



# San Benito County General Plan Update FISCAL IMPACT ANALYSIS REPORT

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*Photo by Rene Rodriguez*

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### **SAN BENITO COUNTY FISCAL IMPACT ANALYSIS**

In 2009, ERA/AECOM was retained by San Benito County, as part of the consultant team, to assist with the County's General Plan Update. The prime consultant for the General Plan Update is Mintier Harnish, and ERA/AECOM served as the economics and fiscal analysis subconsultant. As part of the update, ERA/AECOM provided a summary of demographic and economic trends in San Benito and provided market demand and growth forecasts for 2010-2035. That analysis was presented in the General Plan Background Report Chapter 2: Demographic and Economic Trends and was submitted in March of 2010.

In December of 2010, the County reviewed a number of growth alternatives, and selected the most appropriate projection for population and employment. The 2035 Preferred Alternative presents population growth and housing unit demand equal to that put forth in previous Association of Monterey Bay Area Governments (AMBAG) projections. However, given the County's aggressive job growth goals, the County expects that employment within San Benito will outpace AMBAG's projections. The Preferred Alternative reflects this more aggressive employment growth scenario.

Building on the work that ERA/AECOM has done, as well as the revised growth expectations, ERA/AECOM has prepared a fiscal impact evaluation related to expected development and growth within San Benito County by 2035 as guided by the General Plan update. The following report presents detailed General Fund revenue and expenditure projections to help evaluate the impacts of the growth and development projected to be accommodated in the General Plan.

The report is organized into the following sections:

- Section 1 - Methodology
- Section 2 - Baseline Conditions: 2010 General Fund Revenues and Expenditures
- Section 3 - Fiscal Impacts of General Plan in 2035

### **Executive Summary**

The fiscal impact analysis estimates the balance of ongoing countywide revenues and expenditures associated with expected developments profiled within the General Plan Update for the year 2035. ERA/AECOM focused on the net fiscal change affecting the San Benito County General Fund because it is the primary source of unrestricted discretionary funding available to the County. The resulting General Fund impact is shown in **Table 1** below. The majority of the assumptions used to generate revenue and expenditure impacts are based on current (2010-2011) conditions. As with all projections, significant changes in the economic and policy environment within the county and state may significantly affect the expected impacts of the General Plan update and all related new development.



<b>TABLE 1</b>	
<b>ESTIMATED ANNUAL GENERAL FUND IMPACT</b>	
<b>San Benito County</b>	
<b>2035</b>	
Estimated Revenue Impact	\$13,122,816
Estimated Expenditure Impact	(\$11,979,853)
<b>Net County of San Benito General Fund Impact</b>	<b>\$1,142,963</b>

<sup>1</sup> Revenue, Expenditure and Net Impact all presented in constant 2010\$

Source: ERA/AECOM 2011

This fiscal analysis indicates that as San Benito County grows over the next 25 years, guided by the 2035 General Plan, its incremental General Fund revenues should be sufficient to cover its General Fund expenditures. This conclusion is predicated on five important growth and efficiency assumptions:

- Residential development within the county will proceed at a moderate pace consistent with AMBAG forecasts, and San Benito County does not evolve into a bedroom community for Silicon Valley.
- Commercial development will take place in the vicinity of the new Highway 101 interchange near the San Benito County and Monterey County border. Commercial development at this location will not only be able to serve residents of San Benito County but will also earn sales and lodging tax revenue from motorists traveling Highway 101 and residents of neighboring Monterey County. Other commercial nodes are expected along State Route (SR) 156, between San Juan Bautista and Hollister and to the north of Hollister, as well as along SR 25 to the north and south of the County seat. Several new commercial develops are also expected at highway intersections throughout the county.
- Based on the County Board of Supervisors' direction for economic development, employment growth is expected to outpace AMBAG projections. As part of a review in December 2010, the County selected a Preferred Alternative for the 2035 General Plan. In this scenario, employment is expected to increase by 7,720 jobs countywide and 3,090 jobs within the unincorporated county by 2035.
- As part of its economic development strategy, San Benito County evolves a successful wine tourism industry. High-end and small scale lodging associated with the wine industry enhances San Benito County's scenic beauty and rural character but also generates substantial transient occupancy tax revenue for the General Fund without high volumes of traffic impact. The production of high quality wines is a pre-condition of this strategy.
- The County Sheriff's Department and the Hollister Police Department will be consolidated resulting in operating cost savings for the General Fund.

### SECTION 1      METHODOLOGY

#### Introduction

This section summarizes the methodology and sources used for the fiscal impact analysis. The methodology used is based on common industry standards and relies on the most current available information.

#### Key Terms

The following key terms used in this section are defined as follows:

**Forecasting Method.** This report uses two primary methods to calculate future revenue or expenditure: Service Population Multiplier (or Per Capita Multiplier) and Development numbers, which are calculated based on additional physical development (changes in land use, property values, etc.).

**Per Capita Multiplier.** Per person, or per service unit revenues and expenses for line items within the County General Fund budget.

**Projection.** A prediction of the future setting based on extrapolations from past observations tempered by other economic influences.

#### Analysis Techniques

This analysis uses two primary techniques to estimate the change in revenues and expenditures. Where possible, the increase in revenues is calculated according to the manner in which revenue line items are collected and allocated to the County. For example, increases in property tax revenues are based on the change of the estimated assessed value of expected land uses. Where this type of detailed modeling was not possible, ERA used factors that represent the County's current average cost or revenue per service unit. Revenue estimation relies on both methods depending on the line item. Expenditure line items are all based on per capita (or per service unit) expenditure multipliers. The methods used are identified by line item in **Table 3** and **Table 4**.

The analysis assumes that existing fiscal conditions in fiscal year ending June 30, 2010, reflect future fiscal conditions and service levels in San Benito County. All costs and revenues are presented in 2010 dollars. The impact analysis builds on both AMBAG's 2035 growth projections and the County's own 2035 Preferred Alternative growth projection, which reflects San Benito County's commitment to growing employment within the county.

Additional inputs are drawn from the San Benito County Fiscal Budgets, the County's Comprehensive Annual Financial Reports (CAFR), as well as from interviews and data received from various County agencies and public and private databases.



## SECTION 2 BASELINE CONDITIONS - 2010 GENERAL FUND REVENUES AND EXPENDITURES

### Introduction

This section presents pertinent population and economic data for San Benito County. By establishing the current (2010) service population, per capita multipliers are derived from the County's budget. These multipliers will be applied where applicable to estimate the 2035 fiscal impact.

This section draws from the findings of the General Plan *Background Report, Chapter 2. Demographic and Economic Trends* as well as from the County's most recent available Comprehensive Annual Financial Report (Fiscal Year ended June 30, 2010) and Budget.

### Key Terms

The following key terms used in this section are defined as follows:

**Income Area.** The income area – either countywide or unincorporated – identifies the area from which revenue into the County General Fund is drawn.

**Service Area.** The service area – either countywide or unincorporated – identifies the area in which the County is responsible for providing services. In San Benito County, almost all of the services provided and paid for out of the General Fund, are delivered to the entire county.

**Service Population.** The number of people that receive County or municipal services. Service populations are typically presented as service *units*, to reflect varying rates of service usage between residents and employees. Municipal residents are counted as one service unit, while employees count for one-third of a service unit.

### Major Findings

- San Benito County's 2010 service population is just over 62,000 units. Almost 90 percent of this is resident-derived. This number is based on County budget information and differs from the AMBAG 2010 population estimates.
- Public Protection (\$372) and Education (\$16) are the County's two largest expenses per service unit. In the forecast for 2035, the cost per unit for public protection is expected to decrease by 15 percent as a result of the consolidation of the County Sheriff's Department and the Hollister Police Department.

### 2010 Service Population

Resident and employment populations serve as the basis for estimating increases in municipal service revenue and expenditure. However, residents and employees access municipal services at different rates. Employees tend to place a lower per capita burden on County services as compared to residents. Additionally, intergovernmental and other County revenue sources are often related more directly to

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resident population than to the number of employees. In order to apply the projected 2035 service population to estimate future fiscal impacts, the current (2010) fiscal costs and revenues per service population are used as a baseline. New residents have been assigned a value of 1.0 service unit, while employees are weighted as a third of residents (0.33 service units).

San Benito County's 2010 service population, based on the County's annual budget, is estimated at 62,339 (**Table 2**).

<b>TABLE 2</b>			
<b>SAN BENITO COUNTY SERVICE POPULATION</b>			
<b>San Benito County Unincorporated and Incorporated Areas</b>			
<b>2010</b>			
	<b>Unincorporated</b>	<b>Incorporated</b>	<b>County</b>
Resident Population (2010)	18,484	36,788	55,272
Employment (2010)	6,900	14,300	21,200
<b>Service Population (2010)<sup>1</sup></b>	<b>20,784</b>	<b>41,555</b>	<b>62,339</b>

<sup>1</sup> Service Population = 100% of Residents + 33% of Employees

Source: *General Plan Background Report Chapter 2. Demographic and Economic Trends; California Department of Finance, January 1, 2010 Estimates; California Employment Development Department, Annual 2010 Average; ERA/AECOM 2011.*

In addition to applying development-based or service population-based estimates of General Fund revenues and expenditures, certain municipal line item costs vary more with growth and development than others. For example, Public Protection costs are more directly affected by population growth than General Government, which includes County Counsel, County Clerk, and District Attorney costs. In order to take this into account, the analysis of expenditures includes a fixed versus variable cost allocation for each major budget line item.

**Table 3** and **Table 4** summarize the 2010 General Fund revenues and expenditures drawn from the County's 2010 Comprehensive Annual Financial Report. The tables also identify the forecasting method used for each budget line item and present a per capita service multiplier estimate where applicable.

With the exception of the *Public Protection* expenditure line item, all per capita multipliers presented will be used with the net new service population to estimate revenue and expenditure contributions in 2035. In light of the fiscal pressure on local government, the San Benito County Sheriff's Office and the Hollister Police Department have been negotiating a consolidation agreement. While this consolidation was recently (January 2012) rejected by the Hollister City Council, the expectation is that due to financial constraints, an agreement will be approved before 2035. Similar consolidations of services, between counties, and/or between the county and city(s) may be explored as cost saving measures in the coming years. It is assumed that the consolidation of the San Benito County Sheriff's Office and the Hollister Police Department would result in a 15 percent savings per capita, primarily due to savings in top level and administration positions. As a result, the Public Protection per capita multiplier will be adjusted downwards by 15 percent to reflect these expected efficiency savings (in 2035).



**TABLE 3**  
**SAN BENITO COUNTY GENERAL FUND REVENUES AND FORECASTING METHOD BY LINE ITEM**  
 San Benito County  
 2010

	Amount (FY 2009-2010)	Forecasting Method	Service Area	Service Population (2010)	Net Cost per Additional Service Unit
Taxes <sup>1</sup>	13,546,752				
<i>Property Taxes</i>	11,918,887		--	--	--
Current Secured	6,487,062	Development	--	--	--
Current Unsecured	299,092	Development	--	--	--
Prior Unsecured	5,989	Not Applicable	--	--	--
Supplemental	62,080	Not Applicable	--	--	--
Prior Supplemental	59,570	Not Applicable	--	--	--
Triple Flip	4,923,089	Development	--	--	--
Transient Occupancy Taxes	82,005	Development	--	--	--
Property Transfer Tax	225,373	Development	--	--	--
Sales & Use Taxes	1,067,883	Development	--	--	--
In Lieu Sales Tax	333,497	Service Pop	Countywide	62,339	\$5.35
Other Taxes	691	Service Pop	Unincorporated	20,784	\$0.03
Licenses and Permits	802,321	Service Pop	Unincorporated	20,784	\$38.60
Aid from other Governments	5,477,573	Not Applicable	--	--	--
Use of Money or Property	399,630	Not Applicable	--	--	--
Fines, Forfeits and Penalties	733,010	Service Pop	Countywide	62,339	\$11.76
Charges for Services	4,774,769	Service Pop	Countywide	62,339	\$76.59
Miscellaneous Revenue	388,450	Not Applicable	--	--	--
<b>Total General Fund Revenues</b>	<b>26,122,505</b>				

<sup>1</sup> Sum of Taxes does falls short of Taxes total due to discrepancy between the Comprehensive Annual Financing Report (CAFR) and reported revenues in the County's Budget Report  
 Source: ERA/AECOM 2011, San Benito County 2010 Comprehensive Annual Financial Report (2009-2010), p65; County of San Benito Adopted Budget for Fiscal Year 2010-2011, p6



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**TABLE 4**  
**SAN BENITO COUNTY GENERAL FUND EXPENDITURES AND FORECASTING METHOD BY**  
**San Benito County**  
**2010**

	Amount (FY 2009- 2010)	Method	Service Area	Service Population (2010)	Gross Cost per Service Unit	Fixed	Variable	Net Cost per Additional Service Unit
Current								
General Government	5,161,369	Service Pop	Countywide	62,339	\$82.80	95%	5%	\$4.14
Public Protection <sup>1</sup>	24,417,024	Service Pop	Countywide	62,339	\$391.68	5%	95%	\$372.10
Public Ways and Facilities	159,043	Service Pop	Countywide	62,339	\$2.55	5%	95%	\$2.42
Health and Sanitation	-	Service Pop	Countywide	62,339	\$0.00	5%	95%	\$0.00
Public Assistance	157,946	Service Pop	Countywide	62,339	\$2.53	5%	95%	\$2.41
Education	1,046,484	Service Pop	Countywide	62,339	\$16.79	5%	95%	\$15.95
Recreation and Culture	193,013	Service Pop	Countywide	62,339	\$3.10	25%	75%	\$2.32
Capital Outlay	-	Not Applicable	--	--	--	--	--	--
Debt Service	226,867	Not Applicable	--	--	--	--	--	--
Contingencies	-	Not Applicable	--	--	--	--	--	--
<b>Total General Fund Expenditures</b>	<b>31,361,746</b>							

<sup>1</sup> The net additional cost per additional service unit will be adjusted down by 15 percent in the final Expenditure estimation to reflect the expected efficiency savings related to the consolidation of County law enforcement services with the City of Hollister. The net per additional service population multiplier presented in this table reflects current costs.

Source: ERA/AECOM 2011; San Benito County 2010 Comprehensive Annual Financial Report (2009-2010), p65



## SECTION 3 FISCAL IMPACTS OF GENERAL PLAN IN 2035

### Introduction

This section develops line item costs for General Fund revenues and expenditures, reflecting the anticipated population, employment, and development growth projections laid out in the Draft 2035 General Plan. It relies on findings from the General Plan Background Report *Chapter 2. Demographic and Economic Trends*, data from AMBAG, revised employment projections from the 2035 General Plan Preferred Alternative reflecting the County's goal of increasing jobs, and input from various County agencies.

### Key Terms

The following key terms used in this section are defined as follows:

**Per Capita Multipliers.** Per Person revenues and expenses for line items within the County General Fund budget.

**Projection.** A prediction of the future setting based on extrapolations from past observations tempered by other economic influences.

### Major Findings

- Between 2010 and 2035 San Benito County population is expected to grow by an additional 32,300 residents. Employment is expected to grow by just under 45 percent, resulting in an additional 7,720 employees. This increase will generate 33,740 new service units within the county.
- Over 70 percent of growth is expected within the cities of Hollister and San Juan Bautista.
- New development is expected to result in over \$5.6 million in secured and \$0.8 million in unsecured property tax General Fund revenue by 2035.
- New development within the county unincorporated areas is expected to generate more than \$600,000 in property transfer tax revenue in 2035. This represents an almost 2.8 fold increase over 2010 revenue.
- Strategically located commercial and office development is expected to capitalize on new infrastructure and tourism opportunities, resulting in just under \$900,000 in County sales and use tax in 2035.
- Due to significant growth in the number of hotel rooms, as well as the development of a higher end market for winery-related boutique resorts, an almost sixteen fold increase over the modest 2010 Transient Occupancy Tax (TOT) revenue is expected.

### Projected Service Population in 2035

As discussed in Section 2 the Service Population serves as the basis for estimating the increase in County General Fund expenditure. Based on the growth in the resident population forecasted by AMBAG and the employment population forecasted by the County, the net new service population within San Benito County by 2035 is estimated to be 34,873 service units (Table 5).

TABLE 5 TOTAL NET NEW SERVICE POPULATION San Benito County Unincorporated and Incorporated Areas 2010-2035					
	2010	2035	Absolute Growth 2010-2035	Service Units	New Service Population
Population	62,431	94,731	32,300	1.00	32,300
Employment	17,380	25,100	7,720	0.33	2,573
<b>Total</b>	<b>79,811</b>	<b>119,831</b>	<b>40,020</b>		<b>34,873</b>

Source: San Benito County 2035 General Plan Preferred Alternative

### Allocation of Growth between Incorporated and Unincorporated Areas

The distribution of employment within the county is presented in Table 6. This estimated distribution is based on work from the General Plan Background Report, the County 2035 General Plan Preferred Alternative, and input from Mintier Harnish.

TABLE 6 TOTAL NET NEW EMPLOYMENT San Benito County 2010-2035			
	2010	2035	Net New
<i>Unincorporated</i>	6,260	9,350	3,090
<i>Incorporated</i>	11,120	15,750	4,630
City of Hollister	10,900	15,420	4,520
City of San Juan Bautista	220	330	110
<b>Countywide</b>	<b>17,380</b>	<b>25,100</b>	<b>7,720</b>
Retail	2,910	5,650	2,740
Service	4,690	6,850	2,160
Industrial	2,870	4,190	1,320
Public <sup>1</sup>	2,570	3,290	720
Construction	2,400	3,070	670
Agriculture	1,940	2,050	110
<b>Total Countywide</b>	<b>17,380</b>	<b>25,100</b>	<b>7,720</b>

<sup>1</sup> Includes employment in Education, Government and Other

Source: San Benito County 2035 General Plan Preferred Alternative; Mintier Harnish; ERA/AECOM



**Table 7** summarizes the distribution of employment between the unincorporated and incorporated areas. Per the County’s aggressive employment growth scenario, the unincorporated areas are expected to have strong growth in the industrial and retail sectors.

<b>TABLE 7</b>					
<b>NET NEW EMPLOYMENT DISTRIBUTION BY SECTOR AND AREA</b>					
<b>San Benito County Unincorporated and Incorporated Areas</b>					
<b>2035</b>					
	<b>Unincorporated</b>		<b>Incorporated</b>		<b>County Total</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Retail	959	35%	1,781	65%	2,740
Service	538	25%	1,622	75%	2,160
Industrial	1,056	80%	264	20%	1,320
Public	155	22%	565	78%	720
Construction	272	41%	398	59%	670
Agriculture	110	100%	0	0%	110
<b>TOTAL</b>	<b>3,090</b>		<b>4,630</b>		<b>7,720</b>

Source: San Benito County, Mintier Harnish, AMBAG, ERA/AECOM

Although the fiscal impact analysis is based on the County’s 2035 Preferred Alternative, **Table 8** illustrates the difference between the Preferred Alternative and AMBAG’s employment forecast. In response to new commercial development nodes included in the Preferred Alternative, as well as additional anticipated industrial development, the County’s Preferred Alternative includes increased employment among retail, service, and industrial sectors.

<b>TABLE 8</b>		
<b>SAN BENITO GROWTH PROJECTIONS</b>		
<b>San Benito County</b>		
<b>2035</b>		
	<b>2035 Preferred Alternative <sup>1</sup></b>	<b>2035 AMBAG Projections</b>
Retail	2,740	890
Service	2,160	1,810
Industrial	1,320	170
Public	720	720
Construction	670	670
Agriculture	110	60
<b>Total</b>	<b>7,720</b>	<b>4,320</b>

<sup>1</sup> Employment distribution of preferred alternative based on input from San Benito County as well as ERA/AECOM adjustments

Source: San Benito County A2035 General Plan Preferred Alternative; Mintier Harnish; ERA/AECOM

### **Allocation of New Development**

The demand for various types of real estate development between 2010 and 2035 is summarized in **Table 9**. These numbers are based on employment growth and distribution. Because property tax, transient occupancy tax, and property transfer tax contributions to the County General Fund vary between unincorporated and incorporated areas, this table distinguishes between the expected growth in these two areas.

The distribution of the service units between incorporated and unincorporated areas is detailed in **Table 10**. Seventy-one percent of the service growth is expected to occur in the incorporated cities, with unincorporated areas within San Benito County assuming 29 percent of the service unit growth.



TABLE 9 MARKET DEMAND FOR FUTURE LAND USES San Benito County Unincorporated and Incorporated Areas 2035						
	Countywide New Demand, 2035 <sup>1</sup>		Allocation of Demand		Projected New Development by 2035	
	Number	Units	Unincorporated	Incorporated	Unincorporated	Incorporated
<b>Residential</b>						
Single-Family	9,037	Units	29%	71%	2,595	6,442
Multi-family	1,193	Units	47%	53%	565	628
<b>Retail</b>						
Apparel Stores	26,421	SF	25%	75%	6,605	19,816
Gen. Merchandise & Drug	169,343	SF	20%	80%	33,869	135,475
Food Stores	210,903	SF	30%	70%	63,271	147,632
Eating & Drinking Places	113,437	SF	25%	75%	28,359	85,078
Furnishing & Appliances	30,812	SF	25%	75%	7,703	23,109
Bldg Materials & Hardware	124,114	SF	30%	70%	37,234	86,880
Auto Dealers & Supplies	49,816	SF	10%	90%	4,982	44,834
Service Stations	27,837	SF	15%	85%	4,176	23,661
Other Retail Stores	191,876	SF	40%	60%	76,750	115,126
<i>Total Retail Stores</i>	<i>944,560</i>	<i>SF</i>	<i>28%</i>	<i>72%</i>	<i>262,949</i>	<i>681,611</i>
Services @ 10%	94,456	SF	28%	72%	26,295	68,161
<b>Total Retail</b>	<b>1,039,016</b>	<b>SF</b>	<b>28%</b>	<b>72%</b>	<b>289,244</b>	<b>749,772</b>
<b>Office (net new)</b>	<b>149,362</b>	<b>SF</b>	<b>25%</b>	<b>75%</b>	<b>37,202</b>	<b>112,160</b>
<b>Hotel</b>						
Hollister and SJB	200	Rooms	0%	100%	-	200
HWY 101, unincorporated	120	Rooms	100%	0%	120	-
Resort/Winery, unincorporated	250	Rooms	100%	0%	250	-
<b>Industrial / Construction</b>	<b>1,693,617</b>	<b>SF</b>	<b>67%</b>	<b>33%</b>	<b>1,130,213</b>	<b>563,404</b>

<sup>1</sup> Based on AMBAG, San Benito County, ERA/AECOM forecasts of future growth

Source: San Benito County 2035 General Plan Preferred Alternative; Mintier Harnish; ERA/AECOM

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**TABLE 10**  
**TOTAL NET NEW SERVICE POPULATION BY SERVICE AREA**  
 San Benito County Unincorporated and Incorporated Areas  
 2035

	Countywide New Residents / Employment 2035 <sup>1</sup>	Percent Demand in		Net New Residents/ Employees, 2035		Service Weight	Net New Service Population	
		Unincorporated	Incorporated	Unincorporated	Incorporated		Unincorporated	Incorporated
<b>Residents</b>	32,300	28%	72%	8,990	23,310	1.00	8,990	23,310
<b>Employees by Sector</b>								
Retail	2,740	35%	65%	959	1,781	0.33	320	594
Service (Includes Office)	2,160	25%	75%	538	1,622	0.33	179	541
Industry	1,320	80%	20%	1,056	264	0.33	352	88
Public	720	22%	78%	155	565	0.33	52	188
Construction	670	41%	59%	272	398	0.33	91	133
Agriculture	110	100%	0%	110	0	0.33	<u>37</u>	<u>0</u>
<i>Employee Subtotal</i>	<i>7,720</i>						<i>1,030</i>	<i>1,543</i>
<i>Total Net New Service Population</i>							<i><u>9,939</u></i>	<i><u>24,934</u></i>
<b>Total County Net New Service Population</b>							<b>34,873</b>	

<sup>1</sup> Based on AMBAG forecasts of future growth, AECOM 2011

Source: San Benito County 2035 General Plan Preferred Alternative; Mintier Harnish; ERA/AECOM



## 2035 General Fund Revenues and Expenditures

### Assessed Value of New Development

Building on the distribution of development between incorporated and unincorporated county areas, assessed values were estimated for changes in all land use categories. Values for residential units are drawn from the average sale costs of single-family and multi-family housing built in San Benito County after 2000. Per square foot and unit costs for commercial and industrial uses are based on industry averages. The increased per unit cost for hotel development within the unincorporated area (\$250,000/room) over the incorporated area (\$125,000/room) is intended to reflect the higher-end resort development expected in the scenic wine tourism areas.

Assessed value of the net change anticipated in the Draft 2035 San Benito County General Plan by 2035 is estimated to be approximately \$5.6 billion. Estimated values and assessed value calculations are detailed in **Table 11** below.

### Secured and Unsecured Property Tax and Agency Tax Increment

Basic property taxes are assessed for the net change in development within the county by 2035. Property taxes are limited to one percent of the assessed value in accordance with Proposition 13. The share of this one percent that is allocated to the County varies between incorporated and unincorporated areas. Based on the most recent data available from the San Benito County Auditor's Office, the weighted average of percentage of secured property tax allocated to the County within unincorporated tax rate areas (TRA) is 21.68 percent. The weighted average within incorporated TRAs is 17.29 percent. In other words, for every dollar of property tax collected in the unincorporated areas, approximately \$0.22 goes to the County, while \$0.17 of every property tax dollar collected in Hollister and San Juan Bautista is sent to the County. For the purposes of this fiscal analysis, it is assumed that future development will be distributed within incorporated and unincorporated TRAs consistent with present day patterns. After property tax revenue is collected at the County-level, a percentage of the revenue is shifted from the County to the State as part of the Educational Revenue Augmentation Funds (ERAF I & II) shifts, Assembly Bill 8, and the Redevelopment Agency (RDA) shift. Per the San Benito County Auditor's Office 2011-2012 property tax apportionment numbers, just 52.14 percent of the County property tax revenue share remains in the General Fund. Accordingly, secured property taxes for the County General Fund that will be generated by new development by 2035 are estimated at \$5.6 million (**Table 11**).

Unsecured property tax, or taxes on non-land or housing property including machinery, tools, and supplies, is similarly allocated to the County General Fund. **Table 12** presents expected unsecured property taxes.



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**TABLE 11**  
**ASSESSED VALUE AND SECURED PROPERTY TAX FROM EXPECTED DEVELOPMENT**  
 San Benito County Unincorporated and Incorporated Areas  
 2035

	Units or SF	Value per Unit or SF	Total Assessed Value	Gross Property Tax @ 1%	Property Tax Distributed to County General Fund <sup>1</sup>
<b>Unincorporated</b>					21.68%
Residential (units) <sup>2</sup>					
Single Family	2,595	\$650,000	\$1,686,750,000	\$16,867,500	\$3,656,874
Multi-Family	<u>565</u>	\$300,000	<u>\$169,500,000</u>	<u>\$1,695,000</u>	<u>\$367,476</u>
Total Residential	3,160		\$1,856,250,000	\$18,562,500	\$4,024,350
Commercial / Industrial					
Office (sf)	37,202	\$400	\$14,880,847	\$148,808	\$32,262
Hotel (unit)	370	\$250,000	\$92,500,000	\$925,000	\$200,540
Retail (sf)	289,244	\$325	\$94,004,236	\$940,042	\$203,801
Industrial (sf)	<u>1,130,213</u>	\$275	<u>\$310,808,511</u>	<u>\$3,108,085</u>	<u>\$673,833</u>
Total Commercial / Residential	1,457,029		\$512,193,594	\$5,121,936	\$1,110,436
<b>Total Unincorporated</b>			<b>\$2,368,443,594</b>	<b>\$23,684,436</b>	<b>\$5,134,786</b>
<b>Incorporated</b>					17.29%
Residential (units) <sup>2</sup>					
Single Family	6,442	\$400,000	\$2,576,920,000	\$25,769,200	\$4,455,495
Multi-Family	<u>628</u>	\$300,000	<u>\$188,310,000</u>	<u>\$1,883,100</u>	<u>\$325,588</u>
Total Residential	7,070		\$2,765,230,000	\$27,652,300	\$4,781,083
Commercial / Industrial					
Office (sf)	112,160	\$400	\$44,863,834	\$448,638	\$77,570
Hotel (unit)	200	\$125,000	\$25,000,000	\$250,000	\$43,225
Retail (sf)	749,772	\$325	\$243,675,860	\$2,436,759	\$421,316
Industrial (sf)	<u>563,404</u>	\$275	<u>\$154,936,170</u>	<u>\$1,549,362</u>	<u>\$267,885</u>
Total Commercial / Residential	1,425,536		\$468,475,865	\$4,684,759	\$809,995
<b>Total Incorporated</b>			<b>\$3,233,705,865</b>	<b>\$32,337,059</b>	<b>\$5,591,077</b>
<b>Total Secured Property Tax</b>			<b>\$5,602,149,459</b>	<b>\$56,021,495</b>	<b>\$10,725,863</b>
Percentage of Property Tax Revenue to County General Fund Post ERAF / RDA Shift					52.14%
<b>Total Net Secured Property Tax to County General Fund</b>					<b>\$5,592,465</b>

<sup>1</sup> Gross property tax apportionment and post-ERAF/ RDA shift numbers from San Benito County Auditor's Office, 2011-2012

<sup>2</sup> Values based on averages of post-2000 single family and multi-family house sales in incorporated and unincorporated areas. Drawn from MLSEListings Inc.

Source: ERA/AECOM 2011



<b>TABLE 12</b> <b>ESTIMATED ASSESSED VALUE AND UNSECURED PROPERTY TAX FROM</b> <b>EXPECTED NEW DEVELOPMENT</b> <b>San Benito County Unincorporated and Incorporated Areas</b> <b>2035</b>		
	Unsecured Property Tax as % of Secured Property Tax <sup>1</sup>	Unsecured Property Tax
<b>Unincorporated</b>		
Residential	1%	\$185,625
Commercial / Industrial	10%	<u>\$512,194</u>
Total Unincorporated		\$697,819
<b>Incorporated</b>		
Residential	1%	\$276,523
Commercial / Industrial	10%	<u>\$468,476</u>
Total Incorporated		\$744,999
<b>Total Gross Unsecured Property Tax</b>		<b>\$1,442,817</b>
Percentage of Property Tax Revenue Post ERAF / RDA Shift		52.14%
<b>Total Net Unsecured Property Tax to County General Fund</b>		<b>\$752,285</b>

<sup>1</sup> From County of San Benito Auditor's Office, 2011-12 ratio of secured to unsecured property tax was 4.56 percent

Source: ERA/AECOM 2011

### Sales and Use Tax

Sales and Use Tax is derived from sales at retail and office developments. A substantial proportion of the commercial development within unincorporated areas of San Benito County by 2035 is expected to take place near the border with Monterey County. Commercial developments at the proposed Highway 101 interchange and sales associated with the growing wine industry will likely target visitors to the county rather than residents and employees. Because of this, sales and use tax has been calculated based on sales per square foot of development, rather than on a service unit multiplier.

Percentages of sales tax allocated to the County vary between unincorporated and incorporated areas. Within unincorporated areas the County receives the full 1.0 percent tax rate. In incorporated areas, 0.75 percent of the tax is returned to the municipality, with the remaining 0.25 percent allocated to the County.

As part of the State's Triple Flip program, one quarter of all sales and use tax revenue is shifted to the State, and eventually returned to the General Fund via ERAF monies. Sales tax revenue lost via the Triple Flip has been accounted for here and will be added into the budget as a separate line item. **Table 13** summarizes the sales and use tax for San Benito County.

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Due to the State's acute economic situation, we have omitted any projected revenue associated with Proposition 172 (Public Safety Funds) from the impact analysis. Over the past three years the sales tax-derived funds have been dramatically cut and have become an unreliable source of revenue for the County. While it is assumed that Prop 172 revenue will eventually become available again, the amount and allocation is unclear.

TABLE 13 SALES AND USE TAX San Benito County Unincorporated and Incorporated Areas 2035		
	Unincorporated	Incorporated
<b>State Sales and Use Tax (County Allocation)</b>		
Local County Transportation Fund	0.25%	0.25%
Local City or County Operations	<u>0.75%</u>	<u>0.00%</u>
<i>Total Sales Tax Rate</i>	<i>1.00%</i>	<i>0.25%</i>
<b>Square Feet of New Development</b>		
Commercial	289,244	749,772
Office	<u>37,202</u>	<u>112,160</u>
<i>Total Square Feet of New Development</i>	<i>326,446</i>	<i>861,931</i>
<b>Taxable Sales per Improved Square Foot</b>		
Commercial	\$250	\$250
Office	\$10	\$10
<b>Taxable New Sales</b>		
Commercial	\$72,310,951	\$187,442,970
Office	<u>\$372,021</u>	<u>\$1,121,596</u>
<i>Total Taxable New Sales</i>	<i>\$72,682,972</i>	<i>\$188,564,565</i>
<i>Subtotal Sales and Use Tax</i>	<i><u>\$726,830</u></i>	<i><u>\$471,411</u></i>
Triple Flip as Percentage of Sales and Use Tax	25%	
<i>Sales and Use Tax Less Triple Flip</i>	<i><u>\$545,122</u></i>	<i><u>\$353,559</u></i>
<b>Subtotal County Sales and Use Tax</b>	<b>\$898,681</b>	

Source: ERA/AECOM Economics

### Triple Flip

The Triple Flip is a funding mechanism used to divert an existing revenue stream to pay for deficit financing, economic recovery, or voter-approved bonds. The triple flip sales tax shift allows 0.25% of local sales tax to be dedicated as a revenue source for bond repayment. Revenue to the County lost through the diversion, is returned to local agencies with property tax revenue from the ERAF. Resulting deficits in the ERAF are then backfilled with money from the State General Fund. While the swap of sales taxes for property taxes are currently expected to end in 2016 once the bonds are repaid, the triple flip has been included to account for the reduced sales tax revenue because it was deducted in the previous sales and use tax analysis. **Table 14** presents the triple flip revenue based on the sales and use tax.



**TABLE 14**  
**ESTIMATED TRIPLE FLIP MULTIPLIER PER SERVICE UNIT**  
**San Benito County Unincorporated and Incorporated Areas**  
**2035**

County Sales and Use Tax	\$1,198,241
Returned as Property Tax Revenue <sup>1</sup>	25%
<b>Total County General Fund Triple Flip</b>	<b>\$299,560</b>

<sup>1</sup> 1/4 of Sales Tax is diverted away from county sales tax and returned in the form of property tax.

Source: ERA/AECOM 2011

### Transient Occupancy Tax

The transient occupancy tax (TOT) is levied by the County in the unincorporated areas only. In San Benito County, the TOT rate is 8.0 percent. Over the next 25 years, the number of hotel rooms in San Benito County is expected to increase from 200 to 770 (570 room growth).

While the entire County's existing hotel room supply is currently concentrated in Hollister and San Juan Bautista, a substantial portion of the projected growth (370 rooms), is assumed for the unincorporated areas. Two types of hotel development with different target markets are expected within the unincorporated areas:

- **Travel-Related Hotels** to serve demand coming from a new freeway interchange along Highway 101 in San Benito County, near the Monterey County border. Limited hotel capacity on the Monterey Peninsula along with increased commercial opportunity at the interchange is expected to drive hotel demand.
- **Bed and Breakfast Inns and Boutique Resorts** are expected to capitalize on a growing wine production industry in the region.

The room demand within the incorporated areas (200 rooms) will likely be driven by business demand, based on an increase in employment growth.

Given assumptions about standard occupancy rates and average daily room rates, the San Benito County General Fund is expected to receive \$1.3 million in net new TOT revenue in 2035 (

Table 15

**ESTIMATED TRANSIENT OCCUPANCY TAX  
REVENUE FROM EXPECTED DEVELOPMENT**

**San Benito County Unincorporated Area  
2035**

).



<b>TABLE 15</b>	
<b>ESTIMATED TRANSIENT OCCUPANCY TAX REVENUE FROM EXPECTED DEVELOPMENT</b>	
<b>San Benito County Unincorporated Area</b>	
<b>2035</b>	
Hotel Rooms	370
Occupancy Rate <sup>1</sup>	60%
Number of Occupied Room Nights	81,030
ADR <sup>2</sup>	\$200
Annual Revenue	\$16,206,000
TOT Rate <sup>3</sup>	8%
TOT	\$1,296,480
Percent of TOT to County General Fund	100%
<b>Net County TOT Revenue</b>	<b>\$1,296,480</b>

<sup>1</sup> Assumption based on industry average

<sup>2</sup> Rate reflects higher-end hotel development expected in unincorporated areas

<sup>3</sup> Rate from The California Transit Occupancy Tax by Jurisdiction, Dean Runyan Associates.

Source: ERA/AECOM 2011

### Property Transfer Tax

The County has a Property Transfer Tax that applies to the sale of real property at a rate of \$1.10 per \$1,000 of sales price. Within the incorporated areas, only half of the Property Transfer Tax revenue is sent to the County, while the other half goes to the cities (\$0.55 per \$1000 in sales value). New development and changes in land use within San Benito County unincorporated and incorporated areas will therefore generate property transfer tax as properties turn over. To calculate the annual property transfer tax generated by development in the county in 2035, ERA estimated the average annual turnover for each taxable land use. Single-family residential units are expected to turn over at a rate of approximately 15 percent in any given year. Multi-family units are expected to turn over at a rate of approximately 20 percent in any given year. Retail and office properties are assumed to turn over every 10 years with hotel turnover every 20 years. Property Transfer Taxes for individual sales are consistently rounded up to the nearest \$500. As a conservative estimate for this fiscal impact, revenue from the Transfer Tax was aggregated and then rounded to the nearest \$500. Based on these estimates, the turnover of new development in 2035 will generate approximately \$628,500 annually in Property Transfer Tax for the County (**Table 16**).

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**TABLE 16**  
**ESTIMATED PROPERTY TRANSFER TAX FROM EXPECTED DEVELOPMENT**  
**San Benito County Unincorporated and Incorporated Areas**  
**2035**

	Total Assessed Value	Average Annual Turnover <sup>1</sup>	Amount Subject to Property Transfer Tax	Property Transfer Tax to County <sup>2,3</sup>
<b>Unincorporated</b>				\$1.10
Residential (units)				
Single Family	\$1,686,750,000	15%	\$253,012,500	\$278,500
Multi-Family	\$169,500,000	20%	\$33,900,000	\$37,500
<i>Total Residential</i>	\$1,856,250,000		\$286,912,500	\$316,000
Commercial / Industrial (sf)				
Office	\$14,880,847	10%	\$1,488,085	\$2,000
Hotel	\$92,500,000	5%	\$4,625,000	\$5,500
Retail	\$94,004,236	10%	\$9,400,424	\$10,500
Industrial	\$310,808,511	10%	\$31,080,851	\$34,500
<i>Total Commercial / Residential</i>	\$512,193,594		\$46,594,359	\$52,500
<b>Total Unincorporated</b>	<b>\$2,368,443,594</b>		<b>\$333,506,859</b>	<b>\$368,500</b>
<b>Incorporated</b>				\$0.55
Residential				
Single Family	\$2,576,920,000	15%	\$386,538,000	\$213,000
Multi-Family	\$188,310,000	20%	\$37,662,000	\$21,000
<i>Total Residential</i>	\$2,765,230,000		\$424,200,000	\$234,000
Commercial / Industrial				
Office	\$44,863,834	10%	\$4,486,383	\$2,500
Hotel	\$25,000,000	5%	\$1,250,000	\$1,000
Retail	\$243,675,860	10%	\$24,367,586	\$13,500
Industrial	\$154,936,170	10%	\$15,493,617	\$9,000
<i>Total Commercial / Residential</i>	\$468,475,865		\$45,597,586	\$26,000
<b>Total Incorporated</b>	<b>\$3,233,705,865</b>		<b>\$469,797,586</b>	<b>\$260,000</b>
<b>Total</b>	<b>\$5,602,149,459</b>		<b>\$803,304,446</b>	<b>\$628,500</b>

<sup>1</sup> Assumptions based on industry averages

<sup>2</sup> Property Transfer Tax Rates are assessed per \$1000 value; California City Finance City and County Property Transfer Tax Rates, 2010

<sup>3</sup> Property Transfer Taxes in San Benito county are rounded up to the nearest \$500

Source: ERA/AECOM 2011



## Summary of 2035 Fiscal Impact

The overall General Fund impacts of the Draft 2035 San Benito County General Plan are summarized by major revenue and expenditure line items in **Table 17** and **Table 18**, respectively. As previously mentioned, each new resident is assigned a full service population weight, whereas each new employee is assigned a one-third service population weight, to total the net new service population.

The overall General Fund impact of the Draft 2035 General Plan is \$13.1million in revenues and \$12.0 million in expenditures by 2035.

TABLE 17 COUNTY GENERAL FUND REVENUE IMPACT San Benito County 2035			
Net New Service Population by 2035	County	34,873	
	Unincorporated	10,020	
	Method	Net per Additional Service Population	Revenue (2010 dollars)
Taxes			
Property Taxes - Secured	Development		\$5,592,465
Property Taxes - Unsecured	Development		\$752,285
Triple Flip	Service Pop		\$299,560
Transient Occupancy Tax	Service Pop		\$1,296,480
Property Transfer Tax	Development		\$628,500
Sales and Use Taxes	Development		\$898,681
In Lieu Sales Tax	Service Pop	\$5.35	\$186,564
Other Taxes <sup>1</sup>	Service Pop	\$0.03	\$333
Licenses and Permits <sup>1</sup>	Service Pop	\$38.60	\$386,800
Aid from other Governments	Not Applicable	--	--
Use of Money or Property	Not Applicable	--	--
Fines, Forfeits and Penalties	Service Pop	\$11.76	\$410,059
Charges for Services	Service Pop	\$76.59	\$2,671,089
Miscellaneous Revenue	Not Applicable	--	--
<b>Total General Fund Revenue</b>			<b>\$13,122,816</b>

<sup>1</sup> Service multiplier based on unincorporated service population

Source: ERA/AECOM 2011



# Fiscal Impact Analysis Report

## San Benito County General Plan

TABLE 18 COUNTY GENERAL FUND EXPENDITURE IMPACT San Benito County 2035			
Net New Service Population by 2035	County	34,873	
	Method	Net per Additional Service Population	Expense (2010 dollars)
Current			
General Government	Service Pop	\$4.14	\$144,368
Public Protection <sup>1</sup>	Service Pop	\$316.28	\$11,029,891
Public Ways and Facilities	Service Pop	\$2.42	\$84,523
Health and Sanitation	Service Pop	\$0.00	\$0
Public Assistance	Service Pop	\$2.41	\$83,940
Education	Service Pop	\$15.95	\$556,150
Recreation and Culture	Service Pop	\$2.32	\$80,981
Capital Outlay	Not Applicable	--	0
Debt Service	Not Applicable	--	0
Contingencies	Not Applicable	--	0
<b>Total General Fund Expenditures</b>			<b>\$11,979,853</b>

<sup>1</sup> The net additional cost per additional service unit has been adjusted down by 15% to reflect the expected efficiency savings related to the consolidation of County law enforcement services with the City of Hollister  
Source: ERA/AECOM 2011

The resulting General Fund fiscal impacts are presented in **Table 19**. The overall impact in the year 2035 created by new development and growth between 2011 and 2035 is estimated to be an additional \$1.1 million in constant 2010 dollars.

TABLE 19 ESTIMATED ANNUAL GENERAL FUND IMPACT San Benito County 2035	
Estimated Revenue Impact	\$13,122,816
Estimated Expenditure Impact	(\$11,979,853)
<b>Net County of San Benito General Fund Impact</b>	<b>\$1,142,963</b>

<sup>1</sup> Revenue, Expenditure and Net Impact all presented in constant 2010\$  
Source: ERA/AECOM 2011

As a point of comparison, ERA/AECOM also reviewed the fiscal impact of the original AMBAG growth projections. Based on a similar set of assumptions, the AMBAG growth projections are also expected to result in a net gain of \$0.9 million (**Table 20**).



<b>TABLE 20</b>	
<b>ESTIMATED ANNUAL GENERAL FUND IMPACT - AMBAG PROJECTION (2035)<sup>1</sup></b>	
<b>San Benito County</b>	
Estimated Revenue Impact	\$12,476,011
Estimated Expenditure Impact	(\$11,590,525)
<b>Net County of San Benito General Fund Impact</b>	<b>\$885,486</b>

<sup>1</sup> Revenue, Expenditure and Net Impact all presented in constant 2010\$

Source: ERA/AECOM 2011

Assuming that the current fiscal structure of San Benito County is largely maintained, future growth in the county, as guided by the Draft 2035 General Plan, should have a slightly positive net impact on the County General Fund balance.