5.10 Fiscal

5.10 FISCAL IMPACTS

This section evaluates the existing fiscal conditions within the Project area and analyzes the potential of fiscal impacts associated with implementation of the proposed Project. This section is primarily based on information from the *Fiscal Impact Analysis Summary Memorandum* of the proposed Project (Fiscal Impact Analysis) (David Taussig & Associates; September 24, 2014); refer to Appendix 11.11, *Fiscal Impact Analysis*, of this EIR. It should be noted that the City retained Keyser Marston Associates, Inc. (KMA) to perform a technical peer review of the Applicant-prepared Fiscal Impact Analysis to ensure an objective and unbiased evaluation of the fiscal and economic impacts associated with the Project.

5.10.1 EXISTING ENVIRONMENTAL SETTING

The Fiscal Impact Analysis prepared by David Taussig & Associates. (September 24, 2014) includes an analysis on projected fiscal impacts to the City's General Fund after buildout of the Project; refer to Appendix 11.11, *Fiscal Impact Analysis*.

FISCAL IMPACT ANALYSIS METHODOLOGY

The Fiscal Impact Analysis is based on the following land use and demographic assumptions, shown in Table 5.10-1, *Land Use and Demographic Assumptions*:

Table 5.10-1
Land Use and Demographic Assumptions

Land Use	Dwelling Units	Square Feet	Persons Per Household/ Square Feet per Employee[1,2]	Residential Population/ Number of Employees
Residential				
Low Density Residential (For-Sale Units)	454	-	3.00	1,363
Medium Density Residential (Apartment Units)	296	-	3.00	889
Total	***750***			**2,252**
Non-Residential				
General Retail	-	47,000	400	118
Specialty Retail	-	84,000	300	280
Restaurant	-	13,000	500	26
Bank	-	4,000	325	12
Other Non-Residential	-	60,350	325	186
Total	**-**	***208,350***		***622***
Total Estimated Persons Served Population				***2,563***[3]

Notes:
1. Persons per household data were based on California Department of Finance, *E-5 City/County Population and Housing Estimates*, January 1, 2014.
2. Square feet per employee data was derived from David Taussig & Associates municipal database for similar projects. Subject to change.
3. The population and employment assumptions differ slightly from Section 6.3, *Growth-Inducing Impacts*, as different demographic assumptions were utilized. The Fiscal Impact Analysis utilized a market-specific database prepared by David Taussig & Associates, while the data in Section 6.3 is based upon publicly-available data from the State of California and Southern California Association of Governments. For a detailed discussion, refer to Section 6.3.

Source: David Taussig & Associates, *Lincoln Specific Plan Fiscal Impact Analysis Summary Memorandum*, September 24, 2014.

Recurring revenues and costs are analyzed in the model. Costs that are considered non-recurring, such as capital expenditures, are excluded from the analysis as new development is generally required to construct its own new capital improvements, such as roads or parks, or to pay fees that enable the City or some other developer to construct these improvements. As these are considered to be "one-time" costs that will not recur, there is no expectation that new development will need to pay for these capital expenditures a second time. In addition, revenues that are considered to be non-recurring such as development impact fees paid by developers, are also excluded from the model. Analytical assumptions were chosen in accordance with industry standards. Additional assumptions associated with the analysis are discussed below:

- *Discounting Revenues and Expenses:* Certain revenues and expenditures are not expected to increase one-to-one with new development, since discount rates can often be applied to certain types of revenues and expenses. Based on the City's fiscal year (FY) 2013-14 budget, discount rates were applied to General Fund Revenue sources (Transient Occupancy Tax, Miscellaneous Revenues and Transfers In) and General Fund Expenditure types (Other Expenditures [Non-General Government – Community Development and Community Services]). Thus, discount rates have been applied to certain revenues and expenditures within this fiscal analysis to reflect the estimated ratio of fixed costs to variable costs. These discount rates to revenues and/or expenditures associated with the Project were provided as a result of discussions with City staff.

- *Square Feet per Employee:* David Taussig & Associates maintains a database of fiscal impact studies and information obtained from numerous city planning departments, including Whittier and other cities within Los Angeles County.

- *Tax Sharing (Secured Property Taxes):* Property tax revenue estimates are based on apportionment factors provided by the City based on information published by HdL Companies. Property tax revenues are projected based on the City's estimated share of the general one percent property tax levy. Total secured property tax revenues received by the City from the land uses will equal approximately 8.92 percent of the basic one percent (Proposition 13) property tax levy from the Tax Rate Area encompassing the Project. It is important to note that the gross tax increment, as calculated by the County Auditor-Controller, has been reduced to account for the projected Education Revenue Augmentation Fund (ERAF) property tax shifts.

- *Property Tax In-Lieu of Vehicle License Fees:* The passage of Proposition 1A in California in 2004 enacted a constitutional amendment that introduced a new methodology to calculate property taxes in-lieu of Vehicle License Fees (VLF). Per California Revenue and Taxation Code Section 97.70, the property tax in-lieu of VLF amount now grows in proportion to the growth rate of gross assessed valuation in a city or county. Property taxes in-lieu of VLF revenues are projected to grow with the change in the City-wide gross assessed valuation of taxable property from the prior fiscal year. Property tax in-lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this FIA at $0.97 per $1,000 increase in assessed valuation on a City-wide basis.

For additional details regarding the assumptions utilized to calculate the fiscal impacts for the Project, refer to Exhibit A of Appendix 11.11.

5.10.2 EXISTING REGULATORY SETTING

STATE

Governor's Office of Business and Economic Development

The Governor's Office of Business and Economic Development (GO-Biz) was created by Governor Edmund G. Brown Jr. to serve as California's single point of contact for economic development and job creation efforts. GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit streamlining, clearing of regulatory hurdles, small business assistance, international trade development, and assistance with state government. GO-Biz includes the following units: Business Development (CalBIS); Permit Streamlining; Small Business Assistance; Innovation and Entrepreneurship; and International Affairs and Trade Development.

GOVERNOR'S ECONOMIC DEVELOPMENT INITIATIVE

The Governor's Economic Development Initiative (GEDI) is expected to assist existing businesses and attract new business to California. The new incentives include:[1]

- Sales and Use Tax Exemption for Manufacturers – beginning on July 1, 2014, manufacturers may qualify to obtain a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases[2];
- New Employment Credit;
- California Competes Credit – an income tax credit negotiated between GO-Biz and Businesses that want to come to California or stay and grow in California.

LOCAL

Los Angeles County Economic Development Corporation

The Los Angeles County Economic Development Corporation (LAEDC) is the region's leading provider of economic development services. The LAEDC's mission is to attract, retain and grow businesses and jobs for the regions of Los Angeles County. The LAEDC serves the 88 cities and more than 100 unincorporated communities of LA County through its free business assistance and attraction programs, economic research, fee-supported economic and policy analysis, and public policy leadership. Through the Business Assistance Program, LAEDC has helped create or retain over 190,000 jobs, with an estimated labor income, including wages and benefits, of approximately $12 billion. Taken together with the supported indirect and induced economic activity, a total of more than 400,000 annual jobs with labor income of more than $21

[1] Governor's Office of Business and Economic Development, *Governor's Economic Development Initiative,* http://www.business.ca.gov/Portals/0/AdditionalResources/Reports/GEDIv2.2013.pdf.

[2] City of Whittier Website, *New State Economic Development Incentives,* http://www.cityofwhittier.org/news/displaynews.asp?NewsID=661&TargetID=1, accessed June 2, 2014.

billion were impacted, accounting for an estimated $850 million in property and sales tax revenues to the County of Los Angeles.[3]

City of Whittier General Plan

The City of Whittier General Plan Land Use Element includes the following goals and policies related to fiscal and economic development.

Goal 1: Establish an orderly, functional, and compatible pattern of land uses to guide the future growth and development of Whittier and its sphere of influence, in order to provide a high quality of life for the people.

Policy 1.2: Encourage development in the City that is compatible with surrounding uses, provides for civic improvements, increases the potential for future investment, and fulfills the need for high quality residential areas and shopping and employment centers.

Goal 2: Develop and maintain cohesive, clean, safe, and stable residential neighborhoods in Whittier.

Policy 2.7: Consider the capacity of existing infrastructure and the potential demand for public services in future planning and review of new development.

Goal 3: Promote the development and maintenance of retail and service facilities which are convenient to residents of Whittier, provide the widest possible selection of goods and services, and supplement the City's tax base.

Policy 3.5: Encourage the establishment and retention of businesses which provide customers with a variety of high quality goods, reasonable prices and outstanding service.

Policy 3.6: Encourage the development and retention of attractive, safe, and comfortable business buildings and commercial districts.

Policy 3.9: Consider the capacity of existing infrastructure and the potential demand for public services in future planning and review of new development.

City of Whittier Economic Development Strategy

As the City values the unique history and strives to maintain the character of the community, it recognizes the importance of being flexible to accommodate the changing economy. In 2007, the City developed an economic development strategy that places economic development as a top priority and plays an integral role in the community. The City has updated the economic development strategy annually to reflect changes in the economy. The vision for economic development is a well balanced City where business complements and adds to the quality of life for all who live, work, shop and play in Whittier. The mission statement established to achieve this vision is to facilitate the growth, diversification and stability of the Whittier economy; create prosperous income opportunities for all citizens of the City; expand the economy; and provide a

[3] Los Angeles County Economic Development Corporation Website, http://laedc.org/, accessed June 2, 2014.

sustainable future for Whittier. The following are the general goals established to achieve the city's adopted vision and mission statement related to economic development: [4]

- Promote a strong, diversified and sustainable local economy and enhance the quality of life in the community;
- Increase the city's sales tax revenue growth and tax base;
- Retain and enhance the existing businesses;
- Encourage and promote the development and enhancement of retail areas to achieve a vibrant shopping, dining and/or entertainment experience;
- Encourage active cooperation between the city and local businesses concerning economic development issues;
- Promote local citizen support of businesses located in Whittier; and
- Encourage job creation, where possible.

As part of the City's Economic Development program, the City contracted with The Buxton Company, a leader in retail development strategies and analysis of customer data and demographics, to look at the trade (market) area for the City and local businesses. The Buxton Company collected data to prepare the Consumer Propensity Report (CPR) for existing local businesses as it can help businesses better understand existing clients and customers, potential customers and their shopping patterns, and attract the right businesses to locate or expand in the City. The CPR shows the lifestyle, product, and psychographic likelihood for the consumers within the trade area being analyzed.[5] Major retail, restaurant, grocery, and consumer packaged goods firms use this information to drive marketing and merchandising decisions.

5.10.3 IMPACT THRESHOLDS AND SIGNIFICANCE CRITERIA

The EIR process must adhere to CEQA Guidelines which state that economic changes resulting from a project shall not be treated as significant effects on the environment. Economic effects of a physical change, however, may be used to determine that the physical change is a significant change to the environment per Section 15358b of the CEQA Guidelines. It should be noted that the potential for the project to result in competitive impacts on existing retail facilities within the surrounding area (thus resulting in physical impacts related to urban decay) are analyzed within Section 5.9, *Land Use and Planning*.

In the absence of specific thresholds of significance for fiscal impacts, the CEQA Guidelines encourage each public agency to develop its own set of thresholds. Based on the Fiscal Impact Analysis, the following threshold of significance for the purposes of CEQA was applied in the analysis of economic and fiscal impacts of the project:

The proposed Project may create a significant adverse fiscal/economic impact if it would:

- Affect the local economy (the City's General Fund), such that it would not result in full payment of all the services that are being provided on behalf of the City.

Based on these standards/criteria, the Project's effects have been categorized as either a "less than significant impact" or a "potentially significant impact." If a potentially significant impact cannot be reduced to a less than significant level through the application of goals, policies,

[4] City of Whittier, *Economic Development Strategy Fiscal Year 2013-14,* Summer 2013.
[5] The Buxton Company, *Consumer Propensity Report,* June 7, 2010.

standards or mitigation, it is categorized as a significant and unavoidable impact. The standards used to evaluate the significance of impacts are often qualitative rather than quantitative because appropriate quantitative standards are either not available for many types of impacts or are not applicable for some types of projects.

5.10.4 IMPACTS AND MITIGATION MEASURES

- **PROJECT IMPLEMENTATION WOULD NOT HAVE ADVERSE FISCAL IMPACTS ON THE LOCAL ECONOMY, SUCH THAT IT WOULD NOT RESULT IN FULL PAYMENT OF ALL THE SERVICES THAT ARE BEING PROVIDED ON BEHALF OF THE CITY.**

Impact Analysis: Recurring General Fund revenues consist of property tax revenues, motor vehicle licensing fees, sales tax revenues, multiplier revenues, and investment income. Table 5.10-2, *Recurring General Fund Revenues,* summarizes the total recurring General Fund revenues anticipated to be generated by the Project. Detailed assumptions and derivation calculations for each revenue category are contained in Exhibit A-5 through A-8 of Appendix 11.11.

Recurring General Fund Revenues

Property Tax Revenues

Secured Property Taxes. The Project would result in $252,440 of recurring General Fund revenues from secured property taxes; refer to Table 5.10-2.

Unsecured Property Taxes. Unsecured property tax assumptions as a percentage of secured property taxes were used to calculate residential and non-residential unsecured taxes. The Project would result in $9,100 of recurring General Fund revenues attributed to unsecured property taxes; refer to Table 5.10-2.

Property Tax Transfer. Residential property and non-residential property turnover rates, property assessment values, and property transfer taxes passed through the City were used to calculate property tax transfer. The Project would result in $14,420 of recurring General Fund revenues associated with property tax transfers; refer to Table 5.10-2.

Motor Vehicle Licensing Fees

Motor Vehicle Licensing Fees. Cities will no longer receive motor vehicle licensing fees pursuant to SB89.

Property Tax in-Lieu of Vehicle Licensing Fees. Based on the County of Los Angeles Office of the Assessor, *2013 Annual Report,* the total City gross assessed value along with the City property tax in-lieu of vehicle license fee revenue from the City motor vehicle in lieu receipts were used to calculate property tax in-lieu of vehicle licensing fees. The Project would result in $275,525 of recurring General Fund revenues from property tax in-lieu of vehicle license fee revenues; refer to Table 5.10-2.

Table 5.10-2
Recurring General Fund Revenues

Revenue Category	Amount	Percentage of Total
Property Tax Revenues		
Secured Property Tax	$252,440	16.7%
Unsecured Property Tax	$9,100	0.6%
Property Transfer Tax	$14,420	1.0%
Motor Vehicle License Fees		
Motor Vehicle License Fees[1]	$0	0%
Motor Vehicle In-Lieu	$275,525	18.2%
Sales Tax Revenues		
Indirect Sales Tax	$74,250	4.9%
Direct Sales Tax	$358,810	23.7%
Multiplier Revenues		
Franchise Taxes	$51,750	3.4%
Utility User Tax	$169,130	11.2%
Transient Occupancy Tax	$8,050	0.5%
Business Licenses	$44,700	2.9%
Fines and Forfeitures	$17,990	1.2%
City Charge for Services – Contract for General Government	$46,720	3.1%
City Charge for Services – Others	$148,760	9.8%
Miscellaneous Revenues	$41,900	2.8%
Investment Income Revenues		
Investment Income[2]	$1,750	0.1%
Total	***$1,515,295***	***100%***

Notes:
1. Pursuant to SB89, cities will no longer receive Motor Vehicle License Fees.
2. Based on discussions with the City, a discount factor of 90 percent was applied to account for fluctuations in monthly balances.

Source: David Taussig & Associates, *Lincoln Specific Plan Fiscal Impact Analysis Summary Memorandum*, September 24, 2014.

Sales Tax Revenues

Indirect Sales Tax. Indirect sales taxes were calculated using number of residential units and total taxable expenditures within the City. The Project would result in $74,250 of recurring General Fund revenues from indirect sales tax; refer to Table 5.10-2.

Direct Sales Tax. Direct sales taxes were calculated using square footage from non-residential land uses (general retail, specialty retail, restaurant, and other non-retail) and total retail sales. The Project would result in $358,810 of recurring General Fund revenues from direct sales tax; refer to Table 5.10-2.

Multiplier Revenues

The multiplier revenues categories included in recurring General Fund revenues are franchise taxes, utility user taxes, business licenses, fines, forfeitures, city charges for services, and miscellaneous revenues. Based on the City's 2013-14 FY budget, multiplier factors were applied to each revenue category based on FY 2013-14 budgeted revenue divided by the applicable demographic category (e.g. total persons served in the City). The Project would result in $529,000 of recurring General Fund revenues associated with multiplier revenues; refer to Table 5.10-2.

Investment Income Revenues

Based on the City's FY 2013-14 budget, total non-interest recurring General Fund revenues and investment income were used to calculate investment income. Based on discussions with the City staff and the City's consultant, a discount factor of 90 percent was applied to account for fluctuations in monthly balances. The Project would result in $1,750 of recurring General Fund revenues from investment income revenues; refer to Table 5.10-2.

Total Recurring Fund Revenues

As shown in Table 5.10-2, the largest projected City General Fund revenue sources attributable to the Project would be the Direct Sales Taxes, Secured Property Taxes, and Property Tax In-Lieu of Vehicle License Fees. The total amount of recurring General Fund revenues from the Project would total $1,515,295 from property tax revenues, motor vehicle license fees, sales tax revenues, multiplier revenues, and investment income revenues.

Recurring General Fund Expenditures

Recurring General Fund expenditures consist of general government, community development, library, parks, community services, city controller, public works, police protection, and fire department. Table 5.10-3, *Recurring General Fund Expenditures,* summarizes the total recurring General Fund expenditures anticipated to be associated with the Project's buildout. For each expenditure category, detailed assumptions and derivation calculations are contained in Exhibit A-9 and A-10 of Appendix 11.11.

Based on the City's 2013-14 fiscal year (FY) budget, multiplier factors were applied to each applicable demographic category (e.g., total persons served in the City) to result in the total recurring General Fund expenditures.

As shown in Table 5.10-3, the largest projected City General Fund expenditures would be for the Police Department and Public Works Department. The total amount of recurring General Fund expenditures from the Project would total $1,042,538 from general government, community development, library, parks, community services, city controller, public works, and police protection. City fire services are provided by Los Angeles County Fire Department and it is assumed that property taxes received by the County Fire Department would be sufficient to mitigate the cost to provide fire services to the City.

Table 5.10-3
Recurring General Fund Expenditures

Expenditure Category	Amount	Percentage of Total
General Government	$35,968	3.5%
Community Development	$43,980	4.2%
Library	$78,250	7.5%
Parks	$119,130	11.4%
Community Services	$65,300	6.3%
City Controller	$39,310	3.8%
Public Works	$142,790	13.7%
Police Protection	$401,260	38.5%
Fire Department	$0	0%
Total	***$1,042,538***	***100%***
Source: David Taussig & Associates, *Lincoln Specific Plan Fiscal Impact Analysis*, September 24, 2014.		

Net Fiscal Impact Summary

As shown in Table 5.10-4, *Net Fiscal Impact Summary*, the overall fiscal impact to the City's General Fund, as a result of revenues anticipated to be generated by the Project and the demand for public services associated with the Project's buildout, would be an annual recurring fiscal surplus of $472,757. Annual recurring revenues generated by the Project are projected to equal approximately 1.45 times the General Fund costs associated with the Project.

Table 5.10-4
Net Fiscal Impact Summary

Fiscal Impact Category	Amount
Total Annual Recurring General Fund Revenues	$1,515,295
Total Annual Recurring General Fund Costs	($1,042,538)
Total Annual Recurring General Fund Surplus	***$472,757***
Total Annual Revenue/Cost Ratio	***1.45***
Source: David Taussig & Associates, *Lincoln Specific Plan Fiscal Impact Analysis Summary Memorandum*, September 24, 2014.	

Therefore, the General Fund expenditures associated with the Project would not exceed the annual recurring General Fund revenues generated by the Project. As such, the Project would be able to fully pay for all the services that are being provided on its behalf by the City, resulting in a beneficial (and less than significant) impact in this regard.

In addition to the direct economic benefits to the City's General Fund as described above,, the Project would also result in indirect benefits due to additional employment created during short-term construction and long-term operations. The Project would generate temporary employment through the need for construction employees, and long-term employment positions related to the various uses proposed under the Specific Plan. These new employment positions would create benefits in the local economy by increasing demand for support services and suppliers, as well as goods and services. As such, the Project would also result in beneficial indirect impacts created by employment generated during the short-term construction process and long-term operations.

Mitigation Measures: No mitigation measures are required.

Level of Significance: Less Than Significant Impact.

5.10.5 CUMULATIVE IMPACTS

- **CONSTRUCTION OF THE PROPOSED PROJECT AND OTHER RELATED CUMULATIVE PROJECTS COULD HAVE A SIGNIFICANT FISCAL IMPACT ON THE LOCAL ECONOMY.**

Impact Analysis: Table 4-1, *Cumulative Projects List* identifies the related projects and other possible development that would occur in the cities of Whittier, Santa Fe Springs, and Pico Rivera, as well as unincorporated Los Angeles County. Based on the projects provided in Table 4-1, cumulative development would result in new residential, commercial, industrial/warehouse, light industrial, institutional uses, among others. The proposed Project's fiscal impacts are considered cumulatively considerable in that the identified cumulative development projects would also result in varying levels of General Fund revenues and expenditures that could result in adverse impacts. However, the identified cumulative projects would be evaluated on a project-by-project basis, as they are implemented within Whittier and the other jurisdictions. Each cumulative project would undergo a similar development review process as the proposed Project, to determine whether fiscal impacts could arise. Each cumulative project would be analyzed independently and within the context of General Fund benefits to the lead agency, and an evaluation of costs incurred to provide services to the project. Therefore, the combined cumulative impacts associated with the Project's fiscal effects and those of the cumulative projects would be less than significant.

Mitigation Measures: No mitigation measures are required.

Level of Significance: Less Than Significant Impact.

5.10.6 SIGNIFICANT UNAVOIDABLE IMPACTS

No significant unavoidable fiscal impacts have been identified.

5.10.7 SOURCES CITED

California Department of Finance, *E-5 City/County Population and Housing Estimates*, January 1, 2014.

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