

Jack Estill and Tom Means  
Department of Economics  
San Jose State University  
San Jose, CA 95192-0114

**Preliminary Draft - Comments welcome**

Annual Public Choice Meetings, March 2012  
Miami, Florida

**Abstract**

**Cost of Community Services: Does Development Pay for Itself?**

The term fiscalization of land use is often used to describe the motivations of local government and land use decisions. Land development can lead to increased government revenues in terms of up-front fees and provide long-term cash flows from increased sales tax and property tax revenues. Bureaucrats claim that potential revenue consideration is necessary due to the increase in demand for public services from new development. In some cases, they argue for additional impact fees to cover the increased costs imposed on public services such as schools, parking spaces, and traffic congestion.

The impacts of development are often calculated using similar approaches. Fiscal Impact Analysis (FIA) attempts to identify the increased tax revenue and public expenditures necessary to provide the current level of public services. Cost of Community Services (COCS) studies perform a similar calculation but attempt to allocate public service costs by land use and type of service. The focus of this paper is on COCS studies, which usually provide a comparison between four development categories: Single-family housing (SFH), Multi-family housing (MFH), Retail and Industrial. For each category, the additional tax revenues generated by a hypothetical project are calculated along with the additional costs to providing public services. In most cases the highest return is retail land use since it generates sales tax revenue with little demand for public services. Industrial and SFH projects tend to yield a slightly positive return while MFH projects provide significant negative returns. Proponents and opponents of land development typically refer to these hypothetical comparisons to justify their position on a proposed project. Proponents of a retail project will argue that they are providing the best return on land use, while opponents will argue that local officials should not be persuaded only by economic returns. On the other hand opponents of housing projects will argue that city fees are inadequate to cover the increased costs of providing public services.

Our paper critiques the accepted approach to calculating the impact of a development proposal. The hypothetical approach fails to understand several components of the process: basic financial principles in comparing projects, fundamental market responses to these comparisons, and ignorance of the

distinction in cost for providing a private or public good. We will provide some actual fee structures used by cities and show that they fail to capture the true cost of providing public services.

## **Introduction**

The term fiscalization of land use was first coined by Mischynski (1986) to describe the motivations of local government officials and land use decisions. Are land use decisions motivated by determining which type of use would yield the highest amount of revenues net of providing community services? Land development can lead to increased government revenues in terms of initial fees, and long-term cash flows, of which the majority is, increased sales tax and property tax revenues. New development may also generate other impact fees (e.g. for schooling, parking, traffic congestion, etc.). These additional fees, which are not imposed on the existing stock of development, are often justified because bureaucrats claim they are necessary due to the increase in demand for public services.

The impacts of development are often calculated using a couple of approaches. One basic approach, Fiscal Impact Analysis (FIA), attempts to identify the increased tax revenue and public expenditures necessary to provide the current level of public services. A similar, but more detailed approach, Cost of Community Services (COCS) studies, allocates public service costs by land use and type of service. The focus of this paper is on COCS studies, which usually provide a comparison between four development categories: Single-family housing (SFH), Multi-family housing (MFH), Retail and Industrial. For each category, a hypothetical

model is assumed in order to calculate the additional tax revenues generated by the project along with the additional costs of providing public services.

In most cases, COCS studies reveal that retail development provides the highest net return. Industrial and SFR projects tend to yield a slightly positive return while MFR projects provide significant negative returns. Proponents and opponents of land development typically refer to these hypothetical comparisons to justify their position on a proposed project. Proponents of a retail project will argue that they are providing the best return on land use, while opponents will argue that local officials should not be persuaded only by economic returns. On the other hand opponents of multi-family housing projects will argue that city fees are inadequate to cover the costs of the proposed project. While our collection of these studies is limited, there seems to be little variation in the findings. The quote below is a typical summary statement regarding views on land development uses,

*“Every study shows that housing loses money for the city's treasury: Once they move in, residents need libraries, police, parks and firefighters. Offices and shops, meanwhile, pay for themselves. They require fewer city services and produce more taxes.”* (Scott Herhold, San Jose Mercury News, December 8, 2010, *San Jose council whiffs on allowing town homes near Santana Row*)

This paper will provide a critical approach to why these studies fail to provide useful information regarding which type of land use offers the best return. We will not focus on what we consider to be minor assumptions but instead focus on what we consider essential components of the process. These studies fail to understand three essential components: basic financial principles in comparing projects, ignoring the obvious marginal versus average comparisons, ignoring fundamental market responses to these comparisons, and not understanding the

distinction in allocating cost in providing a private or public good. We will look at a hypothetical COCS comparison and show how it fails to capture the true impact of a project.<sup>1</sup>

### **Beginnings.**

As noted earlier there are several common approaches to developing a model to estimate the impact of land development. Most of these appear to be based on economic modeling of comparing revenues to costs. They also appear to be used mainly by planners without much training in economics and appreciation for the difficulty of estimation and forecasting. The basic guide for planners is The Fiscal Impact Handbook (Burchell and Listokin, 1978), which describes the method to perform a Fiscal Impact Analysis (FIA). The handbook offers a guide to estimating an impact using an expensive case study method or a less costly multiplier model. The authors suggest that either method will yield similar results and also point out several limitations of using this approach. ((Burchell and Listokin, 1980, 1992, Edwards and Huddleston, 2010). Nevertheless, most planners seem to feel confident that these approaches provide useful information since the results always support the same general conclusions. That is, retail use will generally pay for itself and housing will not generate sufficient tax revenues to pay for the increase in demand for public expenditures. (Edwards and Huddleston, 2010, Mucha (2007), Morgan, 2010).

---

<sup>1</sup> A web search of COCS studies will yield many examples, most of which are

## **COCC Beginnings.**

The Cost of Community Service (COCS) studies are similar to FIA studies but attempt to provide a benefit-cost measure by allocating revenue by land uses and allocating costs by use of public service. Retail owners and residents may all demand police services but residents may demand more park or library services.

It appears that the first COCS studies originated from the American Farmland Trust (2010) in the 1980's as an attempt to preserve open space and farmland. These studies provided cost/benefit ratios that showed residential development would not pay for itself. Not surprisingly, farmland and retail/industrial land uses produced very low cost/benefit ratios. These crude findings were for aggregate categories and not for hypothetical projects. That is, they provided an ex post breakdown of a city budget to show how residents are subsidized by retail/commercial and farmland owners. As we demonstrate later, the allocation of public services (such as police protection that contain non-rival consumption characteristics) is not well thought out when trying to decide who benefits and pays for public services.

Several web sites now offer a detailed instruction guide of how to produce a COCS study comparing the different uses of lands.<sup>2</sup> None of these instruction guides appear to appreciate the inherent problems that we discuss below. However, we did find one Community Economic Newsletter (Deller, 1999) that provided a very

---

<sup>2</sup> The Pennsylvania State University, The Ohio State University, and Wisconsin University-Madison all offer online detailed step-by step instructions to completing a COCS analysis. These sites do acknowledge some criticisms of the approach but still maintain that COCS studies are reliable since they usually yield similar results in comparing land uses.

thorough critique of COCS studies. Proponents seem to ignore these problems and push on with studies that provide very little useful information. Proponents also admit that ex post calculations may not represent future development proposals, but as we show later, that has not stopped some from extending the work to compare hypothetical development proposals.

### **Benefit/Cost of Development Example.**

Table One provides a typical hypothetical example comparing four types of development.<sup>3</sup> The property size is set to five acres as various assumptions are made to determine city revenue and expenditures generated from each hypothetical project. As noted earlier, the biggest return to land use is retail, since it generates significantly more sales tax revenue to the city, while apparently imposing little demand or public expenditures for additional public services. On the other hand, multi-family residential housing generates more property tax revenue than single-family housing, but generates significantly more service costs making it appear to be the worst category of land use in terms of net benefits to a city. These results generally lead to the following inferences: there is extreme pressure on politicians to promote retail development over housing. Similarly, opponents of high-density housing claim that these projects will not generate enough revenues to pay for themselves.

A few comments are in order before proceeding to the specific problems of the COCS approach. If the above inferences reflect the sentiments of residents and

---

<sup>3</sup> The actual table is located at [www.californiacityfinance.com/#FISCALIZATION](http://www.californiacityfinance.com/#FISCALIZATION) under the section titled The Fiscalization of Land Use.

local officials, one might wonder if any cities have pursued a policy of building only retail to produce additional revenue growth for local government? Similarly, do we observe any cities that have eliminated housing, especially multi-family residential units, and expanded their retail base? We are not aware of any statistics to support this policy approach. There may be some cities in dense urban areas that have focused more on industrial and retail uses (e.g. City of Industry, California is surrounded by the Los Angeles metropolitan area) but it would appear that they are the exception rather than the rule for pursuing economic growth. As reported in Chapman (1998), per capita sales tax values for 1996-97 in California, ranged from \$2.57 (Bradbury, CA) to \$55,504 (Vernon, CA). It appears some cities may pursue a high per capita sales tax ratio when located near urban areas while some do not. Another important observation is that if the above inferences are true, what prevents land values from adjusting to reflect the fact that some uses do not pay for themselves. For example, a common objection to MFR housing is that it will generate more children and an increased demand for local K-12 schools. Opponents claim that the increase in demand will not generate sufficient property tax revenues or fees to cover the additional costs imposed on the local school district.<sup>4</sup> In other words, potential homeowners (or tenants) are faced with an opportunity of obtaining educational services without paying for the full cost. If true, what is

---

<sup>4</sup> Our focus is on the city provision of community services. In California, school districts are separate from municipalities but receive funding from property taxes and school officials do make claims about the lack of funding from new development. Districts receive the maximum from the state budget of either the ADA rate (average daily attendance) for each student or the Basic Aid amount (the amount of tax revenue generated by the district). Most schools choose the ADA rate, which means more students will add more revenue. For Basic Aid, new housing generates additional property tax revenues.

stopping potential landowners (or tenants) from bidding up home prices to reflect this subsidy or free lunch? Similar arguments could be also applied to parks, fire, and police services. The presence of a subsidy should lead potential new residents to bid up home values to reflect the value of the “free” or underpriced public services. A final point along these lines is the observation that when local officials try to promote retail projects, such as a grocery store in less dense areas, private developers will perform their own analysis and conclude that there are not enough customers to make a grocery store feasible, unless of course, the city is willing to offer huge subsidies.

It would appear that the standard inferences drawn from Table One are lacking in reality as to what is actually observed regarding municipal growth. Even if the benefit–cost ratios are accurate, they fail to account for market forces in response to the apparent free lunches offered by landowners. To be fair, the COCS approach asks a basic and useful question. If we develop a piece of land will the city be able to provide the additional public services demanded by new residents? Unfortunately, the basic setup and approach taken by proponents of COCS studies fails to understand several components of benefit-cost project evaluation,

One of the basic assumptions required in finance in order to compare projects is to assume the projects are independent and mutually exclusive. Independence requires the cash flows to not be dependent on other projects. For retail projects to generate local sales tax revenue there must be customers nearby. There may be some residents nearby, but there must be enough of them. It’s hard to imagine a city promoting retail without a sufficient customer base. Similarly a

housing project can provide more customers to increase retail sales only if there is retail located in the town. Setting aside for the moment, the mistaken use of average instead of marginal values to forecast retail sales, sales tax revenue generated by housing and retail projects are not independent. A private developer will want to incorporate the existing customer base and any future customers from new housing units in determining the feasibility of a retail project. A second point concerns mutually exclusive projects. Standard Benefit/Cost analysis assumes all or nothing for each project under consideration. Table One seems to imply that all four proposals would be allowed on the same five acres. This might be the case if city officials were willing to allow any project category to be built on the site. However, most cities already have zoning in place and if politicians are not willing to change the zoning, housing will only be proposed in areas zoned residential. In other words, if zoning limitations restricts you, comparisons with other types of land uses are not relevant. It might be possible to compare a SFR and MFR project on a site zoned residential, but you would not include a retail project comparison on the same site.

Table One shows a clear revenue advantage of MFR over SFR in terms of property tax revenue.<sup>5</sup> As shown on the table the total revenues of MFR are 2.14 times greater than SFR. Most of this is due to the higher property value of the MFR proposal (17.1 million) compared to the SFR proposal (8 million). With such a large advantage, why does the SFR proposal break-even and MFR proposal fail to break-

---

<sup>5</sup> In California, new development is assessed at its market value and future assessments are limited to the lower of 2% or the annual California CPI rate. For homeowners, properties are re-assessed at market value if there is a change in ownership. . For rental property, a change in ownership does not always lead to a re-assessment. This different treatment suggests that cash flows from homeowners will be higher over time when compared to rental properties.

even? The answer lies in how the COCS process suggests ways to allocate costs to providing public services. Ignoring for the moment how the initial per unit city expenditures are determined for SFR, the MFR expenditures are allocated on the basis of units per acre. The expenditures for MFR are 4.75 (95/20 units) times higher for all categories of public services.<sup>6</sup> Even if we alter the allocation to depend on people, and not units, the approach suggests that all city services be allocated as if they are private goods. An increase in population leads to a proportionate increase in demand and spending on public services. For MFR, this means a proportionately larger increase in expenditures than the revenues generated from the proposal.

Allocating expenditures on a per unit basis, suggests that the underlying services are treated as a pure private good and ignores the possibility that the underlying service is a public good. Public goods by definition allow for joint (or non-rival) consumption. The consumption of one individual does not limit the consumption by another individual. In terms of city services, it would seem that some services like a park, or fire and police protection, would exhibit some degree of publicness. For example, consider the Parks and Community Services category in Table One. Lets presume the city recreation department offers recreation classes, and suppose it has a public park system already in place (say 100 acres). How would the two housing proposals (SFR and MFR) affect the cost of providing recreation classes and park maintenance? For recreation classes an increase in demand would lead to more participants and the net cost to the city would depend

---

<sup>6</sup> A better approach would be to allocate the service cost on income and the number of people and not units. See Gonzalez and Means (1991)

on the amount of subsidy per person, if any, provided by the city. For park maintenance, the answer will depend on the output level provided by the city. If parks are maintained once a week (mowing lawns, trash pickup etc.) how much more would costs increase by adding an additional 75 units in the city when compared to adding 20 units? It's hard to believe costs would rise 4.75 times. A similar argument could be made for police and fire services. If the police department guarantees a patrol car will drive down your street once every 24 hours, how much more does it cost to drive on a street with higher density? Similarly, is the fire department going to expand in size by 4.75 times more than the SFR cost estimate? If a provision of public goods is already in place for a large town, adding more homes may have just a small impact on total costs.

The above examples are offered to suggest that there might be some economies of scale from consuming some public services. Empirical estimates usually suggest that aggregate municipal expenditures on public services tend to be like a private good and exhibit little publicness. (Means and Mehay (1995), Gonzalez, Means and Mehay (1993)). However, this is not to say that for a specific proposal, there may be some degree of publicness at the margin. In terms of feasibility it's clear that the additional costs of the MFR proposal are over stated. If one assumed no additional city service costs for the MFR proposal, it would have a clear advantage over the SFR proposal.

The preceding discussion dealt with the relative assignment of costs but did not deal with the initial assignment to the SFR proposal. The initial assignment appears to be based on an average rather than marginal value by taking total

expenditures and dividing by the number of units (or people) in the city.<sup>7</sup> The marginal increment will be less if there is some degree of publicness in the services provided to residents. The increase in expenditures will also depend on whether the service is treated as a private or public good. Figure One shows the difference in expenditures for a service when the good is either a private or public good and allocated on the basis of  $P = MC$ . The figure assumes identical demand schedules for all residents and the resulting shift in demand from either a private or public good. The differences in expenditures will depend on the implied tax price of the service and the elasticity of demand. If the demand for a city service is inelastic, treating the service as a private good will result in allocating a higher expenditure amount for the cost to provide the service than necessary. Similarly if demand is very elastic, public good expenditures will be higher than the amount associated with private good expenditures.

In many cases impact fees are set proportional to the expected increase in population, treating the city service is a private good. The FIA approach assumes the increase in public service cost equals the expected increase in population times the current average per capita cost. For many cities, impact fees are calculated as if the service is a pure private good. Cities in California impose park impact fees on new development. Developers may have the option of paying the fee or providing the actual parkland on site. The fee is based on a service level (S) of acres per 1000 people. For California, the minimum set by the Quimby Act (California State

---

<sup>7</sup> Several studies suggest average cost approaches based on usage, such as service calls by police and fire. This approach fails to take into account the deterrent effect of police patrols and may not represent the actual benefit received by the users.

Government Code § 66477) is 3 acres per 1000 people.<sup>8</sup> The fee (F) is then determined from  $F = S \times N \times P$ , where N is the expected population increase from the proposed development and P is the price for an acre of land. It's easy to show that the park fee expenditure elasticity ( $\eta_{F,N} = (dF/dN)(N/F)$ ) equals one. Specifying the park impact fee in terms of the usual public good framework is straightforward.

$$q_i = Q/N^a \quad (\text{congestion function})$$

$$E = PQ = P(N^a q_i) \quad (\text{expenditure function})$$

The parameter for N determines the degree of publicness for the city service; zero for a pure public good, and one for a pure private good. Values between zero and one suggest some degree of congestion. Since the park standard implies an output level equal to  $Q = S \times N$ , it must be the case that  $q_i = S$ , implying that the park standard requires  $a = 1$  and the public service is treated as a pure private good. In this case it assumes that  $q_i = Q/N$ , (as opposed to the pure public good consumption level of  $q_i = Q$ ) so that each resident is assumed to consume an equal amount of park services.

The same argument would apply to other public services (e.g. fire or police

---

<sup>8</sup> Various numbers have been recommended including those by the National Recreation and Parks Association that run as high as 6.25 to 10.5 acres per 1,000 people. California appears to have chosen a lower limit to minimize the misuse of the fees. See also *Level of Service Standards: Measures for Maintaining the Quality of Community Life* by the Municipal Research and Services Center of Washington, Sept. 1991, Report #31. It should be noted that this report suggests that, "The NRPA standards reflected 'what seemed to be right' based on the recommendations of a group of professionals rather than on systematic research."

protection, roads) where the impact fee is set proportional to the expected increase in population.

A final comment concerns the use of average rather than marginal values. Generally speaking, average values are easy to obtain since they require collecting past values of a total and a unit count. Marginal values are usually not observed since they require some sort of forward looking at the process. It is common practice to use average values as a substitute when one knows something about the process generating output and believes the two are close in value. For public goods this may be the case if the demand elasticity is close to one. In this case the private good and public good can yield a similar demand response in spending. Empirical estimates seem to support elasticities close to one, but these are for aggregate and not marginal expenditures (Means and Mehay, 1995).

## **Conclusion**

There are other minor problems with the COCS approach but they are likely to be less significant in deciding which project yields the highest return. Our hope is that public officials and proponents of the COCS and FIA approach will take a more serious and critical look at these studies and try to come up with better figures. It would seem to be important for elected officials and residents to know what the costs and benefits of development are in terms of tax revenues and city expenditures. As we have pointed out, the current conclusions are flawed. They fail to account for market forces and actual choices of land use, make fundamental mistakes in applying financial analysis to projects, and finally, fail to understand the

distinct nature of providing community goods. We suspect that that multi-family housing and commercial development projects will offer better returns when better methods are employed to determine their relative merits.

## References

- Burchell, R. W., and Listokin, D. (1978). *The Fiscal Impact Handbook*. New Brunswick, New Jersey: Rutgers University Center for Urban Policy Research.
- Burchell, R. W., and Listokin, D. (1980). Methods for Analyzing Fiscal Impacts: State of the Art and State of the Practice. *The Urban Interest*. P. 49-58.
- Burchell, R. W., and Listokin, D. (1992). *Fiscal Impact Procedures and State of the Art: The Subset Question of Open Space and Agricultural Lands*. New Brunswick, New Jersey: Rutgers University Center for Urban Policy Research.
- Cost of Community Services Studies (2010). FIC Fact Sheet and Technical Memo; page(s) 6; National; Fact Sheets and Technical Memos. American Farmland Trust, Northampton, MA. [www.farmlandinfo.org](http://www.farmlandinfo.org).
- Chapman, Jeffrey L. (1990). *Proposition 13: Some Unintended Consequences*. Commissioned by PPIC for the Tenth Annual Envisioning California Conference, Sacramento, California, September 24-26, 1998. Occasional Papers. San Francisco: Public Policy Institute of California.
- Deller, Steven C. (1999). The Limitations to Cost of Community Services Studies. Center for Community Economic Development, University of Wisconsin-Extension, No. 268
- Edwards, Mary M. (2000). *Community Guide to Development Impact Analysis*. [www.lic.wisc.edu/shapingdane/facilitation/all\\_resources/impacts/analysis\\_background.htm](http://www.lic.wisc.edu/shapingdane/facilitation/all_resources/impacts/analysis_background.htm). Wisconsin Land Use Research Program, University of Wisconsin-Madison. March 2000.
- Edwards, Mary M. and Huddleston, Jack R., (2010), Prospects and Perils of Fiscal Impact Analysis, *Journal of the American Planning Association*, Vol. 76,n.1, Winter 2010 (p. 25-41)
- Gonzalez, Rodolfo and Tom Means (1991). "Benefit Shares, The Crowding Parameter and Samuelsonian Publicness", with R. Gonzalez, *Southern Economic Journal*, Vol. 58, no. 2, October 1991, p. 518-527
- Gonzalez, Rodolfo with Tom Means and S. Mehay (1993). "Empirical Tests of the Samuelsonian Publicness Parameter: Has The Right Hypothesis Been Tested ", *Public Choice*, Vol. 77, no. 3, November 1993, p. 523-534
- Herhold, Scott (2010). *San Jose council whiffs on allowing town homes near Santana Row*, San Jose Mercury News, December 8, 2010.

Kelsey, Timothy W. (1998). *Calculating a Cost of Community Services Ratio for Your Pennsylvania Community*, [pubs.cas.psu.edu/FreePubs/pdfs/ua327.pdf](http://pubs.cas.psu.edu/FreePubs/pdfs/ua327.pdf), Department of Agricultural Economics and Rural Sociology. Cooperative Extension. The Pennsylvania State University (1998)

Means, Tom and S. Mehay (1995). "Estimating the Publicness of Local Government Services: Alternative Congestion Function Specifications", *Southern Economic Journal*, January 1995.

Miszynski, D. J. (1986), The Fiscalization of Land Use. In J.J. Kirlin and D.A. Walker (eds.), *California Policy Choices* (Vol. 3, pp. 73-105). Los Angeles, University of Southern California.

Morgan, Jonathan Q. (2010), Analyzing the Benefits and Costs of Economic Development Projects. *Community and Economic Development Bulletin*, School of Government. The University of North Carolina at Chapel Hill.

Mucha, Michael J. (2007), An Introduction to Fiscal Impact Analysis for Development Projects. White paper, Government Finance Officers Association, [www.gfoa.org/downloads/FiscalImpactAnalysis/pdf](http://www.gfoa.org/downloads/FiscalImpactAnalysis/pdf).

Prindle, Allen M. and Thomas W. Blane, *Cost of Community Services*, [ohioline.osu.edu/cd-fact/1260.html](http://ohioline.osu.edu/cd-fact/1260.html), CDFS-1260-98, Ohio State University Fact Sheet, Community Development, 700 Ackerman Road, Columbus, OH 43202-1578

Table One.

Theoretical Comparison of Annual Costs and Revenues from Different Development Proposals

	Hypothetical City		Full Service - with 6% UUT	
	Single-family Residential	Multi-family Residential	Industrial	Retail
Property Value <sup>2</sup>	8,000,000	17,100,000	3,000,000	9,000,000
Residential Cost per DU	400,000	180,000		
Property Size (acres)	5	5	5	5
Retail Square footage per acre				10,000
Residential Units	20	95	n/a	n/a
Property Tax AB88 share of 1%	16.3%	16.3%	16.3%	16.3%
Utility User Tax Rate	6%	6%	6%	6%
Transient Occupancy Tax Rate	n/a	n/a	n/a	n/a
<b>CITY TAX REVENUE</b>				
Property Tax Revenue	13,040	27,373	4,890	14,670
Property Tax Rev (In Lieu of VLF)	3,600	7,695	1,350	4,050
Sales Tax Revenue <sup>3</sup>	7,560	7,560		82,500
Business License Tax	-	5,500	5,500	5,500
Franchise Fees	340	1,615	1,275	1,063
State Subventions & other revs <sup>4</sup>	2,380	9,247	296	887
<b>TOTAL REVENUES</b>	<b>\$ 35,200</b>	<b>\$ 75,222</b>	<b>\$ 24,903</b>	<b>\$ 116,121</b>
<b>CITY EXPENDITURES</b>				
Police Department	9,100	42,750	4,950	14,063
Fire Department	6,040	28,690	3,322	9,438
Public Works	1,200	5,700	1,320	3,750
Planning & Community Developmt	800	3,800	880	2,500
Parks & Community Services	2,600	12,350	429	1,219
Library	1,500	7,125	n/a	n/a
General Government	2,540	12,065	1,298	3,688
<b>TOTAL EXPENDITURES</b>	<b>\$ 23,680</b>	<b>\$ 112,480</b>	<b>\$ 12,199</b>	<b>\$ 34,656</b>
<b>NET</b>	<b>\$ 11,520</b>	<b>\$ (37,258)</b>	<b>\$ 12,704</b>	<b>\$ 81,465</b>
	per unit \$ 576	\$ (392)		

**NOTES**

- All revenue and expenditure estimates are based on a consensus of recent fiscal impact analyses, city budgets and reports to the state Controller.
- Property values assume \$400,000 per single family home, \$180,000 per multi-family unit, \$180/sf for retail, \$600,000 per acre for industrial.
- City property tax share is the average share of 1% property tax revenues paid *in non-redevelopment* areas. This rate differs from city to city depending on (among other things) the service responsibility of the city and the pre-Prop13 property tax rate.
- Sales and use tax: retail project assumes 10,000 square feet of retail per acre with taxable sales of \$220 per square foot, 75% of which is "new sales" (not moved intra-city). Tax rate to city is 1% of taxable sales. Residential project assumes \$126per capita retail sales captured in city.
- Some cities do not impose Utility User Taxes. Rates and applicability (e.g. electricity, gas, water and telephone.etc.) vary.
- Business License Tax estimated at \$0.10 per sf for commercial uses. Multifamily residential is assumed to be rental property. Assumes comparable rates similar to statewide average among these cities. (Actual rates were not determined)
- Franchise tax revenue at \$17 per dwelling unit equivalent (DUE) and 1DUE/800sf commercial.
- State subventions include per-capita based allocations such as MVLF and gas tax (residential only) and HOPTR (residential). These are assumed at \$27 per residential DUE. Fines&forfeitures at \$1.20/DUE, PropTransferTax at \$0.55/\$1000AV with 15yr turnover, Prop172 at 33% of PropTax(ERAF) times 11.5% (ratio of Prop172 to ERAF).
- City is a "full service city" including police, fire and library services.
- Enterprise services such as water, sewer, and garbage are not included. These services are funded by user fees, such that costs equate to revenues.
- Expenditure estimates are based on current statewide median values for full service urban cities corellated with a consensus of recent project fiscal impact analyses.

Figure One

