

The Economics of Land Use



Draft Report

Comparative Fiscal Impact Analysis of General Plan Land Use Alternatives

Prepared for:

City of Ceres

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Table of Contents

1.	INTRODUCTION AND SUMMARY OF FINDINGS	1
	General Plan Development Alternatives Overview	2
	Summary of Findings.....	3
2.	APPROACH AND METHODOLOGY	8
	Methodological Overview.....	8
	Key Market Assumptions	11
3.	GENERAL FUND REVENUES	14
	Property Tax	14
	Property Tax in lieu of VLF	16
	Property Transfer Tax.....	16
	Sales Tax.....	17
	Other Annual Revenues	19
4.	GENERAL FUND EXPENDITURES	21
	General Government	21
	Public Safety	22
	Public Works and Engineering	27
	Parks and Recreation.....	28
	Building and Planning	30

Appendices

APPENDIX A: Support Tables for Geographic Distribution of Assessed Value (Alt. 1)

APPENDIX B: Support Tables for Geographic Distribution of Assessed Value (Alt. 2)

APPENDIX C: Support Tables for Geographic Distribution of Assessed Value (Alt. 3)

List of Tables

Table 1	Development Program Summary by Alternative	2
Table 2	Fiscal Impact Summary of General Plan Alternatives	5
Table 3	City of Ceres General Fund Operating Budget and Estimating Methodology	9
Table 4	Ceres Current Citywide Assumptions	10
Table 5	Market/Development Assumptions	12
Table 6	Commercial Capitalized Value Assumptions (per square foot).....	13
Table 7	Property Tax Estimates	15
Table 8	Motor Vehicle in Lieu of VLF Estimates.....	16
Table 9	Property Transfer Tax	17
Table 10	Sales Tax Estimates.....	18
Table 11	Other Permits and Fee Revenue	20
Table 12	General Government Expenditures Estimate.....	22
Table 13	Fire Service Cost Estimates.....	24
Table 14	Police Service Cost Estimates	26
Table 15	Public Works Cost Estimates	27
Table 16	Parks Operating Cost Estimates.....	29
Table 17	Recreation Operating Cost Estimates.....	30
Table 18	Planning Operating Cost Estimates.....	31

1. INTRODUCTION AND SUMMARY OF FINDINGS

This Fiscal Impact Analysis report has been prepared by Economic & Planning Systems (EPS) as a sub-consultant to Dyett & Bhatia as part of the Ceres General Plan Update study process. The analysis is based on a review of the current Fiscal Year 2016/17 budget as well as discussions with City staff.¹

In the context of the City's General Plan update, the primary goal of the fiscal impact analysis is to quantify the impact of the three alternatives on the City's long-term fiscal health to help formulate policies, growth patterns, and public service standards that are fiscally sustainable over the General Plan buildout. The fiscal impact analysis is focused on the City's General Fund budget, comparing the costs of providing public services and maintaining public facilities with the primary revenue sources available to cover these expenditures.

As noted, this analysis is designed to inform key planning and policy parameters associated with the General Plan Update. The information will be used to craft a preferred General Plan alternative that is fiscally sustainable over the long-term. Ultimately, EPS will conduct a fiscal analysis of the preferred alternative and use the findings to recommend refinements and/or corresponding policies related to taxes or other mitigations. The key General Plan related policies and issues that will be informed by the Fiscal Impact Analysis include, but are not necessarily limited to, the following:

- **Public service levels and standards:** The level of service provided by various departments is often quantified based on standards or ratios (i.e., sworn police officers per 1,000 service population for police, park acres per 1,000 population, etc.) related to either articulated goals or actual conditions. A key analytical component of the fiscal analysis will be to determine the fiscal implications of "business as usual" relative to more optimal service levels, such as addressing deferred maintenance issues, that may apply.
- **Location of growth:** The location of new growth, for example, infill locations within the City versus along the City's urban edge (greenfield), can have important fiscal implications. The fiscal analysis is set up to differentiate between the fiscal impacts of growth by geography.
- **Type of growth:** The General Plan will include projections that differentiate between land use categories based on density, product type, and other factors.
- **Tax and fee rates:** The General Plan can also articulate various goals or standards related to financing mechanisms and requirements to ensure fiscal sustainability, promote economic development, and other objectives. For example, City staff has already noted that certain areas in the City may need to create a Mello-Roos Community Facilities District (CFD) to fund certain public services.

¹ More detailed interviews with City staff, specifically the Fire Department and the Public Works Department are needed.

It is important to stress that this analysis is being provided to compare the relative fiscal implications of the three General Plan alternatives and not for actual budgeting purposes. Thus, the results will not and should not be used as a basis for making actual, department level staffing decisions or annual revenue estimates.

It should also be noted that the fiscal results (annual surpluses or deficits) are simply indicators of fiscal performance; they do not mean that the City will automatically have surplus revenues or deficits because the City must have a balanced budget each year. Persistent shortfalls shown in a fiscal analysis may indicate the need to reduce service levels or obtain additional revenues; persistent surpluses will provide the City with resources to reduce liabilities such as deferred maintenance, improve service levels, or build up reserves. In addition, the findings are based on a set of "baseline" conditions and assumptions related to the key factors that affect General Fund costs and revenues, such as property assessed value, sales tax levels, State and federal budget and tax policy and other factors. To the degree that these conditions change, the fiscal performance of new growth will differ from the estimates provided herein.

General Plan Development Alternatives Overview

A summary of the three General Plan alternatives evaluated and compared in this analysis is summarized in **Table 1**. These alternatives, prepared by Dyett & Bhatia, reflect a range of potential urban forms and directions in which the City may continue to grow.

Table 1 Development Program Summary by Alternative¹

Item	Alternative 1	Alternative 2	Alternative 3
Residential (units)			
Single Family (Detached)	3,937	3,895	3,712
Single Family (Attached)	430	417	430
Multifamily	<u>2,323</u>	<u>2,133</u>	<u>2,319</u>
Total New Units	6,690	6,445	6,461
New Residents	22,063	21,269	21,322
Commercial (SqFt)			
Retail	7,069,808	7,629,853	7,090,638
Office	833,191	833,191	833,191
Industrial	<u>4,324,444</u>	<u>6,253,920</u>	<u>6,979,472</u>
Total New Commercial SqFt	12,227,443	14,716,964	14,903,301
New Employees	26,531	26,921	33,755

¹Unit and square footage estimates provided by Dyett & Bhatia as directed by the City Council.

Source: Dyett & Bhatia; Economic & Planning Systems, Inc.

- **Alternative 1.** The objective of this Alternative is to retain most aspects of the existing General Plan, and adjust it only in order to take advantage of the interchange reconstruction at Service Road in order to better position the City for future regional commercial

development opportunities. This Alternative keeps almost the entire existing General Plan Land Use map the same, and only affects land in the southeast designated as Business Park and Regional Commercial. The area affected by this change is primarily the area south of Service Road and west of State Route 99. Relative to the other alternatives, Alternative 1 emphasizes residential development and reflects less commercial development. It provides the least amount of general industrial and industrial reserve land.

- **Alternative 2.** In addition to the Regional Commercial changes proposed in Alternative 1, this Alternative aims to create a cluster of industrial use in the southeast portion of the Planning Area, with the objective of providing greater industrial development opportunities close to the freeway on a wider variety of parcel sizes than currently exists. The new southern industrial cluster would take the place of currently designated (but undeveloped) residential uses. A large area in the southern portion has been designated as General Industrial rather than Residential, compared with Alternative 1. The area affected by this change is primarily the area south of Service Road and west of State Route 99. This General Plan alternative has the lowest share of multifamily units and the highest amount of retail space relative to the other alternatives.
- **Alternative 3.** The objective of this Alternative is to establish a future industrial corridor on the eastern edge of the Planning Area, and to focus new residential development in the south. Like the first two alternatives, Alternative 3 proposes designating most of the land in the southeast as Regional Commercial in order to best position the City for future economic development opportunities associated with the freeway interchange reconstruction. Parcels along the eastern side of Faith Home Road are designated Industrial Reserve, while two parcels north of Faith Home Road are designated as General Industrial, anticipating their nearer-term development. Parcels south and southeast of the Wastewater Treatment Facility have been designated as Regional Park and Residential, instead of Industrial Reserve. This development alternative provides approximately the same amount of residential development as Alternative 2 but more industrial growth, including significant growth outside the City's current Sphere of Influence (SOI). This alternative provides the greatest amount of industrial reserve land and provides the highest share of regional commercial land uses.

Summary of Findings

A summary of the key findings and their implications for the General Plan Update are provided below.

- 1. All three General Plan development alternatives are projected to generate annual General Fund revenues that exceed the costs of providing public services under existing service standards. This suggests that as the General Plan builds out over time, the City may be able to improve the level and quality of those public services paid for with General Fund revenues.**

Over time, all three of the General Plan alternatives are estimated to generate more General Fund revenues than expenditures under the City's current cost structure and service levels. These additional annual General Fund net surpluses range from \$1.7 million to \$2.2 million, representing an 8 to 11 percent improvement over the existing budget, as illustrated in **Table 2**. Thus, implementation of any of the General Plan alternatives may allow the City to improve its service levels and standard by varying degrees over time.

The improved fiscal performance projected to result from implementation of each of the General Plan alternatives stems, in varying degrees, from (1) an increasing orientation towards job generating land uses, (2) economies of scale in the provision of public services, and (3) the expiration of the City's Redevelopment Agency which continues to capture a portion of property tax revenue that would otherwise accrue to the General Fund. Accordingly, for each of the alternatives, the highest revenue sources are Property Tax in lieu of VLF, which is directly affected by new development and increased assessed value, and Business License Tax revenue, which increases with expanded commercial development and activity. In terms of Department level costs, Police and Fire make up the bulk of General Fund costs (approximately 80 to 88 percent of total costs), followed by Parks, General Government, and Recreation. Based on current service levels, each of the three scenarios requires two new fire stations – one in the West Landing Specific Plan Area and one in the southern portion of the Planning Area.

Table 2 Fiscal Impact Summary of General Plan Alternatives

Item	Annual Fiscal Impact		
	Alternative 1	Alternative 2	Alternative 3
General Fund Revenues			
Property Tax	\$1,752,236	\$1,830,039	\$1,789,587
Sales Tax	\$1,040,198	\$1,030,513	\$1,172,769
Measure H Sales Tax ¹	\$547,472	\$542,375	\$617,247
Property Tax in lieu of VLF	\$3,648,096	\$3,882,137	\$3,786,542
Property Transfer Tax	\$101,821	\$106,711	\$103,797
Business License Tax	\$2,887,392	\$2,929,793	\$3,673,578
Other Permits & Fees	<u>\$2,571,125</u>	<u>\$2,527,520</u>	<u>\$2,780,099</u>
Total Revenues	\$12,548,340	\$12,849,088	\$13,923,620
General Fund Expenditures			
General Government ²	\$232,131	\$228,195	\$250,999
Police	\$5,275,706	\$5,186,233	\$5,704,502
Fire	\$4,607,558	\$4,535,616	\$4,952,332
Parks	\$382,624	\$381,493	\$653,289
Recreation	\$150,371	\$144,960	\$145,323
Public Works ³	\$102,927	\$101,181	\$111,293
Planning	<u>\$109,411</u>	<u>\$107,556</u>	<u>\$118,304</u>
Total Expenditures	\$10,860,729	\$10,685,233	\$11,936,043
Net Annual Fiscal Impact	\$1,687,611	\$2,163,855	\$1,987,577

¹Although Measure H Sales Tax revenues are not categorized as General Fund revenues in the City's budget, the revenues are used to augment General Fund spending on public safety in the City. Measure H revenues are included in this analysis to facilitate the full evaluation of public safety expenditures.

²General Government includes General City, City Council, City Manager, Human Resources, City Clerk and Finance.

³Public Works includes Public Works Administration, Engineering, Streets and Facilities.

Source: Economic & Planning Systems, Inc.

2. Alternatives 2 and 3 reflect the most fiscally advantageous outcome for the City's General Fund while Alternative 1 is less fiscally favorable.

The relative performance of various General Plan alternatives is driven by a variety of complex factors, the most notable of which is the location and type of development envisioned in each. In general, nonresidential development appears to perform better than residential development because residents and residential uses generate a higher demand for public services than do businesses. In addition, development within the City's SOI is expected to generate a higher share of property tax revenue than development on land that

requires annexation. Given these and other factors, Alternative 3 is expected to generate the highest revenues as well as the highest public service costs. Alternative 2 generates the second highest revenues but the lowest costs. Alternative 1 generates the lowest revenues and the second lowest costs.

3. Each of the General Plan alternatives accomplish certain policy objectives related to economic development and fiscal sustainability such as an improved resident to employment balance and a broader array of residential product types.

Ceres currently has a resident to employment ratio of more than 5 to 1. In comparison, Turlock, Modesto, Stanislaus County, and the State have resident to employment ratios of approximately 3 to 1. Ceres' relationship between population and employment has remained relatively consistent over time, illustrating the residential focus of the City; however, some rebalancing is important to the fiscal sustainability of the City, and all three of the alternatives provide opportunities for job-supporting commercial development. In addition, each of the alternatives provides opportunities for multifamily rental product type which will provide some needed diversity in the City's housing stock and which fills an identified need.

In this context, it is worth noting that the City appears well-positioned to attract a higher proportion of Countywide industrial growth going forward, and each of the alternatives—particularly Alternative 2 and Alternative 3—provides opportunities for industrial development. While the City has not added industrial inventory since 2009, it has experienced a steady decrease in vacancy rates and relatively strong lease rates coming out of the Great Recession (in 2015, Ceres boasted higher average industrial lease rates than Turlock, Modesto and Stanislaus County with vacancy rates at approximately 4 percent). These data indicate Ceres may possess geographic strengths attractive to industrial users and there may be ample demand for additional industrial space; however the timing of this demand is not certain.

4. The County's allocation of property tax revenue to the City is very low (approximately 6.4 percent on average and potentially even less for annexed areas), challenging the City's ability to fund the public services needed to serve current and future residents and employees.

The low allocation of property tax revenue may be exacerbated when unincorporated land is annexed into the City. Past annexation agreements do not provide a clear picture of how growth through annexation may affect the City's General Fund, and there appears to be significant variation from tax rate area to tax rate area. Consequently, going forward, the City may want to consider strategies for negotiating more favorable annexation agreement(s) with the County or focus on infill development.

5. Current retail options within the City are limited and dated, and each of the alternatives provides opportunities for highway and regional retail, with Alternative 2 offering the least regional retail and the most service commercial.

Retail development can generate sales tax revenue, however, for this analysis, EPS forecasted the sales tax to the City's General Fund based on demand from population and employment growth rather than new retail development. This is a conservative approach and may understate the sales tax revenue associated with each alternative as the analysis does not attribute a net fiscal benefit from additional retail development to ensure that the City's General Plan fiscal planning is based on internal growth dynamics rather than an assumption that "supply creates demand." Depending on the performance of regional retail developments

and each retailer's ability to capture regional demand, there could positive sales tax revenue implications not estimated in this analysis.

6. The City made cuts to its public services in response to the Great Recession; however, the passage of Measure H (the ½-cent sales tax measure) in 2007 has provided an important source of public safety funding.

In each of the alternatives, fiscal expenditures related to providing public safety services account for approximately 88 to 91 percent of the City's General Fund expenditures each year. In each of the alternatives, new development is planned for areas that are geographically separated from existing core service areas, and as such, two new fire stations are anticipated, which have implications for staffing and operations and maintenance of the new stations. Retail land uses, which generate sales tax, will help to generate revenue for public safety services through Measure H. While not a part of the General Fund analysis, Measure H revenues are estimated to range between \$542,000 and \$617,000, annually, depending on the alternative. Because Measure H does not have an expiration date associated with it, Measure H revenues and expenditures are reflected in this analysis.

7. The effects of the dissolution of the City's Redevelopment Agency are ongoing, and it will be several years until all outstanding obligations are satisfied.

With the dissolution of Redevelopment statewide in 2012, the process of paying off outstanding obligations is underway in the City. New development planned as part of the General Plan will generate property tax increment. As soon as the obligations (currently estimated at \$58.6 million) have been satisfied, the property tax increment that is currently going to fund these obligations will go to the City's General Fund instead, and the City will see an increase in property tax revenue. Outstanding obligations are anticipated to be paid off in Fiscal Year 2036-37.

2. APPROACH AND METHODOLOGY

Methodological Overview

As part of the General Plan Update, EPS developed a fiscal impact model designed to test how City policies, service standards, growth patterns, and socio-economic changes affect the City's General Fund costs and revenues over time. While State and Federal funding sources are considered indirectly, the analysis is focused primarily on the City's General Fund expenditure and revenue items that (1) represent a substantive component of the overall budget and (2) are likely to be affected by the General Plan policies and growth trends. Thus, General Fund costs and revenues that are relatively small or are operated on a cost-recovery basis are excluded from the analysis.

This analysis is based on the adopted Fiscal Year 2016-17 budget, the most recent budget adopted by the City and assumed as the existing service level "baseline" for the purpose of projecting General Fund revenues and costs. As a starting point, this report documents actual service standards based on the existing level of service either provided by applicable City departments (e.g., number of police officers, park acres, etc.) or reflected in the most recent budget.

EPS has used several approaches to evaluate the General Fund costs and revenues based on the City's budget. A description of the primary budget categories, proportion of the total General Fund costs and revenues, and their estimating methodology are illustrated in **Table 3**. The primary forecasting methodologies and factors are described below.

Table 3 City of Ceres General Fund Operating Budget and Estimating Methodology

Item	FY 2016/17 Total	Estimating Methodology
Operating Revenues		
Property Tax (Secured, Unsecured and Supplemental)	\$2,196,008	case study
Motor Vehicle In Lieu	\$3,393,308	case study
Sales Tax ¹	\$5,543,730	case study
Transient Occupancy Tax	\$200,000	not estimated
Real Property Transfer Tax	\$100,000	case study
RTTPF Allocation (Redevelopment)	\$307,400	not estimated
Utility Users Tax	\$1,488,984	per service population
Business License Tax	\$1,205,300	per employee
Other Taxes	\$3,000	per service population
Franchise Fees	\$897,000	per service population
Other Licenses, Permits and Franchises	\$363,000	per service population
Revenues from Use of Money and Property	\$95,700	not estimated
Fines, Forfeitures and Penalties	\$246,800	per service population
Intergovernmental Revenue	\$851,525	not estimated
Charges for Services and Other Revenue	\$784,100	per service population
Transfers from other Funds	<u>\$893,520</u>	not estimated
Total Revenues	\$18,569,375	
Operating Expenditures		
General Government ²	\$1,366,136	per service population
Police	\$10,533,091	case study
Emergency Services (Fire)	\$4,722,912	case study
Public Works ³	\$346,010	per service population
Parks	\$1,121,317	case study
Recreation	\$428,617	per resident
Building and Planning ⁴	<u>\$588,334</u>	per service population
Total Expenditures	\$19,106,417	

¹Measure H Sales Tax revenue is not a General Fund revenue source and is therefore not included in this Budget Summary, however, Measure H revenues are estimated in this analysis.

²General Government includes General City, City Council, City Manager, Human Resources, City Clerk and Finance.

³Public Works includes Public Works Administration, Engineering, Streets and Facilities.

⁴Within the Building and Planning division, Building operates primarily on a cost-recovery basis, which means that building permit and plan check fees are set to cover staff costs and expenses. Planning recovers some costs but not to the same extent. In this analysis, planning expenditures are estimated on a per service population basis.

Sources: City of Ceres, Fiscal Year 2016-17 Municipal Budget; Economic & Planning Systems, Inc.

- **Service population.** The service population for any given budget item is defined as the universe of individuals that generate impacts and is based on a review of the various population groups—including residents and employees—relative to each of the City’s service

providers. For each department, the relative impacts of employment and population are compared and used to estimate a total service population. For instance, for general government, an employee is estimated to have a service demand profile equal to about half the service demanded by a typical resident. The City's current service population is calculated on **Table 4**.

Table 4 Ceres Current Citywide Assumptions

Item	Total	Sources
Housing Units and Households		
Housing Units ¹	13,799	DOF 2016
Owner-Occupied Units	59%	ACS 2011-2015
Renter-Occupied Units	42%	ACS 2011-2015
Occupied Households	12,778	DOF 2016
Persons/Occupied Household	3.66	DOF 2016
Persons/Housing Unit ²	3.30	Dyett & Bhatia
Population and Employment		
Population	47,166	DOF 2016
Employed Residents	14,161	LEHD 2014
Employed in Ceres	1,450	LEHD 2014
Employed Elsewhere	12,711	LEHD 2014
Employment in Ceres	11,075	LEHD 2014
by Residents	1,450	LEHD 2014
by Non-Residents	9,625	LEHD 2014
Service Population ³	51,979	DOF 2016/LEHD 2014

¹Ownership and rental distribution is based on the existing distribution rate in Ceres.

²Persons per Housing Unit is lower than the Persons per Occupied Household because it accounts for vacant units.

³Calculated by adding total residential population and one-half of non-resident employment.

Sources: Department of Finance; American Community Survey; LEHD; and Economic & Planning Systems, Inc.

- **Case study.** A case study approach was used to calculate fiscal impacts for budget items that may not vary directly with service population or for which detailed data is available to make a more precise estimate. For example, the case study approach is used to estimate property and sales tax revenues.
- **Not estimated.** Some budget items were not estimated because certain City revenues and expenditures are either not directly related to growth and development (e.g., City's bond sale proceeds) and/or generated on a cost-recovery basis.

Key Market Assumptions

In addition to the methodological approach described above, this fiscal analysis relies on a variety of market and economic assumptions, as summarized below.

- Residential unit value assumptions range from \$140,000 per unit for multifamily units to \$175,000 for single family attached units and \$255,000 for single-family detached units. Housing prices are ultimately uncertain and will vary over the course of the General Plan buildout. Property values may also vary by geography within the City, reflecting locational preferences and desirability, but analysis does not incorporate this level of specificity. However, the analysis does assume rental units are valued at 90 percent of a comparable for-sale unit and that 75 percent of single-family, 50 percent of townhomes, and 10 percent of multifamily units will be for-sale with the remainder as rentals. These assumptions are shown in **Table 5**.
- EPS assumes commercial building values range from \$60 to \$190 per square foot. These estimates are based on the rent capitalization approach summarized in **Table 6**.
- This analysis assumes vacancy rates of 7.4 percent for residential and between 4 and 5 percent for commercial uses. These vacancy rates were presented in the Existing Conditions work and are typical for Ceres currently.
- This analysis evaluated development of the General Plan alternatives at buildout. This analysis does not make any assumptions about the timing or absorption of these uses over time.
- Residential for-sale turnover rates are assumed to be 10 percent per year, which suggests that a home sells once every approximately ten years. Residential rental and commercial use turnover is assumed at 5 percent per year as investment product typically turns over less frequently. This assumption is based on prior EPS experience.
- This analysis is based on an average household size of 3.3 across all residential densities.
- Employment estimates are based on per employee densities ranging from 350 to 400 square feet for office, 500 to 700 square feet for commercial, and 1,000 to 1,200 square feet for industrial uses. These densities vary based on specific land use designations used by Dyett & Bhatia.

Table 5 Market/Development Assumptions

Item	Employment Density ¹	Vacancy Rate ²	Average Persons/HH ³	Rental Ratio	For-Sale Values	Rental Values
Residential						
Single Family (Detached) ⁴	n/a	7.4%	3.30	25%	\$255,000	\$229,500
Single Family (Attached) ⁵	n/a	7.4%	3.30	50%	\$175,000	\$157,500
Multifamily ⁶	n/a	7.4%	3.30	90%	\$140,000	\$126,000
Commercial⁷						
Retail	500 - 700	5%	n/a	100%	n/a	\$190
Office	350 - 400	5%	n/a	100%	n/a	\$110
Industrial	1,000 - 1,200	4%	n/a	100%	n/a	\$60

¹ An employment density is an assumption of the number of employees per SqFt of commercial space. Employment densities are given in ranges based on more specific land use designations used by Dyett & Bhatia.

² Vacancy Rates based on current vacancy rates exhibited in Ceres over the last year (2016) across all housing types.

³ Based on Dyett & Bhatia's assumptions for average household size for all types of residential units.

⁴ Home values based on sales data reported by Zillow and refined to reflect a premium for new construction and for better consistency with the assumptions used in the West Landing Specific Plan fiscal impact analysis. Values are provided on a per unit basis.

⁵ Estimate based on townhouse and condo sales comparables that have occurred within the last year (1/1/2016 - 1/1/2017) from Redfin. Values are refined for better consistency with the assumptions used in the West Landing Specific Plan fiscal impact analysis. Values are provided on a per unit basis.

⁶ Uses a capitalized value of net operating income approach, based on January 2017 CoStar estimates of average rents in the City of Ceres. Values shown are on a per unit basis.

⁷ Commercial rental rates taken from Existing Conditions document prepared by EPS based on data aggregated by CoStar Group. All commercial rental rates are per square foot.

Sources: Redfin; Zillow; DOF 2016; ACS 2010-2015; CoStar Group; Dyett & Bhatia; Economic & Planning Systems, Inc.

Table 6 Commercial Capitalized Value Assumptions (per square foot)

Item	Retail	Office	Industrial
<u>Average Rent</u>			
Rent Type	NNN	Full Service	NNN
Monthly Rent ¹	\$1.21	\$0.97	\$0.39
Annual Rent	\$14.50	\$11.62	\$4.68
Vacancy	5%	5%	4%
Operating Expenses	5%	30%	5%
Net Annual Rent	\$13.09	\$7.73	\$4.27
Cap Rate ²	6.9%	7.2%	6.8%
Capitalized Value (rounded)	\$190	\$110	\$60

¹Rental Rates from the Existing Conditions Report previously prepared by EPS with data gathered from the CoStar Group.

²Cap Rates from IRR Viewpoint 2016 and reflective of national averages.

Sources: IRR-Viewpoint 2016, CoStar Group; Economic & Planning Systems, Inc.

Other Key Assumptions

- This analysis makes assumptions about a share of the growth to occur outside of existing City limits that would require annexation. The allocation varies by alternative and is provided by Dyett & Bhatia.
- This report is conducted in constant 2016/17 dollars.

3. GENERAL FUND REVENUES

This chapter provides a detailed description of the key General Fund revenues projected in this analysis. Major General Fund revenue sources are based on the case study approach with other revenues based on an average revenue approach, including per-employee and per-service population methods.

Property Tax

Property tax revenue to the General Fund is based on the increase in assessed value and the City's share of the 1 percent tax. For the purpose of this analysis, EPS established a set of property values for each land use considered. As shown in **Table 7**, new development yields from \$2.9 billion (Alternative 1) to \$3.1 billion (Alternative 2) in new assessed value to the City. Although property values may vary by geography within the City, reflecting locational preferences and desirability, this analysis does not incorporate this level of specificity.

Estimated future residential units and commercial square footages were distributed amongst the various plan areas in accordance with population and jobs estimates provided by Dyett & Bhatia. This process allowed EPS to estimate the assessed value by plan area for each Alternative, and thus allow for increased precision. Further detail is provided in **Appendix A-C**.

Typically, the share of assessed value captured by the General Fund ranges by tax rate area (TRA). This analysis utilizes a blended average approach that reflects the City's average property tax capture within an existing boundary. On average, the City's General Fund currently receives approximately 6.4 percent of each property tax dollar.² In the future, when additional land is annexed into the City, the actual amount of property tax generated from that land and future development will depend on the tax sharing agreement. For the property tax generated from annexation, this analysis uses consistent assumptions as in the West Landing Specific Plan Fiscal Impact Analysis.

²This is low relative to other cities in California, which typically receive between 10 to 15 percent of each property tax dollar.

Table 7 Property Tax Estimates

Alternative / Item	Within Current SOI (excluding Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excluding West Landing Specific Plan)	Total
Alternative 1 Property Tax						
New Assessed Value ¹	\$1,020,074,493	\$159,630,702	\$738,667,491	\$59,258,901	\$962,873,711	\$2,940,505,297
Property Tax ²	\$10,200,745	\$1,596,307	\$7,386,675	\$592,589	\$9,628,737	\$29,405,053
Tax Allocation Factor ³	6.4%	2.5%	5.8%	2.5%	6.4%	
Total Property Tax to General Fund	\$652,848	\$39,908	\$428,427	\$14,815	\$616,239	\$1,752,236
Alternative 2 Property Tax						
New Assessed Value ¹	\$1,098,642,068	\$269,709,377	\$738,667,491	\$59,258,901	\$962,873,711	\$3,129,151,547
Property Tax ²	\$10,986,421	\$2,697,094	\$7,386,675	\$592,589	\$9,628,737	\$31,291,515
Tax Allocation Factor ³	6.4%	2.5%	5.8%	2.5%	6.4%	
Total Property Tax to General Fund	\$703,131	\$67,427	\$428,427	\$14,815	\$616,239	\$1,830,039
Alternative 3 Property Tax						
New Assessed Value ¹	\$1,006,202,179	\$246,986,270	\$738,667,491	\$59,258,901	\$1,000,983,181	\$3,052,098,021
Property Tax ²	\$10,062,022	\$2,469,863	\$7,386,675	\$592,589	\$10,009,832	\$30,520,980
Tax Allocation Factor ³	6.4%	2.5%	5.8%	2.5%	6.4%	
Total Property Tax to General Fund	\$643,969	\$61,747	\$428,427	\$14,815	\$640,629	\$1,789,587

*Note: this analysis does not account for displaced assessed value from new development, which is likely minimal.

¹New assessed value calculated using the development assumptions presented in Tables 4 & 5 and the development programs presented in Table 1. More detail on assessed value calculations is provided in Appendix A.

²Proposition 13 basic property tax calculated at 1 percent of assessed value.

³The Ceres General Fund tax share varies by tax rate area (TRA) and depends on whether the TRA was part of a former Redevelopment Area. This analysis reflects General Plan buildout conditions and, as such, assumes that outstanding Redevelopment obligations have been satisfied. New development within the current City limits is assumed to have a tax share factor of 6.4 percent based on information provided by the City for the Existing Conditions Report. The West Landing Specific Plan area is assumed to have a property tax allocation to the City of 5.8 percent, based on the average tax share for TRAs 001-116 and 001-117 and supporting analysis from the West Landing Specific Plan Fiscal Impact Analysis. New development on land that has not yet been annexed is assumed to have a tax share factor of 2.5 percent, also based on research provided in the West Landing Specific Plan Fiscal Impact Analysis. This share will be negotiated between the City and the County at the time of annexation.

Sources: City of Ceres; West Landing Specific Plan Fiscal Impact Analysis; Economic & Planning Systems, Inc.

Property Tax in lieu of VLF

Since 2004, Property Tax in-lieu of Motor Vehicle License Fee (VLF) revenue increases each year based on the proportion of growth of assessed value in the City. As shown on **Table 8**, this analysis forecasts the in lieu proceeds based on an assessed value increase relative to the existing base and represents the single largest revenue source across the alternatives.

Table 8 Motor Vehicle in Lieu of VLF Estimates

Item	Total		
	Alternative 1	Alternative 2	Alternative 3
City of Ceres Citywide Assessed Value ¹	\$2,735,136,632	\$2,735,136,632	\$2,735,136,632
Assessed Value of New Growth	\$2,940,505,297	\$3,129,151,547	\$3,052,098,021
Increase in Assessed Value (percentage)	108%	114%	112%
Existing Motor Vehicle in Lieu Revenue (FY2016-2017)	\$3,393,308	\$3,393,308	\$3,393,308
Net Increase in Motor Vehicle in Lieu of VLF Revenue	\$3,648,096	\$3,882,137	\$3,786,542

¹Total Taxable Value Recap less Veteran, Church, Welfare, School, Religious, and homeowners exemptions.

Sources: 2016-2017 Tax Roll (Stanislaus County Assessor's Office); and Economic & Planning Systems, Inc.

Property Transfer Tax

The City receives real property transfer tax for any property that is sold at a rate of \$0.55 for every \$1,000 of value. Property transfer tax revenues, therefore, depend upon sales activity, which slowed significantly during the Great Recession.

For-sale residential units typically "turn over" about once every ten years although this can vary by product type (e.g., starter home versus move-up). Because rental residential properties, as well as commercial office, industrial and retail properties, are often held as investment properties, they tend to turn over infrequently, resulting in very low property transfer tax revenue. Real property transfer tax revenue is estimated on **Table 9**.

Table 9 Property Transfer Tax

Item	Assumption	Total		
		Alternative 1	Alternative 2	Alternative 3
Residential For-Sale				
New For-Sale Value		\$762,089,357	\$751,253,448	\$722,345,794
Average Residential Turnover ¹	10.0% a year	\$76,208,936	\$75,125,345	\$72,234,579
Transfer Tax From For-Sale Uses	\$0.55 per \$1,000 value	\$41,915	\$41,319	\$39,729
Other Uses				
Residential Rental Value		\$484,034,812	\$461,339,837	\$472,111,743
Non-Residential Value		<u>\$1,694,381,128</u>	<u>\$1,916,558,262</u>	<u>\$1,857,640,484</u>
Subtotal		\$2,178,415,940	\$2,377,898,099	\$2,329,752,227
Average Commercial Turnover ²	5.0% a year	\$108,920,797	\$118,894,905	\$116,487,611
Transfer Tax From Commercial Uses	\$0.55 per \$1,000 value	\$59,906	\$65,392	\$64,068
Total Real Estate Transfer Tax		\$101,821	\$106,711	\$103,797

¹Recent Zillow data suggests that the current turnover rate is approximately 5 percent. The EPS assumption of 10 percent is based on long-term averages and takes into account the increased turnover rate associated with new development. A turnover rate of 10 percent suggests that homes sell approximately once every 10 years.

²EPS assumption based on long-term averages. A turnover rate of 5 percent suggests that commercial/investment properties sell approximately once every 20 years.

Sources: Ceres 2016-1017 Budget; Existing Conditions Report; and Economic & Planning Systems, Inc.

Sales Tax

As shown on **Table 10**, EPS forecasted the sales tax to the City's General Fund based on demand from population and employment growth. This is a conservative approach as the analysis does not attribute a net fiscal benefit from additional retail development to ensure that the City's General Plan fiscal planning is based on internal growth dynamics rather than an assumption that "supply creates demand."

For residential uses, new demand is based on household income with a certain portion of income spent on taxable sales. As such, the incomes of new households is an important factor in determining the increase in sales tax revenue generated by new development. For the commercial uses, EPS forecasted sales based on average taxable expenditures (\$10 per day) per non-resident employee. The City retains 0.95 percent of taxable sales within its boundary. This share may end up lower in areas to be annexed because, similar to property tax, the City has a sales tax allocation agreement with the County for areas of new annexation.

Table 10 Sales Tax Estimates

Item	Assumptions	Total		
		Alternative 1	Alternative 2	Alternative 3
<u>Sales Tax Generated by New Residents</u>				
Median Household Income ¹		\$47,858	\$47,858	\$47,858
Household Retail Expenditures ²	35%	\$16,750	\$16,750	\$16,750
New Occupied Households ³		6,191	5,968	5,983
Total Retail Expenditure		\$103,701,719	\$99,969,913	\$100,220,848
Taxable Expenditures Captured in Ceres	50% of retail expenditures	\$51,850,860	\$49,984,957	\$50,110,424
Sales Tax from New Residents	0.95% of taxable sales	\$492,583	\$474,857	\$476,049
<u>Sales Tax Generated by New Employees</u>				
New Employment		26,531	26,921	33,755
Non-Resident Employment ⁴	87%	23,057	23,396	29,336
Daily Taxable Employee Spending in Ceres ⁵	\$10 per employee	\$230,575	\$233,960	\$293,356
Annual Taxable Spending by Employees ⁶		\$57,643,629	\$58,490,112	\$73,338,983
Sales Tax from New Employees	0.95% of taxable sales	<u>\$547,614</u>	<u>\$555,656</u>	<u>\$696,720</u>
Total GF Sales Tax Increase⁷		\$1,040,198	\$1,030,513	\$1,172,769
Measure H Public Safety Sales Tax (Special Public Safety Fund)	0.5% of annual taxable sales	\$547,472	\$542,375	\$617,247

¹Based on the existing Ceres household median income; from the 2015 American Community Survey

²Based on the 2014 Bureau of Labor Statistics average taxable expenditure for households making under \$70,000 per year.

³Assumes 93 percent occupancy.

⁴Based on the existing split between resident and non-resident employees (LEHD).

⁵Spending per day per employee is an EPS assumption based prior research and consistent with assumptions used in the West Landing fiscal impact

⁶Reflects 250 work days out of a year.

⁷Excludes the Measure H 1/2-cent sales tax measure approved by voters in 2007 (shown separately below). Revenues from Measure H are deposited into a special fund for public safety expenditures and are not reflected as General Fund revenue. City staff indicated that Measure H funds are considered a reliable source of income and will be included in this analysis but treated separately from General Fund Revenues

Sources: Bureau of Labor Statistics, US Census, American Community Survey, LEHD, Economic & Planning Systems, Inc.

Other Annual Revenues

Other revenues associated with new development include business license taxes, franchise fees, fines and penalties, transient occupancy taxes (TOT), and fees/charges for service. Most of these revenue items expand in relative proportion to population and employment growth. In the case of business license revenue, most businesses pay a business license tax that is based on gross receipts. For purposes of this analysis, increases in employment are used as a proxy for increased gross receipts. Revenue estimation factors are shown on **Table 11**.

Transient occupancy tax is not estimated as the land use alternatives do not specify any lodging or hospitality components. However, in 2015 Ceres voters raised the City's TOT from 5 percent to 10 percent, which is already resulting in additional TOT revenue to the General Fund. Additional hotel development also would increase TOT revenue, assuming the residential uses generate visitor nights, while the commercial uses generate stays related to business travel.

Table 11 Other Permits and Fee Revenue

Item	Total Revenue	Assumptions	Total Variable Cost
Utility Users Tax			
2016-2017 Revenue to General Fund	\$1,488,984		
Revenue per Current Service Population		51,979 current service population	\$28.65
Other Taxes			
2016-2017 Revenue to General Fund	\$3,000		
Revenue per Current Service Population		51,979 current service population	\$0.06
Franchise Fees			
2016-2017 Revenue to General Fund	\$897,000		
Revenue per Current Service Population		51,979 current service population	\$17.26
Other Licenses, Permits and Franchises			
2016-2017 Revenue to General Fund	\$363,000		
Revenue per Current Service Population		51,979 current service population	\$6.98
Fines, Forfeitures and Penalties			
2016-2017 Revenue to General Fund	\$246,800		
Revenue per Current Service Population		51,979 current service population	\$4.75
Charges for Services and Other Revenue			
2016-2017 Revenue to General Fund	\$784,100		
Revenue per Current Service Population		51,979 current service population	<u>\$15.09</u>
Total Variable Cost per Service Population			\$72.78
New General Fund Revenue Sub-total			
Alternative 1		35,328 new service population	\$2,571,125
Alternative 2		34,729 new service population	\$2,527,520
Alternative 3		38,200 new service population	\$2,780,099
Business License Tax			
2016-2017 Revenue to General Fund	\$1,205,300		
Revenue per Current Employee		11,075 current employment	\$108.83
New General Fund Revenue Sub-total			
Alternative 1		26,531 new jobs	\$2,887,392
Alternative 2		26,921 new jobs	\$2,929,793
Alternative 3		33,755 new jobs	\$3,673,578
Total New Revenue to General Fund			
Alternative 1			\$5,458,517
Alternative 2			\$5,457,312
Alternative 3			\$6,453,678

Sources: City of Ceres FY2016 - 2017 Budget, Economic & Planning Systems.

4. GENERAL FUND EXPENDITURES

This chapter summarizes the methodology and estimates associated with the General Fund cost categories considered for this analysis. This analysis is based on a range of cost estimating approaches. Project-specific “case study” estimates are applied to Police, Fire, Parks and Public Works Departments, while a “per-service population” approach is used for other citywide services. Actual costs will vary by department, and will depend on future service demands, fiscal and economic conditions, and policy decisions to be made by the City Council related to staffing and service levels. Cost estimates utilized in this analysis are not designed for budgeting purposes. These estimates are meant to be used for comparison purposes in order to understand the relative magnitude of the General Fund implications of the three General Plan land use alternatives. Discussion of the key methodological issues for each major department is provided below.

General Government

As of 2016/17, General Fund Administration expenditures in the City of Ceres include City Clerk, City Council, City Manager, Finance, General City,³ and Human Resources. While not as significant in total dollars as other categories of expenditures, General Government costs will be affected by new growth in Ceres. The EPS fiscal analysis projects the costs for these City functions based on a per-service population approach, as shown in **Table 12**. However, only a portion of the costs for each of the Department’s General Fund budget is assumed variable with the remainder likely to be fixed. Specifically, EPS assumes that approximately 25 percent of the costs would be variable given each function’s orientation and financial composition.

³ General City includes expenditures such as workers’ compensation, purchased transportation, and public liability insurance.

Table 12 General Government Expenditures Estimate

Item	Total Department Budget	Share Funded by General Fund	Share Variable	Total Variable Cost
General City				
Total Budget	\$206,001	100%	25%	\$51,500
City Council				
Total Budget	\$171,076	53%	25%	\$22,529
City Manager				
Total Budget	\$288,993	46%	25%	\$33,328
Human Resources				
Total Budget	\$560,350	50%	25%	\$70,386
City Clerk				
Total Budget	\$124,126	100%	25%	\$31,032
Finance				
Total Budget	\$1,543,990	34%	25%	<u>\$132,760</u>
Total Variable GF Funding for General Government				\$341,534
Current General Government Expenditures				
Existing Service Population	51,979	existing service population		
Cost per Service Population				\$6.57
New General Government Expenditures				
Alternative 1				
New Service Population	35,328	new service population		
New General Government Expenditures	\$6.57	per new service population		\$232,131
Alternative 2				
New Service Population	34,729	new service population		
New General Government Expenditures	\$6.57	per new service population		\$228,195
Alternative 3				
New Service Population	38,200	new service population		
New General Government Expenditures	\$6.57	per new service population		\$250,999

Sources: City of Ceres FY2016 - 2017 Budget, Economic & Planning Systems

Public Safety

The annual expenditures associated with police and fire service can be significant and have fluctuated between 72 and 90 percent of the General Fund budget over the last nine years. General Fund public safety expenditures are supplemented with Measure H revenues which are used just to fund public safety services. Measure H is a ½-cent sales tax that voters in the City of Ceres passed in 2007 that has no expiration date. In recent years, Measure H has been generating approximately \$2.5 million per year, primarily for police and fire salaries and benefits. A Citizens' Oversight Committee oversees the expenditure of Measure H revenues. This analysis treats Measure H revenues and expenditures separate from the General Fund component of the police and fire departments.

Public safety costs associated with new development can be substantial if new growth causes demand for service to exceed capacity thus triggering the need for new facilities. For example, all three of the General Plan alternatives anticipate the need for two new fire stations – one in the West Landing Specific Plan Area and one in the southern portion of the Planning Area.

It should be noted that the City may require the establishment of a Mello-Roos Community Facilities District (CFD) for new residential development projects to help fund ongoing police, fire and parks maintenance costs.⁴

Fire

The City of Ceres has four fire stations and 41 sworn positions in the department, including positions funded by Measure H and SAFER grant funds.⁵ This analysis utilizes the average General Fund share of cost per firefighter applied to new staffing needs. As shown in **Table 13**, the average General Fund share of the cost per firefighter, estimated at nearly \$152,000, is used as a baseline measure of departmental spending.

As noted above, the Fire Department estimates the necessity for two new fire stations to provide adequate fire protection to new growth. Average O&M expenses per existing station – beyond staffing expenses - are applied to the two new stations. The Fire Department estimates that approximately \$183,000 per station would be spent by the General Fund to cover apparatus, equipment, maintenance, and utilities annual costs. This analysis does not consider one-time capital facility costs that typically get funded through non-General Fund sources.

⁴ The Mello-Roos Community Facilities Act of 1982 (*authorized by Section 53311 et. seq. of the Government Code*) enables the formation of a CFD by local agencies, with two-thirds voter approval (or landowner approval when there are fewer than 12 registered voters in the proposed district), for the purpose of imposing special taxes on property owners. The resulting special tax revenue can be used to fund capital costs or operations and maintenance expenses directly, or they may be used to secure a bond issuance, the proceeds of which are used to fund capital costs.

⁵ Six of the 41 positions are not funded by the General Fund; rather, they are funded by a federal SAFER grant that expires in March 2018. Seven of the 41 positions are funded by Measure H funds, which are included in this analysis but treated differently in terms of General Fund revenues and expenditures. One other position is a captain position for the Fire Investigation Unit (FIU) that is funded by the County through a MOU. For purposes of estimating the average cost per fire fighter, General Fund plus Measure H expenditures are divided by the number of positions funded by the General Fund and Measure H.

Table 13 Fire Service Cost Estimates

Item	Variable / Assumption	Total		
		Alternative 1	Alternative 2	Alternative 3
<u>Fire Department Cost Estimating Factors</u>				
Firefighters				
Service Level ¹	0.79 / 1,000 service population	41	41	41
Average Annual Cost ²	\$152,223 / Firefighter	\$5,327,812	\$5,327,812	\$5,327,812
Station Operations & Maintenance				
Operations and Maintenance Budget ³		\$731,229	\$731,229	\$731,229
Existing Stations	4.00 fire stations			
O&M Costs per Station	\$182,807 per station			
<u>New Fire Department Needs⁴</u>				
New Service Population		35,328	34,729	38,200
New Firefighters Required	0.79 / 1,000 service population	28	27	30
Personnel Cost	\$152,223 / Firefighter	\$4,241,943	\$4,170,002	\$4,586,718
New Fire Stations	2.00 new stations			
Annual O&M costs	\$182,807 per station	\$365,615	\$365,615	\$365,615
Total General Fund Cost Increase		\$4,607,558	\$4,535,616	\$4,952,332

¹Includes 41 sworn firefighters, seven of which are funded by Measure H, six of which are funded by the federal SAFER grant.

²Includes General Fund Costs for Personnel and excludes the six fire fighter positions that are currently funded by a federal SAFER grant that expires in March 2018. Measure H Personnel funding is included as well. Costs are spread among the existing 35 positions funded by the General Fund and Measure H. Positions and costs associated with SAFER grant positions are excluded due to uncertainty of future grant funding. One other position excluded here is a captain position for the Fire Investigation Unit (FIU) that is funded by the County through a MOU.

³Includes O&M Costs funded by the General Fund and Measure H.

⁴Conversations with fire department administrative staff indicated that the above estimating methodology would be appropriate for estimating the O&M costs associated with an additional Fire Station. However, it should be noted that the Facility Services department is involved in building maintenance when it is out of the scope of the Fire Department, and thus, the Facilities department would see some increased workload with an additional fire station. This increase in expense is estimated in the Public Works expenditures table on a per service population basis.

Sources: DOF 2016, LEHD 2014, City of Ceres 2016-2017 Budget, Economic & Planning Systems, Inc.

Police

The General Fund cost implications of the various Alternatives will depend on the relative cost of expanding or modifying beat structures and adding personnel. This analysis uses per service population approach. For sworn personnel, the existing service level is calculated at 0.88 sworn officers per 1,000 service population, which is then applied to the service population of each alternative. The average cost per officer is assumed at approximately \$168,000, based on current General Fund expenditures. Costs for vehicles, equipment, and O&M are estimated on a per service population basis, at an annual cost of nearly \$700 per officer. These estimates are shown on **Table 14**.

Of course, various development patterns can also have differential impact on crime rates (and thus public safety costs). However, it is difficult to predict *a priori* whether a particular alternative is likely to have a positive or negative impact on crime given the variety of factors at play. For example, more dense urban environments can have higher per square mile crime rates but lower per capita crime rates. Factors such as income, education, and employment generally play a much more important role.

Table 14 Police Service Cost Estimates

Item	Assumption	Total		
		Alternative 1	Alternative 2	Alternative 3
<u>Police Department Cost Estimating Factors¹</u>				
Sworn Officers				
Service Level	0.88 / 1,000 Service Pop.	46	46	46
Avg. Annual Cost ²	\$168,062 / Sworn Officer	\$7,730,862	\$7,730,862	\$7,730,862
Vehicles & Equipment Cost / Year³	\$680 / Sworn Officer	<u>\$31,260</u>	<u>\$31,260</u>	<u>\$31,260</u>
Variable Cost Subtotal		\$7,762,122	\$7,762,122	\$7,762,122
Cost Associated with General Plan Buildout				
Increase Service Population		35,328	34,729	38,200
Sworn Officers Needed ⁴	0.88 / 1,000 Service Pop.	31	31	34
New Personnel Cost	\$168,062 / Sworn Officer	\$5,254,460	\$5,165,346	\$5,681,529
Increased Vehicle & Equipment Costs	\$680 / Sworn Officer	<u>\$21,247</u>	<u>\$20,886</u>	<u>\$22,973</u>
Net Increase in General Fund Cost		\$5,275,706	\$5,186,233	\$5,704,502

¹Based on current levels of service, including positions funded by the General Fund as well as those funded by Measure H.

²Average annual cost includes full personnel cost funded by the General Fund for Sworn Emergency Services and Personnel Costs Funded by Measure H.

³Includes the cost for Automobile equipment and Accessories (part of Capital Outlay).

⁴Indicates the number of police personnel needed to maintain the existing level of service.

Sources: City of Ceres FY2016-2017 Budget, DOF 2016, Economic & Planning Systems, Inc.

Public Works and Engineering

There are annual operations and maintenance expenses associated with City facilities and the City right of way. Expenditures related to Public Works and Engineering include an Administration component, Engineering Services, Street Maintenance, and Facility Maintenance. For each of these divisions within Public Works, the amount of General Fund funding is provided and the percent variable is estimated.

Future expenditures are estimated on a per service population basis, as shown on **Table 15**. Each of the General Plan alternatives contemplates an additional 13.6 acres of City right of way, which could have significant cost implications, beyond what is estimated using a per service population approach.

Table 15 Public Works Cost Estimates

Item	Total Budget	GF Share	% Variable	Variable Amount
Public Works Administration				
Total Budget	\$606,689	21%	20%	\$25,506
Engineering				
Total Budget	\$1,965,091	8%	50%	\$75,862
Streets				
Total Budget	\$2,105,152	2%	75%	\$26,250
Facilities				
Total Budget	\$1,628,053	2%	75%	<u>\$23,819</u>
Total Variable GF Funding for Public Works				\$151,436
<hr/>				
Existing Service Population	51,979	persons		
Cost per service population	\$2.91	per service population		
Total Public Works Cost to General Fund¹				
Alternative 1				
New Service Population	35,328	persons		
Cost to General Fund	\$2.91	per service population		\$102,927
Alternative 2				
New Service Population	34,729	persons		
Cost to General Fund	\$2.91	per service population		\$101,181
Alternative 3				
New Service Population	38,200	persons		
Cost to General Fund	\$2.91	per service population		\$111,293

¹While this analysis is based on a per service population basis, it should be noted that each of the General Plan alternatives contemplates an additional 13.6 acres of City right of way.

Sources: Dyett & Bhatia, City of Ceres FY2016-2017 Budget, DOF 2016, Economic & Planning Systems, Inc.

Parks and Recreation

For parks, public service costs can vary depending upon the level of improvements and programming. For example, more passive recreation areas have a low cost per acre relative to areas with intensive landscaping and recreational facilities (e.g., ball fields and play structures). In addition, parks can generate user fees, which may offset some costs (although these rarely fully offset operation and maintenance costs).

The City currently maintains 176 acres of parks at a General Fund cost of nearly \$5,000 per acre. In addition, there are other Parks Department expenses, such as personnel costs, that are likely to increase with new development and are estimated on a per service population basis. These costs are estimated on **Table 16**.

City staff has indicated that the Parks Department is down five staff and currently is operating at sub-optimal service levels due to budget constraints. This analysis is based on current General Fund expenditures, a "business as usual" approach; however, if funding were available, the Department would hire five additional staff, which would have the effect of increasing Parks and Recreation costs.

Table 16 Parks Operating Cost Estimates

Item	Assumption / Source	Total ¹		
		Alternative 1	Alternative 2	Alternative 3
Existing Parks (acres)²	Dyett & Bhatia	176	176	176
Park Facility Operational Cost³	\$4,838 / acre	\$852,399	\$852,399	\$852,399
Other Departmental Costs⁴				
General Fund Costs		\$268,918	\$268,918	\$268,918
Share Variable	25%	\$67,230	\$67,230	\$67,230
Current Variable Cost per Resident	\$1.43 / resident			
New Park Area and GP Buildout (acres)⁵	General Plan Alternative	72.59	72.59	128.76
Increase in Park Facility Operational Costs				
New Operational Cost	\$4,838 per acre	\$351,176	\$351,176	\$622,897
Other Variable Costs	\$1.43 / resident	\$31,448	\$30,316	\$30,392
Total Net New Cost to General Fund		\$382,624	\$381,493	\$653,289

¹Alternatives 1 & 2 have approximately the same amount of new City park acreage, although variation in acreage is reflected in cost estimates. Alternative three allocates land for Regional Parks which is included in this analysis.

²Estimated in Planning Process by Dyett & Bhatia

³Share of Operations and Maintenance cost funded by General Fund (FY2016-2017). Does not include Personnel Costs. Conversations with City Staff indicate that parks are currently maintained at a sub-optimal level with 5 unfunded positions. Considering budgetary constraints, it is unlikely that the level of service will improve in the near future and therefore, assumptions based on current service levels are used in this analysis.

⁴EPS assumption; includes other departmental functions funded by the General Fund. Includes Personnel and Capital Outlay.

⁵Estimated by Dyett & Bhatia, dependent on Alternative.

Sources: City of Ceres FY2016-2017 Adopted Budget, Dyett & Bhatia and Economic & Planning Systems, Inc.

Recreation spending that is paid for from the General Fund is assumed to increase on a per resident basis at a cost of \$6.82 per resident, as shown on **Table 17**. Because non-resident employees do not tend to take advantage of recreation services, demand from this cohort is not estimated. Recreation services that are recovered through user fees are assumed to be revenue-neutral and are not estimated.

Table 17 Recreation Operating Cost Estimates

Item	Assumption	Total
Total Recreation Budget		\$604,394
General Fund Funding¹	71%	\$428,617
Percent Variable	75%	\$321,463
Current Ceres Population	47,166 Ceres Residents	
Recreation Cost per Resident	\$6.82 per resident	
New Recreation Cost to General Fund		
Alternative 1		
New Ceres Resident Population	22,063 new residents	
Cost to General Fund	\$6.82 per new resident	\$150,371
Alternative 2		
New Ceres Resident Population	21,269 new residents	
Cost to General Fund	\$6.82 per new resident	\$144,960
Alternative 3		
New Ceres Resident Population	21,322 new residents	
Cost to General Fund	\$6.82 per new resident	\$145,323

¹Includes Personnel and O&M costs funded by the General Fund.

Source: City of Ceres FY2016 - 2017 Budget; DOF 2016; Economic & Planning Systems, Inc.

Building and Planning

Within the Building and Planning division, Building operates primarily on a cost-recovery basis, which means that building permit and plan check fees are set to cover staff costs and expenses. Planning recovers some costs but not to the same extent. In this analysis, planning expenditures are estimated on a per service population basis, as shown below in **Table 18**.

Table 18 Planning Operating Cost Estimates

Item	Assumption	Total
Total Planning Budget		\$495,312
General Fund Funding¹	65%	\$321,952.80
Percent Variable	50%	\$160,976
Current Ceres Service Population	51,979 Ceres Service Population	
Planning Cost per Service Population	\$3.10 per service population	
New Recreation Cost to General Fund		
Alternative 1		
New Ceres Resident Population	35,328 new service population	
Cost to General Fund	\$3.10 per new service population	\$109,411
Alternative 2		
New Ceres Resident Population	34,729 new service population	
Cost to General Fund	\$3.10 per new service population	\$107,556
Alternative 3		
New Ceres Resident Population	38,200 new service population	
Cost to General Fund	\$3.10 per new service population	\$118,304

¹Includes Personnel and O&M costs funded by the General Fund.

Source: City of Ceres FY2016 - 2017 Budget; DOF 2016; Economic & Planning Systems, Inc.



APPENDIX A:
**Support Tables for Geographic Distribution
of Assessed Value**

(Alternative 1)

Appendix A-1

Item	Assumptions (New Resident and Employee Population)				
	All Housing Units / Commercial SQFT	New Resident Pop.	New Employment (Total)	New Non-Resident Employment	New Service Pop ¹
Residential					
Single Family (Detached)	3,937	12,991	na		12,991
Single Family (Attached)	430	1,418	na		1,418
Multifamily	<u>2,319</u>	<u>7,653</u>	<u>na</u>		<u>7,653</u>
Subtotal	6,686	22,063	na		22,063
Commercial					
Retail	7,069,808	na	11,619	10,098	5,049
Office	833,191	na	2,084	1,811	906
Industrial	4,324,444	na	11,772	10,231	5,116
Subtotal	12,227,443	na	26,531	23,057	13,266
Total	na	22,063	26,531	23,057	35,328

¹Calculated by adding residential population and half of non-resident employment.

²Other refers to jobs in Schools or other Community Facilities, which are not included in the new Commercial Subtotal since these uses are not associated with assessed value estimates.

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix A-2

Item	Assessed Value (For-Sale)					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$326,039,343	\$48,254,498	\$238,464,375	\$34,367,020	\$50,074,404	\$697,199,641
Single Family (Attached)	\$5,337,617	\$75,807	\$21,833,301	\$3,175,045	\$4,402,088	\$34,823,859
Multifamily	<u>\$8,434,322</u>	<u>\$16,172</u>	<u>\$19,087,422</u>	<u>\$939,471</u>	<u>\$1,588,470</u>	<u>\$30,065,858</u>
Subtotal	\$339,811,282	\$48,346,477	\$279,385,099	\$38,481,537	\$56,064,962	\$762,089,357
Commercial						
Retail	na	na	na	na	na	na
Office	na	na	na	na	na	na
Industrial	na	na	na	na	na	na
Subtotal	na	na	na	na	na	na
Total	\$339,811,282	\$48,346,477	\$279,385,099	\$38,481,537	\$56,064,962	\$762,089,357

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix A-3

Item	Assessed Value (Rental)					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$97,811,803	\$14,476,350	\$71,539,313	\$10,310,106	\$15,022,321	\$209,159,892
Single Family (Attached)	\$4,803,856	\$68,226	\$19,649,971	\$2,857,541	\$3,961,880	\$31,341,473
Multifamily	<u>\$68,318,010</u>	<u>\$130,994</u>	<u>\$154,608,122</u>	<u>\$7,609,717</u>	<u>\$12,866,604</u>	<u>\$243,533,447</u>
Subtotal	\$170,933,668	\$14,675,570	\$245,797,405	\$20,777,364	\$31,850,805	\$484,034,812
Commercial						
Retail	\$476,278,229	\$47,632,249.67	\$143,687,845	\$0	\$675,665,141	\$1,343,263,464
Office	\$537,726.12	\$0	\$40,323,895	\$0	\$50,789,399	\$91,651,020
Industrial	<u>\$32,513,587</u>	<u>\$48,976,405</u>	<u>\$29,473,248</u>	<u>\$0</u>	<u>\$148,503,404</u>	<u>\$259,466,644</u>
Subtotal	\$509,329,542	\$96,608,655	\$213,484,987	\$0	\$874,957,945	\$1,694,381,128
Total	\$680,263,210	\$111,284,225	\$459,282,392	\$20,777,364	\$906,808,750	\$2,178,415,940

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix A-4

Item	Total Assessed Value					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$423,851,146	\$62,730,848	\$310,003,688	\$44,677,127	\$65,096,725	\$906,359,533
Single Family (Attached)	\$10,141,473	\$144,033	\$41,483,272	\$6,032,586	\$8,363,968	\$66,165,331
Multifamily	\$76,752,332	\$147,166	\$173,695,544	\$8,549,188	\$14,455,074	\$273,599,305
Subtotal	\$510,744,951	\$63,022,047	\$525,182,504	\$59,258,901	\$87,915,767	\$1,246,124,169
Commercial						
Retail	\$476,278,229	\$47,632,250	\$143,687,845	\$0	\$675,665,141	\$1,343,263,464
Office	\$537,726	\$0	\$40,323,895	\$0	\$50,789,399	\$91,651,020
Industrial	<u>\$32,513,587</u>	<u>\$48,976,405</u>	<u>\$29,473,248</u>	<u>\$0</u>	<u>\$148,503,404</u>	<u>\$259,466,644</u>
Subtotal	\$509,329,542	\$96,608,655	\$213,484,987	\$0	\$874,957,945	\$1,694,381,128
Total	\$1,020,074,493	\$159,630,702	\$738,667,491	\$59,258,901	\$962,873,711	\$2,940,505,297

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.



APPENDIX B:
Support Tables for Geographic Distribution
of Assessed Value

(Alternative 2)

Appendix B-1

Item	Assumptions (New Resident and Employee Population)				
	All Housing Units / Commercial SQFT	New Resident Pop.	New Employment (Total)	New Non-Resident Employment	New Service Pop ¹
Residential					
Single Family (Detached)	3,895	12,853	na		12,853
Single Family (Attached)	417	1,378	na		1,378
Multifamily	<u>2,133</u>	<u>7,038</u>	<u>na</u>		<u>7,038</u>
Subtotal	6,445	21,269	na		21,269
Commercial					
Retail	7,629,853	na	11,371	9,882	4,941
Office	833,191	na	2,084	1,811	906
Industrial	6,253,920	na	12,410	10,785	5,392
Subtotal	14,716,964	na	26,921	23,396	13,460
Total	na	21,269	26,921	23,396	34,729

¹Calculated by adding residential population and half of non-resident employment.

²Other refers to jobs in Schools or other Community Facilities, which are not included in the new Commercial Subtotal since these uses are not associated with assessed value estimates.

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix B-2

Item	Assessed Value (For-Sale)					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$326,039,343	\$40,833,301	\$238,464,375	\$34,367,020	\$50,074,404	\$689,778,443
Single Family (Attached)	\$4,338,931	\$75,807	\$21,833,301	\$3,175,045	\$4,402,088	\$33,825,172
Multifamily	<u>\$6,018,298</u>	<u>\$16,172</u>	<u>\$19,087,422</u>	<u>\$939,471</u>	<u>\$1,588,470</u>	<u>\$27,649,833</u>
Subtotal	\$336,396,572	\$40,925,279	\$279,385,099	\$38,481,537	\$56,064,962	\$751,253,448
Commercial						
Retail	na	na	na	na	na	na
Office	na	na	na	na	na	na
Industrial	na	na	na	na	na	na
Subtotal	na	na	na	na	na	na
Total	\$336,396,572	\$40,925,279	\$279,385,099	\$38,481,537	\$56,064,962	\$751,253,448

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix B-3

Item	Assessed Value (Rental)					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$97,811,803	\$12,249,990	\$71,539,313	\$10,310,106	\$15,022,321	\$206,933,533
Single Family (Attached)	\$3,905,038	\$68,226	\$19,649,971	\$2,857,541	\$3,961,880	\$30,442,655
Multifamily	<u>\$48,748,211</u>	<u>\$130,994</u>	<u>\$154,608,122</u>	<u>\$7,609,717</u>	<u>\$12,866,604</u>	<u>\$223,963,649</u>
Subtotal	\$150,465,052	\$12,449,210	\$245,797,405	\$20,777,364	\$31,850,805	\$461,339,837
Commercial						
Retail	\$578,729,131	\$51,589,926.06	\$143,687,845	\$0	\$675,665,141	\$1,449,672,043
Office	\$537,726.12	\$0	\$40,323,895	\$0	\$50,789,399	\$91,651,020
Industrial	<u>\$32,513,587</u>	<u>\$164,744,961</u>	<u>\$29,473,248</u>	<u>\$0</u>	<u>\$148,503,404</u>	<u>\$375,235,199</u>
Subtotal	\$611,780,444	\$216,334,887	\$213,484,987	\$0	\$874,957,945	\$1,916,558,262
Total	\$762,245,496	\$228,784,097	\$459,282,392	\$20,777,364	\$906,808,750	\$2,377,898,099

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix B-4

Item	Total Assessed Value					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$423,851,146	\$53,083,291	\$310,003,688	\$44,677,127	\$65,096,725	\$896,711,976
Single Family (Attached)	\$8,243,969	\$144,033	\$41,483,272	\$6,032,586	\$8,363,968	\$64,267,827
Multifamily	\$54,766,509	\$147,166	\$173,695,544	\$8,549,188	\$14,455,074	\$251,613,482
Subtotal	\$486,861,624	\$53,374,490	\$525,182,504	\$59,258,901	\$87,915,767	\$1,212,593,285
Commercial						
Retail	\$578,729,131	\$51,589,926	\$143,687,845	\$0	\$675,665,141	\$1,449,672,043
Office	\$537,726	\$0	\$40,323,895	\$0	\$50,789,399	\$91,651,020
Industrial	<u>\$32,513,587</u>	<u>\$164,744,961</u>	<u>\$29,473,248</u>	<u>\$0</u>	<u>\$148,503,404</u>	<u>\$375,235,199</u>
Subtotal	\$611,780,444	\$216,334,887	\$213,484,987	\$0	\$874,957,945	\$1,916,558,262
Total	\$1,098,642,068	\$269,709,377	\$738,667,491	\$59,258,901	\$962,873,711	\$3,129,151,547

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.



APPENDIX C:
Support Tables for Geographic Distribution
of Assessed Value

(Alternative 3)

Appendix C-1

Item	Assumptions (New Resident and Employee Population)				
	All Housing Units / Commercial SQFT	New Resident Pop.	New Employment (Total)	New Non-Resident Employment	New Service Pop ¹
Residential					
Single Family (Detached)	3,712	12,251	na		12,251
Single Family (Attached)	430	1,418	na		1,418
Multifamily	<u>2,319</u>	<u>7,653</u>	<u>na</u>		<u>7,653</u>
Subtotal	6,461	21,322	na		21,322
Commercial					
Retail	7,090,638	na	11,649	10,124	5,062
Office	833,191	na	2,084	1,811	906
Industrial	6,979,472	na	18,967	16,483	8,242
Other ²	1,056,034	na	<u>1,056</u>	<u>918</u>	<u>459</u>
Subtotal	14,903,301	na	33,755	29,336	16,877
Total	na	21,322	33,755	29,336	38,200

¹Calculated by adding residential population and half of non-resident employment.

²Other refers to jobs in Schools or other Community Facilities, which are not included in the new Commercial Subtotal since these uses are not associated with assessed value estimates.

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix C-2

Item	Assessed Value (For-Sale)					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$315,368,333	\$44,748,975	\$238,464,375	\$34,367,020	\$24,507,374	\$657,456,078
Single Family (Attached)	\$5,337,617	\$75,807	\$21,833,301	\$3,175,045	\$4,402,088	\$34,823,859
Multifamily	<u>\$8,434,322</u>	<u>\$16,172</u>	<u>\$19,087,422</u>	<u>\$939,471</u>	<u>\$1,588,470</u>	<u>\$30,065,858</u>
Subtotal	\$329,140,272	\$44,840,954	\$279,385,099	\$38,481,537	\$30,497,932	\$722,345,794
Commercial						
Retail	na	na	na	na	na	na
Office	na	na	na	na	na	na
Industrial	na	na	na	na	na	na
Subtotal	na	na	na	na	na	na
Total	\$329,140,272	\$44,840,954	\$279,385,099	\$38,481,537	\$30,497,932	\$722,345,794

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix C-3

Item	Assessed Value (Rental)					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$94,610,500	\$13,424,693	\$71,539,313	\$10,310,106	\$7,352,212	\$197,236,823
Single Family (Attached)	\$4,803,856	\$68,226	\$19,649,971	\$2,857,541	\$3,961,880	\$31,341,473
Multifamily	<u>\$68,318,010</u>	<u>\$130,994</u>	<u>\$154,608,122</u>	<u>\$7,609,717</u>	<u>\$12,866,604</u>	<u>\$243,533,447</u>
Subtotal	\$167,732,365	\$13,623,913	\$245,797,405	\$20,777,364	\$24,180,696	\$472,111,743
Commercial						
Retail	\$476,278,229	\$51,589,926.06	\$143,687,845	\$0	\$675,665,141	\$1,347,221,141
Office	\$537,726.12	\$0	\$40,323,895	\$0	\$50,789,399	\$91,651,020
Industrial	<u>\$32,513,587</u>	<u>\$136,931,477</u>	<u>\$29,473,248</u>	<u>\$0</u>	<u>\$219,850,012</u>	<u>\$418,768,323</u>
Subtotal	\$509,329,542	\$188,521,403	\$213,484,987	\$0	\$946,304,552	\$1,857,640,484
Total	\$677,061,907	\$202,145,316	\$459,282,392	\$20,777,364	\$970,485,248	\$2,329,752,227

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.

Appendix C-4

Item	Total Assessed Value					Total
	Within Current SOI (excl Whitmore Ranch Specific Plan)	Outside Current SOI	West Landing Specific Plan	Whitmore Ranch Specific Plan	Within Current City Limits (excl West Landing Specific Plan)	
Residential						
Single Family (Detached)	\$409,978,832	\$58,173,668	\$310,003,688	\$44,677,127	\$31,859,587	\$854,692,902
Single Family (Attached)	\$10,141,473	\$144,033	\$41,483,272	\$6,032,586	\$8,363,968	\$66,165,331
Multifamily	\$76,752,332	\$147,166	\$173,695,544	\$8,549,188	\$14,455,074	\$273,599,305
Subtotal	\$496,872,637	\$58,464,867	\$525,182,504	\$59,258,901	\$54,678,629	\$1,194,457,538
Commercial						
Retail	\$476,278,229	\$51,589,926	\$143,687,845	\$0	\$675,665,141	\$1,347,221,141
Office	\$537,726	\$0	\$40,323,895	\$0	\$50,789,399	\$91,651,020
Industrial	\$32,513,587	\$136,931,477	\$29,473,248	\$0	\$219,850,012	\$418,768,323
Subtotal	\$509,329,542	\$188,521,403	\$213,484,987	\$0	\$946,304,552	\$1,857,640,484
Total	\$1,006,202,179	\$246,986,270	\$738,667,491	\$59,258,901	\$1,000,983,181	\$3,052,098,021

Sources: IRR Viewpoint, CoStar, DOF 2016, Dyett & Bhatia, and Economic & Planning Systems, Inc.