%	0.33%	0.33%	0.31%	0.33%	0.33%
ERAF Shift	<u>21.08%</u>	<u>21.08%</u>	<u>21.08%</u>	<u>20.86%</u>	<u>21.08%</u>	<u>21.08%</u>
	100%	100%	100%	100%	100%	100.00%

Notes:

(a) Percentages shown for each jurisdiction after any reductions due to ERAF shifts. The ERAF shift for each jurisdiction is shown in Appendix A-1.

Sources: Solano County Auditor-Controller; BAE, 2016.

Due to the lack of direct market comparables for the types of uses envisioned by the General Plan Update in the City of Vallejo, the FIA uses construction costs to estimate the assessed value of new development that could result from the Project. Hard construction costs are based on estimates prepared by R.S. Means Company, a widely used construction cost estimator service that bases costs on regionally-adjusted national averages, as well as BAE's experience with construction costs on feasibility studies of other proposed projects in Vallejo. The assumptions used to estimate the net increase in property values from the Project are

<sup>6</sup> Appendix A-1 provides more information on the ERAF shift of property tax revenues to the State.

reported by land use type in Table 11.<sup>7</sup> For each nonresidential and rental residential development type, a factor equal to 25 percent of total hard construction hard costs was added to account for soft costs such as architect, engineer, and legal fees. The construction cost estimates presented in the table also assume a developer profit equal to 10 percent of total development costs, which is within the range that a developer would typically expect from a new development.

After accounting for these factors, development costs are estimated at approximately \$219 per square foot for retail, \$205 per square foot for service (non-hotel), \$307 per square foot for hotel, and \$175 per square foot for both manufacturing and “other” uses. Residential costs are estimated at approximately \$260 per square foot for multifamily apartments and \$274 per square foot for condominiums.

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<sup>7</sup> Cost estimates adjusted to 2015 dollars.

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**Table 11: Projected Increase in Assessed Property Values at 2040 Buildout**

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<b>Project</b>	<b>Net Change</b>
<b>Net Increase in Property Value (a)</b>	<b>\$979,546,500</b>
<b>Non-Residential Increase in Property Value</b>	<b>\$165,460,831</b>
Retail	\$30,809,337
Service (b)	\$100,664,300
Hotel	\$65,850,846
Manufacturing	\$26,314,024
Other	\$7,673,170
<b>Residential Increase in Property Value</b>	<b>\$814,085,681</b>
Single Family	(\$33,758,400)
Multifamily (c)	\$847,844,081
Apartments	\$758,957,201
Condominiums	\$88,886,879
<b>Assumptions</b>	
Estimated Construction Costs per Square Foot	
Retail	\$ 219
Service (Non-Hotel)	\$ 205
Manufacturing	\$ 175
Other	\$ 175
Hotel	\$ 307
Estimated Construction Costs per Residential Unit (d)	
Multifamily Apartment	\$247,298
Multifamily Condominium	\$260,665
Estimated Value per Unit	
Single Family (e)	\$432,800

Notes:

(a) Value does not include assessed valuation of land. Figure may differ slightly from results shown by manual calculation due to rounding.

(b) Includes two hotels with 250 rooms totaling 214,500 sq. ft., as well as 170,100 sq. ft. of non-hotel service uses.

(c) Includes 3,069 multifamily apartment units and 341 condominium units.

(d) Assumes an average square footage of 950 square feet for all multifamily apartment and condominium units. Assumes approximate residential construction costs of:

    Multifamily Apartment: \$260 per s.f.

    Multifamily Condominium: \$274 per s.f.

(e) Average estimate provided by Goodwin Consulting, Inc. in Mare Island Fiscal Impact Analysis report.

Sources: BAE, 2016.

Based on the assumptions provided in Table 11, the projected increase in assessed value associated with buildout of the Project is approximately \$979.5 million. This figure provides the basis for calculating the projected increase in property tax revenues resulting from the Project. The actual increase in assessed value could differ from this amount if market fluctuations lead to significantly different sale prices or rental rates. Similarly, since the tenants that would occupy new development resulting from the Project are not known at this time, the assessed values shown in Table 12 do not include the value of items that would be subject to personal property tax, which would vary substantially in value depending on the specific tenants. Overall, this leads to a more conservative analysis because the inclusion of the value of personal property would increase the assessed value and property tax revenues associated with the Project.

Based on the City’s share of property tax revenues within the TRAs identified in Table 10, the City would receive approximately \$1.9 million in annual property tax revenues from the incremental development of the Project at buildout, as shown in Table 12.

**Table 12: Projected Increase in Annual Property Tax Revenues to the City of Vallejo General Fund at 2040 Buildout**

<u>Project</u>	<u>Net Change</u>
<b>City of Vallejo Property Tax Revenue</b>	<b>\$1,863,100</b>
Net Change in Assessed Value	\$979,546,500
1% Property Tax Base	\$9,795,465
<b>Assumptions</b>	
Vallejo Share of 1% Property Tax Base	19.02%

Sources: Solano County Assessor’s Office, 2016; BAE, 2016.

***Net Change in Property Tax In-Lieu of Vehicle License Fee Revenues***

Beginning in FY2005-2006, the State ceased to provide “backfill” funds to counties and cities in the form of Motor Vehicle In-Lieu Fees (VLF) as it had through FY2004-2005. As a result of the complicated financial restructuring enacted as part of the State’s budget balancing process, counties and cities now receive revenues from the State in the form of what is known as property tax in-lieu of vehicle license fees, or ILVLF. This State-funded revenue source is tied to a city’s total assessed valuation. In FY2005-2006, former VLF revenues were swapped for ILVLF revenues, which set the local jurisdiction’s ILVLF “base.” The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. For example, if total assessed valuation increases by five percent from one year to the next, the ILVLF base and resulting revenues would also increase by five percent.

In order to calculate the net increase in ILVLF revenues that would result from the Project, the analysis first determines the total assessed value within the City, and the City’s current ILVLF revenues. The analysis then determines the percentage by which the General Plan Update would increase the City’s assessed valuation, and applies the percentage increase to the current ILVLF revenues in order to determine the incremental amount of ILVLF attributable to the Project.

Table 13 shows the projected ILVLF revenues from the General Plan Update based on the current allocation formula. As shown, the Project would generate an 11 percent increase in the City’s total assessed value. Applied to the estimated ILVLF payment for FY 2015-2016, this would result in Project-generated ILVLF revenues of approximately \$935,800 per year.



**Table 13: Projected Increase in Property Tax In-Lieu of VLF Revenues at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
<b>ILVLF Revenue to City of Vallejo (a)</b>	<b>\$935,800</b>
Projected Net Increase in Assessed Value	\$979,546,500
Percent Increase in Total Vallejo Assessed Value	11%
<b>Assumptions</b>	
Total Assessed Valuation in Vallejo, FY 15-16 (estimate)	\$8,925,650,180
Estimated FY 15-16 ILVLF Payment	\$8,526,690

**Notes:**

(a) Percent increase in total Citywide assessed value multiplied by the estimated 2015-16 ILVLF payment.

Sources: Solano County Auditor-Controller's Office, 2016; BAE, 2016.

***Transient Occupancy Taxes (TOT)***

The General Plan Update includes two hotels with a total of 250 rooms, which would generate new TOT revenues for the City's General Fund. The City's current TOT rate is 11 percent, applicable to all room revenues.

Vallejo's existing lodging stock consists of a mix of mid-range limited-service hotels and economy motels, and recent lodging trends in Vallejo demonstrate relatively low occupancy and room rates. According to data from Smith Travel Research, a private data vendor that tracks lodging market trends, the occupancy rate for lodging in Vallejo averaged 56 percent during 2015, with an average daily rate of \$67.58. These data indicate that each hotel/motel room in Vallejo generated an average of \$13,844 in room revenues in 2015.

The hotels that would be developed as part of the Project are anticipated to consist of limited-service or full-service hotels targeting mid-range or higher room revenues, and will therefore differ somewhat from the City's existing lodging mix. In addition, the Project is expected to occur as Vallejo real estate market conditions improve over time, which would generate market support for higher-quality hotels with higher average daily room rates than Vallejo's current lodging mix currently offers.

Because the new hotels that would be developed under the Project are expected to generate more revenue per room on average than Vallejo's current lodging stock, the analysis uses revenue data from hotels in neighboring American Canyon. The hotels in American Canyon, which more closely resemble the likely quality of hotels that would be included as part of the Project, give a good indication of the room rates that would be necessary to support the development of new hotels in Vallejo. According to the City of American Canyon's budget, American Canyon hotels generated \$1.5 million in TOT revenues during FY 2015-16. Based on the City's tax rate of 12 percent, each of American Canyon's 313 hotel rooms generated an average of \$39,909 per year in revenue. The analysis assumes that the hotels that would be included in the Project would generate a similar amount of average annual revenue per room.

As shown in Table 14, under these assumptions, the hotels that are built as part of the Project would generate annual revenues of approximately \$10.0 million, which would be taxable at the City’s current TOT rate of 11 percent. This would result in Project-generated TOT revenues of approximately \$1 million per year.

**Table 14: Net Change in Annual Transient Occupancy Tax Revenues to Vallejo at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
<b>Estimated Increase in TOT Revenues</b>	<b>\$1,097,500</b>
Annual Hotel Revenues Subject to TOT	\$9,977,370
Hotel Rooms	250
<b>Assumptions</b>	
Estimated Annual Hotel Revenues per room (a)	\$39,909
City of Vallejo TOT Rate	11%

**Notes:**

(a) Estimate based on annual TOT revenues generated by all 313 hotel rooms in American Canyon during FY 2015/16. According to the City of American Canyon budget, the TOT revenues to the City of American Canyon are projected to total \$1,499,000 in 2015/16 at a 12% TOT rate. Total annual guest room revenues were divided by the number of available hotel rooms in American Canyon to estimate annual per room hotel revenues subject to TOT during FY 2015/16.

Source: City of Vallejo, 2016; City of American Canyon, 2016; BAE, 2016.

**Utility User Tax (UUT)**

The FIA uses data from a variety of sources to estimate the net change in utility expenditures from that would be subject to UUT as a result of the Project. Data published by the Bureau of Labor Statistics in the 2014 Consumer Expenditure Survey provide estimates of annual residential expenditures on gas, electricity and telephone services that would be subject to UUT. According to these data, west coast consumers spent approximately \$379 annually on gas, \$1,221 annually on electricity, and \$1,342 annually on telephone services in 2014.<sup>8</sup> The FIA estimates non-residential gas, electricity, and telephone services expenditures on an annual per square foot basis using figures provided by Goodwin Consulting Group, Inc. in a 2015 fiscal analysis for Mare Island.

Due to a lack of data on prepaid mobile phone spending patterns in the City, the FIA used a per service population average cost approach to project the future increase in prepaid mobile phone surcharge revenues that would be attributable to the Project. The City estimates that current annual prepaid mobile phone surcharge revenues total approximately \$600,000 per year citywide, averaging \$4.52 per member of the service population. Applying this figure to the Project’s estimated net increase in service population results in an increase in UUT revenues from prepaid mobile phones of approximately \$33,745 per year resulting from the Project.

<sup>8</sup> Figures reported in 2015 dollars.

Based on the assumptions provided in Table 15, the total annual gas, electric, and cable expenditures that will be subject to UUT are estimated at approximately \$15.6 million. Combined, the new non-residential and residential expenditures on gas, electricity, telephone, prepaid mobile and cable services will generate \$1.2 million per year in new UUT revenues to the City of Vallejo at Project buildout in 2040.

**Table 15: Net Change in Annual Utility User Tax Revenues to the City of Vallejo General Fund at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
<b>Projected Total Utility User Tax Revenues (a)</b>	<b>\$1,200,500</b>
Total UUT Revenues from Prepaid Mobiles	\$33,745
Total Gas, Electric, and Telecommunications Expenditures Subject to Utility User Tax	\$15,556,298
Projected New Residential Gas, Electric, and Telecommunications Expenditures	\$13,399,778
Projected New Non-Residential Gas, Electric, and Telecommunications Expenditures	\$2,156,520
Net New Residential Units	3,332
Net New Non-Residential Square Footage	718,840
Net New Service Population	7,467
<b>Assumptions</b>	
Utility Tax Rate	7.50%
Estimated Annual Residential Costs, per Residential Unit	
Gas (b)	\$379
Electricity (b)	\$1,221
Telephone (b)	\$1,342
Cable (c)	\$1,200
Percentage of Homes with Cable	90%
Estimated Annual Non-Residential Costs, per Square Foot (c)	
Gas	\$1
Electricity	\$1
Telephone	\$1
Annual UUT Revenues from Prepaid Mobile Surcharge (a)	\$600,000
Total Service Population (d)	132,768
Total Prepaid Mobile Surcharge Revenues, per Service Population	\$4.52

**Notes:**

All figures in net constant 2015 dollars.

(a) Includes the City's share of a prepaid mobile telephony services surcharge, which became effective January 1, 2016. The City anticipates annual UUT revenues from this source to total \$600,000 during the 2015-16 fiscal year.

(b) Based on published estimates for West coast consumers in the Bureau of Labor Statistics Consumer Expenditure Survey, 2014. Spending estimates adjusted to 2015 dollars.

(c) Estimate by Goodwin Consulting, Inc. in Mare Island fiscal analysis report.

(d) Service Population defined as all residents plus one half of all employees.

Sources: Bureau of Labor Statistics, 2014; Goodwin Consulting Group, Inc., 2015; City of Vallejo, 2016; BAE, 2016.

**Other Revenues**

**Franchise Fees, Fines, and Forfeitures**

The City generates approximately 5.4 percent of General Fund revenues from franchise fees and less than one percent from fines and forfeitures. Each of these revenues tend to increase as the City's service population grows.

According to the FY2015-2016 budget, the City receives approximately \$38.51 per person in the service population in franchise fees, fines, and forfeitures revenues annually. Based on the net increase in service population from the Project shown in Table 3, the buildout of the General Plan Update would generate additional fines and franchise fees revenues of \$287,600 million annually, as shown in Table 16.

#### Property Transfer Tax Revenues

The City collects property transfer taxes when a property changes ownership at a rate of \$3.30 per \$1,000 of assessed value. This analysis assumes that residential property changes ownership every 11 years, or turns over at an annual rate of nine percent, while commercial property changes ownership every 15 years, or turns over at an annual rate of seven percent. Table 16 shows the projected property transfer tax revenues from the proposed Project on a stabilized basis after buildout. The calculation shows that the City would receive approximately \$280,600 in average annual property transfer tax revenues on an ongoing basis from the Project.

#### Business License Tax Revenues

Business license tax revenues are based on gross receipts or a flat fee, depending on the type of business. The FIA uses the City's current business license tax revenue on a per-employee basis to project the future increase in revenues that could be attributable to the Project. Current revenues and citywide employment yield an average business license tax revenue of \$43 per employee. As shown in Table 16, applying this figure to the Project's estimated net employment results in an increase in business license tax revenues of approximately \$56,400 per year.

**Table 16: Net Change in Other Projected Annually Recurring Revenues to the City of Vallejo General Fund at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
<b>Total Other Revenue</b>	<b>\$624,600</b>
<b>New Franchise Fees, Fines, and Forfeitures Revenues</b>	<b>\$287,600</b>
New Service Population (a)	7,467
<b>New Property Transfer Tax Revenues</b>	<b>\$280,600</b>
Transfer Tax Revenue - Residential	\$244,200
Transfer Tax Revenue - Commercial	\$36,400
<b>New Business License Fee Revenues (b)</b>	<b>\$56,400</b>
New Employees	1,312
<b>Assumptions</b>	<b>FY 2015-16</b>
<b>Franchise Fees, Fines, and Forfeitures</b>	
Total Franchise Fees Revenues	\$4,893,524
Total Fines and Forfeitures Revenues	\$220,000
Total Franchise Fees, Fines, and Forfeitures Revenues	\$5,113,524
2015 Citywide Service Population (a)	132,768
<b>Revenue Per Service Population</b>	<b>\$38.51</b>
<b>Property Transfer Tax</b>	
Transfer Tax Rate per \$1 Assessed Value	\$0.0033
Holding Period - Residential (Years)	11
Holding Period - Commercial (Years)	15
<b>Business License Fees</b>	
Total Business License Tax Revenues	\$1,293,000
2015 Citywide Employment	30,071
<b>Revenue Per Employee</b>	<b>\$43.00</b>

Notes:

(a) Service population is defined as all residents plus one half of all employment.

(b) Annual business license fees are based on gross receipts and vary by business type.

Sources: City of Vallejo; BAE, 2016.

**Summary of Net Change in Annually Recurring Revenues**

Table 17 shows that without an extension of Measure B, the General Plan Update would generate approximately \$6.4 million annually in new revenues for the City's General Fund. Assuming an extension of Measure B, the Project would generate approximately \$7 million annually in new revenues. The actual amount would depend on a number of factors, including market conditions, hotel room and occupancy rates, the extent to which projects developed pursuant to the Project generate business-to-business sales tax revenues, and the extent to which new employees make taxable purchases in the City. The cumulative impact of economic development, planning actions, and major catalytic projects could also lead to transformative changes in the City, which could potentially generate revenues in excess of the projections estimated in this fiscal analysis.

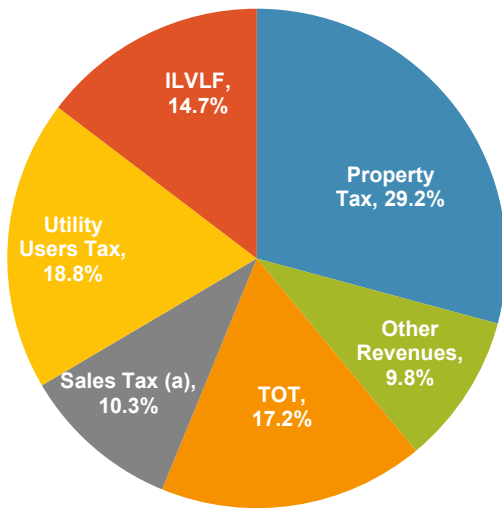
**Table 17: Summary of the Net Increase in Annually Recurring General Fund Revenues from the Project to the City of Vallejo at 2040 Buildout**

	<b>Net Change (w/o Measure B)</b>	<b>Net Change (w/ Measure B)</b>
<b>Total Revenues</b>	<b>\$6,379,100</b>	<b>\$7,016,900</b>
Sales Tax (a)	\$657,600	\$1,295,400
Property Tax	\$1,863,100	\$1,863,100
ILVLF	\$935,800	\$935,800
TOT	\$1,097,500	\$1,097,500
Utility Users Tax	\$1,200,500	\$1,200,500
Other Revenues	\$624,600	\$624,600

Note:  
 (a) Combined sales tax revenues from new resident and employee taxable sales and business-to-business sales.  
 Source: BAE, 2016.

Figure 2 shows the relative share of annual revenues that would be generated by the General Plan Update from each of the categories in Table 17, absent an extension of Measure B.

**Figure 2: Distribution of Net Change in General Fund Revenues at 2040 Buildout**



Note:  
 (a) Does not include Measure B revenues.  
 Source: BAE, 2016.

## Impact Fees

The City and some special districts collect impact fees and capital facilities charges for public services such as water, sewer, and traffic mitigation. These impact fees are established pursuant to State law, and represent a one-time revenue source from the General Plan Update that offset impacts to infrastructure systems that are generated by new development. Based on impact fee rates as of FY 2015, the General Plan Update would generate a total of \$29.4 million in impact fees to the City of Vallejo, as shown in Table 18. These impact fee revenues would offset the City's one-time capital expenditures that would be directly attributable to serving new development, and therefore do not represent a net increase in City revenues. It should be noted that impact fees are adjusted periodically, and that payment is based on the fees in effect at the time building permits are issued. The revenues shown below are an estimate based on current impact fee schedules.

This analysis does not evaluate potential impacts on the City's capital improvement budget or revenues available to support capital improvements, such as utility and water infrastructure. However, developers are often required to cover the cost to extend services to new development. In addition to the fees shown in Table 18, special districts, such as the Vallejo Unified School District or the Greater Vallejo Recreation District, may receive impact fees from the Project.

**Table 18: Total Net Change in Impact Fees from the Project, 2015-2040**

<b>Impact Fees and Facility Charges</b>	<b>Rate</b>	<b>Unit</b>	<b>Project</b>	
			<b>Quantity</b>	<b>Total Fees</b>
City Excise Tax				
Residential	\$4,676	Per Unit	3,332	\$15,580,400
Commercial	\$0.40	Net new sf	718,840	<u>\$287,500</u>
				\$15,867,900
Transportation Impact Mitigation Fee				
Commercial	\$2.97	Net new sf	354,340	\$1,052,400
Industrial	\$1.51	Net new sf	150,000	\$226,500
Multi-Family	\$3,465	Per Unit	3,410	\$11,815,700
Hotels (a)	\$3,465	Per Room	250	\$866,300
Single-Family	\$6,162	Per Unit	(78)	<u>(\$480,600)</u>
				\$13,480,300
Northgate Area Fire Facilities Impact Mitigation Fee (b)				
Residential	\$134	Per Unit	0	\$0
Non-Residential	\$148	Per 1,000 sf	25	\$3,700
<b>Total City of Vallejo Impact Fees (c)</b>				<b>\$29,351,900</b>
Greater Vallejo Recreation District Park Fee				
Single-Family	\$12,216	Per Unit	(78)	(\$952,800)
Multi-Family	\$8,370	Per Unit	3,410	<u>\$28,541,700</u>
				\$27,588,900

**Notes:**

- (a) Analysis assumes 250 hotel rooms in two hotels, totaling 214,500 square feet of hotel uses (inclusive of circulation, lobby, back of house functions, meeting rooms, and all other functions).
- (b) Fee applies solely to new development located within the Northgate Fire Facilities Impact Mitigation Fee Area. The Project includes 25,000 s.f. of new non-residential uses in the fee area. The analysis assumes the following non-residential density factors:
  - Retail (20 employees): 500 s.f. per employee
  - Service (50 employees): 300 s.f. per employee
- (c) Sewer, storm drain, and water connection fees are not included, as these fees are project specific and will vary subject to the nature of specific developments. This analysis assumes that these fees will cover the cost of extending services to new development.

Sources: City of Vallejo, 2016; BAE, 2016.

## General Fund Expenditures

The City's General Fund expenditures generally increase as the City's service population increases. BAE evaluated the City's current expenditures per member of the service population by service category to estimate the increase in General Fund expenditures that would be assignable to the Project.<sup>9</sup> While a number of City Departments provide services to support the overall operation of the City, not all are expected to incur additional costs as a direct result of the Project. In particular, city-wide services and administration expenditures in the City Manager's Office, City Attorney's Office, and Economic Development Department were excluded from per service population calculations based on the assumption that these departments would not incur material additional costs due to the Project.

In preparing this FIA, it was important to consider the impact of the severe fiscal distress

<sup>9</sup> Expenditures based on the Adopted FY 2015/16 Budget.



experienced by Vallejo during the Great Recession. At that time, Vallejo had to cut back its spending for many services, including public safety services. While most other cities in California also experienced cut backs to balance their budgets during this time, the extent of the cutbacks in Vallejo was significant. In many cases, service levels have not been completely restored, that meaning use of current average costs may not reflect ideal levels of services. To the extent possible, City department heads were interviewed to identify where adjustments could be made to account for this issue. However, it should be noted that the expenditures estimated for this FIA only reflect net new demand for city services and do not represent the cost of restoring previous service cuts.

### **Police**

The Vallejo Police Department (VPD) provides services from its headquarters at 111 Amador Street. While there are no substations, the Department utilizes three offsite facilities for the following operations: Traffic, Community Services & Code Enforcement and the Crime Reduction Team. The Department's organizational units consist of the Chief of Police, Operations Bureau, and Investigations Bureau. The functions of the Code Enforcement Division were recently transferred to the Police Department and joined the Community Services Section, which addresses quality of life crimes and provides public education and outreach services in the community. The Communications Section provides public safety and dispatch communications for police and fire. The FY 2015-2016 Adopted Budget authorized the Police Department to employ 159 Full Time Equivalent personnel (FTE), comprised of 116 sworn FTE and 43 professional staff FTE.<sup>10</sup> The City's General Fund currently funds 94 sworn FTE and 39 professional staff FTE.

Police staff has indicated that the Department's current headquarters building will need to be replaced in order to accommodate any future population growth. The building, which was constructed in 1962, is currently at capacity and suffers from several construction-related deficiencies. The Department lost three of its substations as a result of the bankruptcy and officers are forced to respond to City-wide calls due to staffing constraints.

Police Department staff has indicated that the ideal department size for the City's current population, given current levels of crime, would be approximately 165 sworn officers. Based on the service population shown in Table 19, this suggests an ideal service ratio of approximately 1.24 sworn officers per 1,000 service population. The Department currently operates at 0.87 sworn officers per 1,000 service population, which suggests a current shortfall of about 0.37 sworn FTE per 1,000 service population.

In FY 2015-2016, total General Fund and Measure B contributions to the Police Department net of Program Revenues equaled \$35 million, or approximately \$302,099 per sworn FTE. As shown in Table 19, the Project's increase in service population would generate a need for 9.28 additional sworn FTEs. Assuming that expenditures per sworn FTE would be similar for new

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<sup>10</sup> A full time equivalent corresponds to one full-time position, and is used as a standard measure for describing staffing levels so that full- and part-time positions can be combined into a single figure.

development, additional Police Department General Fund expenditures generated by the General Plan Update would total approximately \$2.8 million per year at buildout.<sup>11</sup>

**Table 19: Net Change in Annual Police Department General Fund Expenditures at 2040 Buildout**

<u>Project</u>	<u>Net Change</u>
Net New Service Population (a)	7,467
Net New Sworn FTE (b)	9.28
<b>Total New Expenditures (c)</b>	<b>\$2,803,400</b>
<u>Police Department Expenditures</u>	<u>FY 2015-16</u>
Total General Fund Police Expenditures	\$34,264,263
Total Measure B Police Expenditures	\$5,209,718
Less: General Fund Program Revenues	(\$4,430,491)
<b>Net Police Expenditures (d)</b>	<b>\$35,043,490</b>
Total Service Population (a)	132,768
Ideal Sworn FTE	165
Ideal Sworn FTE Per 1,000 Service Population	1.24
Current Sworn FTE Officers	116
<b>Police Department Expenditures Per Sworn FTE</b>	<b>\$302,099</b>

**Notes:**

- (a) Service Population defined as all residents plus one half of all employees
- (b) Based on the ideal staffing ratio of 1.24 Sworn FTE per 1,000 service population identified by Police Department staff.
- (c) Based on current Police expenditures per Sworn FTE.
- (d) Includes both Measure B and General Fund Police expenditures. Does not include Economic Development or other program funds.

Sources: City of Vallejo FY 15-16 Adopted Budget; BAE, 2016.

**Fire**

The Vallejo Fire Department currently operates six fire stations and an Emergency Operations Center. Each station is equipped with a heavy fire engine and there is one additional ladder Truck Company located at the Marin Station (Station 21). The Chief and 5 FTE administrative staff have offices in a building located at Mare Island. Two stations, Glen Cove and Mare Island, are currently closed due to budgetary constraints. The Fire Department provides 1 personnel to help staff a County Paramedic Team, which provides EMS/Paramedic services throughout the City. According to Department staff, the City of Vallejo has more EMS runs on a per population basis compared to many other Bay Area cities, which is mainly due to socioeconomic factors.

The Department utilizes response time service standard metrics for overall City-wide calls and active fires. For overall City-wide calls, the Department standard is a response within eight minutes from the time dispatch receives a call for service and seven minutes from the time the station receives the call for at least 90 percent of total city-wide calls. The service standard for active fires is a 10 minute or less response by two engine companies and a ladder truck. Staff indicated that resources are sufficient to maintain the Department's

<sup>11</sup> Note that this expenditure estimate also includes some support for non-sworn officer staff.

operations in some portions of the City, such as the Downtown area, without having to open additional stations, expand services or construct new facilities. However, the Glen Cove, Mare Island and Hiddenbrooke areas are currently not meeting service standards because of the way units are deployed due to the closing of the two stations. Department staff indicated that new growth associated with the General Plan Update could be served from the Department's existing stations if these two stations are reopened, though additional revenues would be required for additional staffing and operations of the two reopened facilities.

According to staff, 1 firefighter per thousand service population is the national standard metric that is sometimes used by the Department to evaluate service impacts. The Fire Department currently employs 85 FTEs, comprised of 76 firefighters and 9 professional staff FTE, which are funded through the City's General Fund and Measure B funds. Based on the Department's current service population, the service ratio is 0.65 firefighters per thousand members of the service population, which is well below the national standard of 1 firefighter per thousand population.

As shown in Table 20, the budget for the 2015-2016 fiscal year includes \$20.2 million in expenditures from the General Fund and \$2.4 million from Measure B funds. After accounting for Program Revenues, total Fire Department expenditures are \$18.8 million, or approximately \$141 per member of the service population. In order to maintain the ideal service standard of one firefighter per thousand service population, the Department would need to add 7.47 firefighters to serve the increase in service population that would be associated with the Project. Assuming that costs increase in accordance with service population, the General Plan Update would generate an estimated \$1.8 million in annual costs to the Fire Department.

**Table 20: Net Change in Annual Fire Department General Fund Expenditures at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
Net New Service Population (a)	7,467
Net New Firefighters (b)	7.47
<b>Total New Expenditures (c)</b>	<b>\$1,843,100</b>
<b>Fire Department Expenditures</b>	<b>FY 2015-16</b>
Total General Fund Fire Expenditures	\$20,157,187
Total Measure B Fire Expenditures	\$2,375,671
Less: General Fund Program Revenues	(\$3,773,900)
<b>Net Fire Expenditures (d)</b>	<b>\$18,758,958</b>
Total Service Population (a)	132,768
Ideal Firefighters Per 1,000 Service Population	1
Current Firefighters	76
<b>Fire Department Expenditures Per Firefighter</b>	<b>\$246,828</b>

**Notes:**

- (a) Service Population defined as all residents plus one half of all employees.
- (b) Based on the standard service ratio of 1 firefighter per 1,000 service population.
- (c) Based on current department expenditures per firefighter.
- (d) Includes both Measure B and General Fund Fire Department expenditure:

Sources: City of Vallejo FY 15-16 Adopted Budget; BAE, 2016.

**Public Works**

The Department of Public Works is responsible for constructing, repairing, and maintaining the City's streets, sidewalks, grounds, buildings, and facilities. The Department includes the Administration, Engineering and Maintenance Divisions. Generally, the Public Works Department would see increased costs if new streets or other facilities were needed, or if maintenance needs increase as a result of infrastructure dedications by developers building under the Project. Note that capital costs to support new development under the General Plan Update are not estimated in this FIA, as these costs are assumed to be financed by developers of specific development projects on an as needed basis.

The Public Works Department employs 71 FTEs, all of which are funded through the City's General Fund. As shown in Table 21, the City's FY 2015-2016 budget projects \$6.2 million in General Fund expenditures for the Public Works Department. Net of program revenues, Public Works General Fund expenditures equal approximately \$3.7 million, or \$27.62 per member of the service population. Assuming commensurate additional expenditures per net new increase in service population, the General Plan Update would result in \$206,300 in additional General Fund expenditures at buildout.

**Table 21: Net Change in Annual Public Works General Fund Expenditures at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
Net New Service Population (a)	7,467
<b>Total New Expenditures</b>	<b>\$206,300</b>
<b>Public Works Expenditures</b>	
<b>FY 2015-16</b>	
Total General Fund Public Works Expenditures (b)	\$6,235,946
Administration/Recycling	\$450,863
Engineering	\$1,881,839
Maintenance	\$3,903,244
Less: General Fund Program Revenues	<u>(\$2,568,680)</u>
<b>Net Public Works Expenditures</b>	<b>\$3,667,266</b>
Total Service Population (a)	132,768
<b>Public Works Expenditures Per Service Population</b>	<b>\$27.62</b>

Notes:

- (a) Service Population defined as all residents plus one half of all employees.
- (b) Includes only General Fund expenditures. Infrastructure/capital maintenance costs are excluded.

Sources: City of Vallejo FY 15-16 Adopted Budget; BAE, 2016.

**Administrative Services**

The costs of certain administrative services, such as human resources and finance department services, are expected to expand as the service population expands. For example, increases in City personnel to serve population increases will likely create the need for additional employee support.

As shown in Table 22, the City's projected FY 2015-16 General Fund expenditures for Finance and Human Resources averaged \$22.26 per member of the service population. Assuming the City's General Fund expenditures per service population remain at current levels, the Project's increase in service population would generate additional annual expenditures of \$166,200.

**Table 22: Net Change in Annual Administrative Services Expenditures at 2040 Buildout**

<b>Project</b>	<b>Net Change</b>
Net New Service Population (a)	7,467
<b>Total New Expenditures</b>	<b>\$166,200</b>
<b>Administrative Services Functions</b>	
<b>FY 2015-16</b>	
Total Human Resources Expenditures (b)	\$1,258,639
Total Finance Expenditures (c)	\$1,697,140
<b>Net Admin Expenditures</b>	<b>\$2,955,779</b>
Total Service Population (a)	132,768
<b>Admin Expenditures Per Service Population</b>	<b>\$22.26</b>

Notes:

- (a) Service Population defined as all residents plus one half of all employees.
- (b) Includes only Human Resources General Fund Administration expenditures.
- (c) Includes only Finance General Fund Administration expenditures.

Sources: City of Vallejo FY 15-16 Adopted Budget; BAE, 2016.

**Summary of Net Change in Annually Recurring Expenditures**

Table 23 shows that, at full buildout, the General Plan Update would result in approximately \$5 million in total annually recurring expenditures from the City’s General Fund.

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**Table 23: Summary of the Net Increase in Annually Recurring City General Fund Expenditures due to the Project, at 2040 Buildout**

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<b>Project</b>	<b>Net Change</b>
<b>Total Expenditures</b>	<b>\$5,019,000</b>
Police (a)	\$2,803,400
Fire (a)	\$1,843,100
Public Works	\$206,300
Admin Services	\$166,200

Note:  
(a) Includes General Fund and Measure B expenditures.

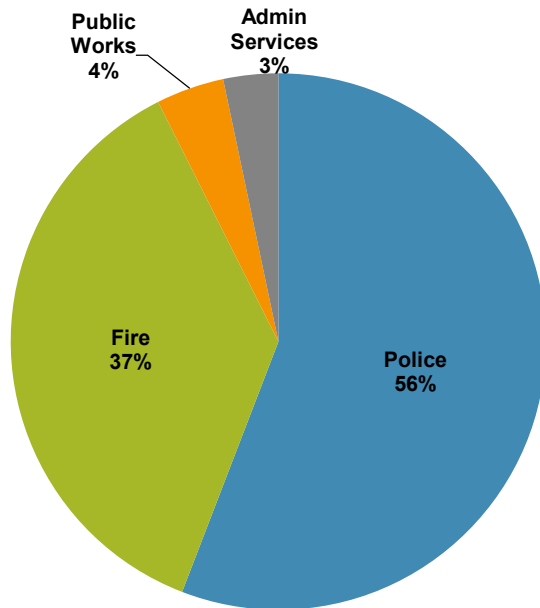
Source: BAE, 2016.

Figure 3 shows the distribution of these expenditures. As shown, the majority of expenditures are for Police (56 percent), followed by Fire (37 percent), Public Works (4 percent), and Administrative Services (3 percent).

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**Figure 3: Distribution of Net Change in Annually Recurring City General Fund Expenditures at 2040 Buildout**

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Source: BAE, 2016.

## Summary of Net Fiscal Impact to General Fund

Table 24 provides a summary of the annual recurring net fiscal impact of the increment of new development that would be possible due to the General Plan Update at full build out and occupancy, as compared to full buildout of the existing General Plan, in constant 2015 dollars. As shown, the Project would generate \$6.4 million in revenues without Measure B and \$7.0 million in revenues with Measure B annually, and increase General Fund expenditures by \$5.0 million annually. This would result in an annual net positive fiscal impact of \$1.4 million at buildout and full occupancy of the Project without an extension of Measure B. With Measure B renewed and in effect, the Project would generate an annual net positive fiscal impact of approximately \$2.0 million. While Measure B sale tax revenues are not necessary to generate a net positive fiscal impact from the Project, the Measure B sales tax revenue that the Project could generate would provide additional resources that the City could use to restore services that are currently underfunded.

**Table 24: Summary of Net Fiscal Impact to the City of Vallejo General Fund at 2040 Buildout in 2015 dollars**

	<b>Net Change (w/o Measure B)</b>	<b>Net Change (w/ Measure B)</b>
<b>Total Revenues</b>	<b>\$6,379,100</b>	<b>\$7,016,900</b>
Sales Tax	\$657,600	\$1,295,400
Property Tax	\$1,863,100	\$1,863,100
ILVLF	\$935,800	\$935,800
TOT	\$1,097,500	\$1,097,500
Utility Users Tax	\$1,200,500	\$1,200,500
Other Revenues	\$624,600	\$624,600
<b>Total Expenditures</b>	<b>\$5,019,000</b>	<b>\$5,019,000</b>
Police	\$2,803,400	\$2,803,400
Fire	\$1,843,100	\$1,843,100
Public Works	\$206,300	\$206,300
Admin Services	\$166,200	\$166,200
<b>Net Fiscal Impact</b>	<b><u>\$1,360,100</u></b>	<b><u>\$1,997,900</u></b>

Figures presented are constant 2015 dollars.  
Source: BAE, 2016.

### ***Total 25-Year Impact in Future Nominal Dollars***

The analysis in Table 24 does not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 25 provides a long-term view of the possible total fiscal impact to the City's General Fund of the General Plan Update over a 25-year timeframe. It provides the projected revenues and expenditures on a five-year basis, adjusted for inflation each year, with revenues and expenses prorated in the initial years prior to full build out and occupancy of the Project. While this type of projection can be useful because it accounts for the effect of inflation on revenues and expenses over time, it should be noted that this type of long-term analysis is sensitive to changes in inflation and other factors.

Several inflation assumptions were formulated for this FIA. Sales tax revenues were inflated three percent per year. Non-turnover property tax and ILVLF revenues were inflated two percent per year, which is the maximum allowed by the Proposition 13 limit on annual increases in tax assessments. The annual appreciation rate for turnover property was assumed at three percent per year. Expenditures were inflated at a three percent annual rate, which is consistent with California municipal experiences in terms of personnel benefits costs.<sup>12</sup>

As shown in Table 25, the net positive fiscal impact of the Project increases at each five-year interval through the end of the projection period in 2040. At full buildout in 2040, the Project would have a net positive fiscal impact totaling approximately \$2.3 million without Measure B.

**Table 25: Projected Net Fiscal Impact to the City of Vallejo General Fund (without Measure B), 2015-2040**

<b>Project (w/o Measure B)</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>
<b>Total Revenues</b>	<b>\$0</b>	<b>\$302,029</b>	<b>\$1,381,361</b>	<b>\$3,167,743</b>	<b>\$7,166,602</b>	<b>\$12,755,755</b>
Sales Tax	\$0	\$38,100	\$176,800	\$409,800	\$831,400	\$1,376,900
Property Tax	\$0	\$106,429	\$485,861	\$1,116,843	\$2,261,402	\$3,724,255
ILVLF	\$0	\$51,700	\$228,100	\$503,800	\$973,400	\$1,535,300
TOT	\$0	\$0	\$0	\$0	\$792,900	\$2,297,900
Utility Users Tax	\$0	\$69,600	\$322,700	\$748,100	\$1,517,800	\$2,513,600
Other Revenues	\$0	\$36,200	\$167,900	\$389,200	\$789,700	\$1,307,800
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$290,900</b>	<b>\$1,349,000</b>	<b>\$3,127,800</b>	<b>\$6,345,400</b>	<b>\$10,508,600</b>
Police	\$0	\$162,500	\$753,500	\$1,747,000	\$3,544,300	\$5,869,700
Fire	\$0	\$106,800	\$495,400	\$1,148,600	\$2,330,200	\$3,859,000
Public Works	\$0	\$12,000	\$55,400	\$128,600	\$260,800	\$431,900
Admin Services	\$0	\$9,600	\$44,700	\$103,600	\$210,100	\$348,000
<b>Net Fiscal Impact</b>	<b>\$0</b>	<b>\$11,129</b>	<b>\$32,361</b>	<b>\$39,943</b>	<b>\$821,202</b>	<b>\$2,247,155</b>

Notes:

Figures are adjusted for inflation.

Revenue Escalation Factor: 3.00%

Annual Legislated Property Tax Escalation Rate for Non-Turnover Property: 2.00%

Annual Appreciation Rate for New and Turnover Property: 3.00%

Sales Tax Inflation Rate: 3.00%

Expenditure Inflation Rate: 3.00%

Source: BAE, 2016.

Table 26 shows the net fiscal impact of the Project assuming a renewal of Measure B. As shown, Measure B would increase the Project's net fiscal impact to \$3.6 million at full buildout in 2040.

<sup>12</sup> These costs have continued to increase even as salaries have been flat or reduced, due to increasing costs for health care, pensions, and other employment-related expenses. A three percent annual increase in expenditures is consistent with many cities budgeting practices throughout the Bay Area.



**Table 26: Projected Net Fiscal Impact to the City of Vallejo General Fund (with Measure B), 2015-2040**

<b>Project (w/ Measure B)</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>
<b>Total Revenues</b>	<b>\$0</b>	<b>\$339,029</b>	<b>\$1,552,761</b>	<b>\$3,565,243</b>	<b>\$7,972,902</b>	<b>\$14,091,155</b>
Sales Tax	\$0	\$75,100	\$348,200	\$807,300	\$1,637,700	\$2,712,300
Property Tax	\$0	\$106,429	\$485,861	\$1,116,843	\$2,261,402	\$3,724,255
ILVLF	\$0	\$51,700	\$228,100	\$503,800	\$973,400	\$1,535,300
TOT	\$0	\$0	\$0	\$0	\$792,900	\$2,297,900
Utility Users Tax	\$0	\$69,600	\$322,700	\$748,100	\$1,517,800	\$2,513,600
Other Revenues	\$0	\$36,200	\$167,900	\$389,200	\$789,700	\$1,307,800
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$290,900</b>	<b>\$1,349,000</b>	<b>\$3,127,800</b>	<b>\$6,345,400</b>	<b>\$10,508,600</b>
Police	\$0	\$162,500	\$753,500	\$1,747,000	\$3,544,300	\$5,869,700
Fire	\$0	\$106,800	\$495,400	\$1,148,600	\$2,330,200	\$3,859,000
Public Works	\$0	\$12,000	\$55,400	\$128,600	\$260,800	\$431,900
Admin Services	\$0	\$9,600	\$44,700	\$103,600	\$210,100	\$348,000
<b>Net Fiscal Impact</b>	<b>\$0</b>	<b>\$48,129</b>	<b>\$203,761</b>	<b>\$437,443</b>	<b>\$1,627,502</b>	<b>\$3,582,555</b>

Notes:

Figures are adjusted for inflation.

Revenue Escalation Factor: 3.00%

Annual Legislated Property Tax Escalation Rate for Non-Turnover Property: 2.00%

Annual Appreciation Rate for New and Turnover Property: 3.00%

Sales Tax Inflation Rate: 3.00%

Expenditure Inflation Rate: 3.00%

Source: BAE, 2016.

# ENSURING LONG-TERM FISCAL SUSTAINABILITY

The projected net increase in General Fund revenues from the General Plan Update is one of several factors that can contribute to the City's long-term fiscal sustainability. As described in this section, other City planning and economic development initiatives could have an equal or greater impact on the City's fiscal conditions over time.

## General Plan Update: Framework for Economic Development

The *General Plan Update* sets a framework for the City to undertake bold economic development initiatives and position Vallejo as an appealing location in the dynamic San Francisco Bay Area/Silicon Valley region. This section of the FIA discusses the additional, indirect impacts that the General Plan Update could potentially have on Vallejo's long-term fiscal stability.

## How City Economic Development and Planning Activities Contribute to Fiscal Sustainability

Similar to other cities, the City of Vallejo engages in a number of economic development and planning activities that support local business attraction, growth, and retention and provide opportunities for appropriate new development, among other outcomes.

Specific individual economic development and project planning actions typically have a modest positive impact on city fiscal resources. However, the impact of these activities can be significant in the aggregate and can generate additional revenues to the City due to a number of factors, including:

- Appreciation of property values as properties are developed or improved;
- Appreciation of property values as properties are sold and re-assessed in stronger market conditions that leads (on an aggregate basis) to property tax revenue in excess of the two percent increase allowed under Proposition 13 over time;
- Sales tax revenues from local expenditures by new Vallejo residents and employees as well as visitors that may be attracted to new retail offerings in the City;
- Increases in sales tax revenues from existing residents due to increases in incomes resulting from new employment opportunities;
- Utility user tax paid by new businesses and residents; and
- Business license fees from new companies that locate in the City.

However, as new development brings new residents and workers to the City, the cost to provide City services increases together with increases in City revenues. As a result, increases in revenues from new development may not exceed increases in City service costs by a wide margin.

This FIA is relatively conservative in estimating new revenues in order to avoid over-stating the potential impacts of growth; it shows a positive net fiscal benefit of approximately \$1.4 million without Measure B and \$2.0 million with Measure B renewed. However, the indirect, cumulative impact of economic development activities, planning actions, and catalytic development projects can lead to transformative change in the City of that would generate revenues in excess of the projections estimated in this FIA.

## **Catalytic Projects**

Vallejo has many attractive assets –its downtown, waterfront, Mare Island, and fairgrounds— that it can deploy to make big moves to expand its economy, create jobs, and restore fiscal health. The Vallejo General Plan Update is the community’s overarching policy document that defines a vision for future change and guides the location and character of development, enhancing the local economy, conserving resources, improving public services and safety, and fostering community well -being. It supports a number of key projects that have the potential to be catalysts, triggering additional investment and development, as follows:

### **Central and Northern Waterfront**

While portions of Vallejo’s waterfront can still serve water-oriented commercial and industrial uses, cities across the world are leveraging their waterfronts to bring new energy, development, and new activities to reinvigorate the city and local economy. With an extensive waterfront, Vallejo has the opportunity to build distinct waterfront places and opportunities to strengthen the economy, revitalize downtown and allow Vallejo to prosper. In the downtown area and north of downtown, Vallejo has executed two development agreements with the Callahan Property Company to develop approximately 50 acres in two projects that combined would provide 600 units of housing, 149,000 square feet of retail and office space, 200,000 square feet of visitor-serving uses, a 10,000 transit facility, and approximately 16 acres of open space. This development would revitalize under-utilized parcels and bring new residents and jobs to Vallejo.

### **Mare Island**

The 5,250-acre Mare Island is a former Naval Shipyard that contains a large inventory of historic homes and commercial structures as well as land for new development. Mare Island’s inventory of older industrial structures provide opportunities for adaptive reuse for a wide variety of commercial and industrial uses, including production, distribution, and repair (“PDR”) uses, light manufacturing and assembly, artist spaces, green/clean tech, and more. Approximately 650 acres are owned or under the control of Lennar Mare Island LLC. Under a development agreement with Vallejo, Lennar has rights to build a total of 1,400 residential units and build/renovate 7 million square feet of commercial and industrial space. Lennar’s property at Mare Island currently supports a residential community of 324 homes, and has 3.5 million square feet of occupied commercial and industrial space generating approximately 2,300 jobs.

Additionally, Vallejo owns approximately 157 acres in North Mare Island with entitlements for

over a million square feet of light industrial, office and commercial uses. Situated on the Napa River and linked directly to Highway 37, the North Mare Island site is effectively Mare Island's "front door." In May 2016, Vallejo entered into negotiations with Faraday Future, Ltd., a start-up electric car manufacturer that has proposed a second manufacturing site for its U.S. operations at Mare Island. The plant concept calls for design and development of a light industrial facility for manufacturing of electric vehicles, and an experience center where customers can learn about the company's products and technologies, observe the manufacturing of and take delivery of finished cars, and road test the vehicles. Both this and the ongoing marketing and development of Mare Island by Lennar and Vallejo will result in greater utilization of land and buildings on Mare Island and increase Vallejo's population and employment base.

### **Solano 360**

The Solano 360 Project located at the Solano County Fairgrounds at the intersection of Interstate 80 and State Route 37 was approved under the Solano 360 Specific Plan and calls for 18.8 acres of Entertainment Mixed-Use, 30 acres of Entertainment Commercial Use; and 100.3 acres for public purposes, consisting of the Fair of the Future, parking, transit and roads, and a creek park with a water feature. Vallejo and the County of Solano executed a 50-year development agreement vesting entitlements and rights for the Private Purpose Areas and exempting the Public Purpose Areas from further City application and permit processes. The Solano County has selected a developer with whom it is negotiating as of the date of this FIA. Once completed, this project would transform a blighted, underutilized property into an iconic, region-serving public entertainment destination.

## **How the General Plan Update Supports Catalytic Projects**

The General Plan Update includes and is based on a vision for how the City will evolve over the next 25 years, formulated from ideas that community members contributed at a series of workshops, online activities, and outreach events. The vision is anchored by a vibrant downtown and waterfront, which together are a focus of local life and a regional tourist attraction. Strong job centers south of downtown around Solano Avenue, on Mare Island, and along central Sonoma Boulevard north of Redwood Street provide good jobs for local residents and employees from the wider region. Regional retail and entertainment attractions are located at the intersection of Interstate 80 and Highway 37. A network of neighborhood corridors links these key destinations, supporting safe, livable residential neighborhoods. At some key intersections and at other locations along these corridors, "urban villages," with shops and services catering to the daily needs of residents, act as neighborhood focal points. Overall, the General Plan Update will provide goals, policies, and actions that support specific catalytic projects but also, more broadly, to ensure that Vallejo can retain and attract residents and businesses.

## **Ensuring Long Term Fiscal Sustainability**

After severe fiscal stress during the Great Recession, Vallejo has been making steady progress towards fiscal stability and recovery of revenues lost during and after the December 2007 to

June 2009 recession. Vallejo's proposed budget for fiscal year 2016-2017 is the third consecutive structurally balanced budget. However, like many California cities, Vallejo continues to be challenged by rising employee salaries and pension and health care obligations.

To respond to these challenges, Vallejo citizens adopted Measure B that generates approximately \$13 million annually in additional sales tax revenues to support city services. This measure will come before voters again in 2022 and, if extended, would generate additional modest revenues (approximately \$637,800 annually) under the General Plan Update. In addition, the City has adopted and continues to adopt best management practices to manage and reduce costs and raise revenues. Most importantly, however, Vallejo is taking steps to grow its tax base by implementing a variety of planning and economic development programs. As part of these efforts, Vallejo has not only taken steps to update its general plan but also has adopted measures to ensure that Vallejo is "open for business" by stream-lining the development approval process, and investing in its Economic Development Department.

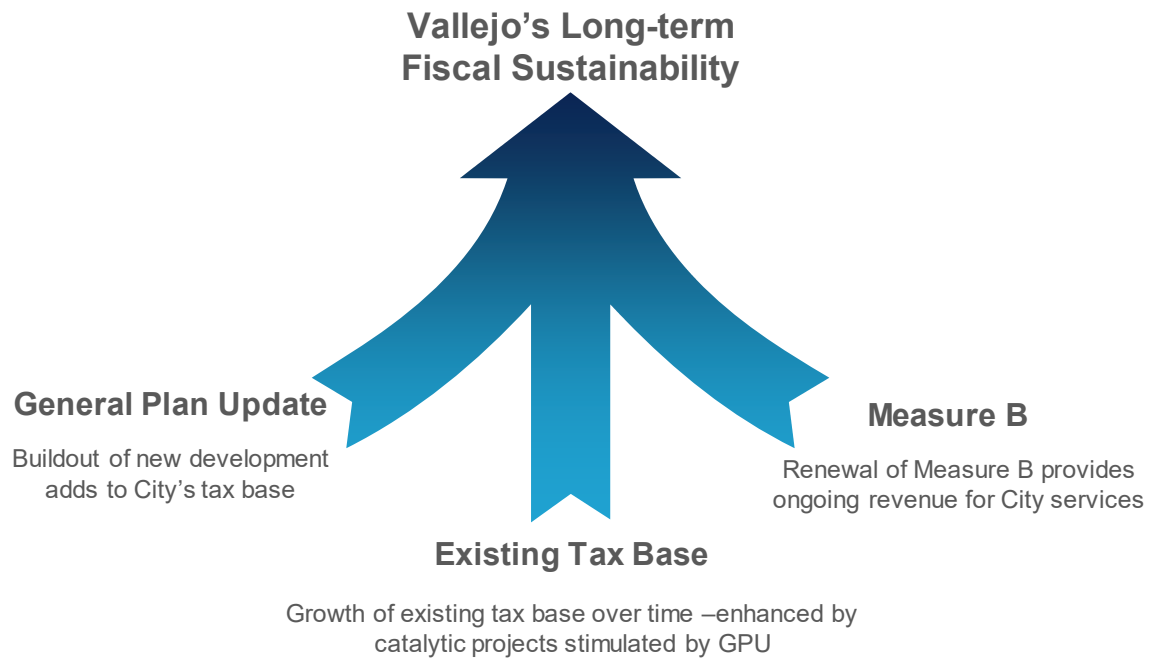
Overall, there are two primary ways new development can expand Vallejo's tax base to generate new revenues. First, new development under the General Plan Update makes a positive contribution as analyzed and presented in this FIA. Second, successful new development can stimulate growth in the existing tax base by acting as 'catalysts' that trigger additional investment in Vallejo, leading to higher assessed values and new retail spending in the community.

As depicted in in Figure 4, new development under the General Plan Update, growth of the existing tax base, and renewal of Measure B collectively provide a pathway to Vallejo's long-term fiscal sustainability.

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**Figure 4: Pathway to Fiscal Sustainability**

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# APPENDIX A: ERAF DISTRIBUTION FOR PROPERTY TAX

**Table A-1: ERAF Distribution of Property Tax, Vallejo**

Jurisdiction	ERAF Shift (a)	Pre-ERAF Distribution				
		TRA 007-000	TRA 007-013	TRA 007-065	TRA 007-080	TRAs 007-078 & 007-079
City of Vallejo	22.75%	24.62%	24.62%	24.62%	30.05%	24.62%
Solano County	36.42%	31.33%	31.33%	31.33%	29.47%	31.33%
County Free Library	17.49%	2.74%	2.74%	2.74%	2.58%	2.74%
Accum County Outlay	36.07%	0.81%	0.81%	0.81%	0.76%	0.81%
Mosquito Abatement	23.59%	0.59%	0.59%	0.59%	0.55%	0.59%
Aviation	36.07%	0.12%	0.12%	0.12%	0.11%	0.12%
Recreation	36.07%	0.20%	0.20%	0.20%	0.19%	0.20%
Greater Vallejo Recreation District	30.47%	6.49%	6.49%	6.49%	6.10%	6.49%
Vallejo Unified School District	0.00%	24.07%	24.07%	24.07%	22.64%	24.07%
Vallejo Sanitation and Flood Control	18.90%	1.47%	1.47%	1.47%	1.39%	1.47%
Solano County Water Agency	0.00%	1.53%	1.53%	1.53%	1.44%	1.53%
Bay Area Air Quality Management District	0.00%	0.22%	0.22%	0.22%	0.21%	0.22%
Library Special Tax Zone 6	61.86%				0.33%	
Library Special Tax Zone 7	57.83%	1.36%	1.36%	1.36%		1.36%
Solano Community College District	0.00%	2.76%	2.76%	2.76%	2.59%	2.76%
County School Service Fund	0.00%	1.03%	1.03%	1.03%	0.96%	1.03%
County Office of Ed Development Center	0.00%	0.22%	0.22%	0.22%	0.20%	0.22%
County School Service Fund II	0.00%	0.11%	0.11%	0.11%	0.10%	0.11%
County Board of Education	0.00%	<u>0.33%</u>	<u>0.33%</u>	<u>0.33%</u>	<u>0.31%</u>	<u>0.33%</u>
Total:		100.00%	100.00%	100.00%	100.00%	100.00%

(a) The ERAF shift shown represents the percentage reduction of property taxes to each jurisdiction to fund ERAF based on FY 2015-2016 AB-8 adjustment figures provided by the Solano County Controller's Office.

Sources: Solano County Controller's Office, 2016; BAE, 2016.