

**Fiscal and Economic Evaluation
Preferred Land Use Alternative
Butte General Plan 2030**

January 30, 2009

Introduction

The purpose of this report is to provide a fiscal and economic evaluation of the preferred land use alternative (PLUA) that is under consideration for Butte County General Plan 2030, and to recommend strategies for fiscal sustainability as the County moves forward with refining the PLUA and developing policies and programs for General Plan 2030.

This report has three sections:

- **Overall Balance of Land Uses** – a brief assessment of the extent to which the PLUA provides for an overall balance of land uses in the Unincorporated Area.
- **Fiscal and Economic Evaluation of Land Use Plan by Sub-Area** – for each Study Area, an evaluation of the potential impacts of the PLUA on the Butte County budget, considering potential service costs and revenue-generating potential, along with an assessment of marketability and an assessment of impact on jobs/housing balance.
- **Recommendations for Fiscal Sustainability** – a series of recommendations that the County could consider to improve the long-term fiscal sustainability of the General Plan.

As the County prepares to adopt an updated General Plan, it must be careful to ensure that the plan represents a prudent balance of residential and non-residential land uses, to meet the demand for housing, and also to create opportunities for local economic development. General Plan 2030 must be responsive to the market but also fiscally viable. As the County charts its course for growth over the next 20 to 30 years, it should be confident that new development will cover its fair share of the cost of infrastructure that will be needed to support new development, and that once the development is in place, the County will have an adequate stream of new income to pay for the ongoing municipal services operating costs that will be attributable to the new development.

Overall Balance of Land Uses

The first portion of the evaluation involves an assessment of the PLUA, considering such factors as the quantity of new development incorporated into the PLUA versus the projected growth in residential and commercial development through 2030, the planned capacity for retail development relative to new residential development and the amount of retail space that it might support, and the balance between residential and job-generating land uses.

Job Capacity Relative to Employment Projections

The PLUA calls for 50,000 new jobs in the Unincorporated Area, about two-thirds of which would be in the Oroville area. Meanwhile, the Butte County Association of Governments projections predict that employment growth countywide (including incorporated cities) will be just under 35,000 jobs between 2006 and 2030. Of this countywide employment growth, the Settings and Trends Report estimated that a relatively small portion would occur in the Unincorporated Area, given the Unincorporated Area's relatively small share of countywide employment at present. This information suggests that the non-residential components of the PLUA would take an extended period of time to develop, beyond the 2030 time horizon.

Housing Capacity Relative to Population Projections

The PLUA calls for 53,380 new housing units in the Unincorporated Area. Meanwhile, the General Plan Update Settings and Trends Report projections anticipated 10,568 new households between 2006 and 2030 in the Unincorporated Area. The Unincorporated Area's share of countywide households was 42 percent in 2006; thus, the County may reasonably expect to capture a substantial share of the projected countywide residential growth, but the PLUA has the capacity to exceed even the total countywide (including cities) household growth projection of 43,916 new households between 2006 and 2030. As with the non-residential components of the PLUA, this information suggests that the residential components would not fully absorb during the 2030 time horizon, and would require a substantially longer period to reach full buildout.

Supply of Retail Uses Relative to Population Growth

The PLUA proposes to accommodate potentially as much as 13.5 million square feet of new retail development. This is the equivalent to approximately 100 big-box retailers, such as a Costco or a Home Depot, or nearly 100 square feet of retail space for each new resident that might be expected if the PLUA's residential component built out completely. For comparison, BAE's analysis for other locations suggests that a supply of retail space equal to about 40 square feet per capita, plus limited additional space for vehicle sales and service stations, may be appropriate for a community that seeks to minimize retail expenditure leakage. Meanwhile, due to their greater concentrations of population and greater infrastructure capacities, cities have tended to attract a disproportionate share of the retail development within the County. This information suggests that the PLUA

provides for a significant over-supply of retail space relative to the anticipated population growth, particularly in light of the competitive situation with the cities.

Mixture of Potential Job Types

As indicated above, the buildout of the PLUA is estimated to support an additional 50,000 new jobs in the Unincorporated Area. Based on the broad commercial land use categories of “Retail” and “Industrial” included in the PLUA, and utilizing the employment density assumptions and the quantities of new development proposed in each of the Study Areas, it is estimated that full buildout of the PLUA would generate approximately 30,000 new “retail” jobs and approximately 20,000 new “industrial” jobs.

Of the “retail” job potential, the majority is concentrated in the Oroville Area, with approximately half of the “retail” total associated with the Eastern Oroville/Oroville Hills area (Study Area 23), about one fourth associated with the Las Plumas/Southside/Ophir Road area (Study Area 26), and another 10 percent of the total in the Pacific Heights Road/SR-70 and Southern Oroville Study Areas combined (Study Areas 27 and 28). On the other hand, “industrial” jobs are more evenly spread throughout the County, including major concentrations in North Chico (Study Area 2), Las Plumas/Southside/Ophir Road (Study Area 26), and South of Biggs (Study Area 33). The Paradise area does not include a significant new job center, either retail or industrial, but the Chico/Durham, Oroville, and Biggs/Gridley areas include at least one major job center each.

The PLUA does not assume that there will be any large-scale office developments (e.g., corporate office campus) within the Unincorporated Area; however, prior BAE research in other locales suggests that approximately 15 to 16 percent of retail space is typically occupied by various types of smaller business and personal services, which can include office users such as medical offices; real estate, insurance, and title companies; and banks and financial institutions. In addition, the “retail” employment potential within certain Study Areas incorporates substantial amounts of mixed-use development, which may include, for example, retail uses on the ground floor, with office uses above. For example, Eastern Oroville/Oroville Hills (Area 23) includes 630 acres of mixed use, which could potentially support large quantities of office space. Las Plumas/Southside/Ophir Road (Study Area 26) also includes 325 acres of mixed use land, while Southern Oroville (Study Area 28) includes 55 acres of mixed use.

Overall Jobs/Housing Balance

Research during the Alternatives Analysis phase indicated that the County as a whole (including cities) currently has a reasonable jobs housing balance, as indicated by an overall 0.94 jobs/employed residents ratio in 2006. Within the new commercial and residential development proposed in the PLUA for the Unincorporated Area, the overall jobs/employed residents ratio is 0.84. The PLUA would therefore contribute to a deteriorating jobs/housing balance countywide,

meaning that the County would rely on the cities, or other areas outside the County, to supply a portion of the jobs needed to satisfy the increase in employed residents. However, if the County successfully captures all of the employment growth it needs to support the PLUA, then the cities will most likely not be in a position to provide excess jobs for residents of the Unincorporated Area. This information suggests that the problem is not that the PLUA provides insufficient employment-generating land uses, but that it would provide a large excess of residential development capacity.

Jobs/Housing Balance by Sub-Area

Although there is excess total potential for new housing relative to the total new job potential countywide, the existing jobs/housing balance pattern is uneven across the County. Changes in the PLUA that would tend to either create excess jobs or excess employed residents an area with an existing jobs/housing balance would be considered adverse, since the ideal would be to maintain a jobs/housing balance in a given area. For example, in the Chico area, jobs are approximately equal to, or greater, than the number of employed residents. Under the PLUA, new development in the unincorporated portion of the Chico area (Study Areas 2,3,4,6, 9, and 14) would yield about 6,900 new jobs and over 6,800 new employed residents, so the PLUA would tend to help maintain a jobs/employed residents balance in the Chico area.

The existing jobs/employed residents ratios in the Durham, Paradise, Oroville, and Biggs/Gridley areas range from about 0.5 to 0.75. This means that development that provides an excess of jobs relative to new employed residents will help bring jobs and housing into a better balance in these areas, while projects that attract new employed residents, without an accompanying increase in jobs, will lead to greater imbalances.

In the greater Paradise area (Study Areas 5,7, 10, 11, 12, 13) the PLUA provides for about 1,400 new employed residents, but only about 100 new jobs, for a jobs/employed ratio of under 0.1. This means that the PLUA would tend to exacerbate an existing deficit of jobs in the area.

In the Oroville area (Study Areas 21, 23, 25, 26, 27, 28), the PLUA allocates enough land to support approximately 33,200 new jobs, but it would also accommodate over 44,000 new employed residents, for a jobs/employed residents ratio of about 0.75. This means that the PLUA would exacerbate the existing deficit of jobs relative to the number of employed residents in the Oroville area.

In the greater Durham area (Study Areas 15,16, 17, 18, 19, 20), the PLUA would have a jobs/employed residents ratio of about 4.9, meaning that the PLUA for this area would help to correct a current jobs deficit.

In the greater Gridley/Biggs area (Study Areas 31, 33, and 34), the PLUA would produce a jobs/employed residents ratio of 2.8, meaning that it would help to improve the current deficit of jobs relative to employed residents in the area.

In the Berry Creek area, the jobs/employed residents ratio is very low – probably 0.1 job per employed resident or less. Therefore, any project that generates more jobs than employed residents will be beneficial. In fact, the PLUA provides for slightly more job capacity than it does capacity for new employed residents; thus, it creates the potential to improve the jobs/housing balance in the area.

Conclusion

Based on past trends, the amount of land designated for commercial and residential development in the Unincorporated Area is significantly greater than the amount of land that would be needed to accommodate the level of development that would actually be expected to occur within the General Plan time horizon. The PLUA would allow about 54,000 new residential units in the Unincorporated Area. This is just over five times the growth in housing units that BCAG projects for the Unincorporated Area between 2006 and 2030, and about 120 percent of the growth that BCAG projects for the entire County through 2030. Based on BCAG's projected growth rate for the Unincorporated Area, only about 20 percent of the residential component may absorb during the General Plan horizon. With potential for a total of approximately 50,000 new jobs in the Unincorporated Area, the PLUA would allow approximately 28 times the number of new jobs that BCAG projects for the Unincorporated Area between 2006 and 2030, or about 44 percent more than the total job growth that BCAG projects for all of Butte County, including the cities, through 2030. Based on the BCAG growth rates, the likely buildout period for the non-residential PLUA components would certainly be in excess of 50 years, and full retail buildout in particular is unlikely to ever occur, unless the County's residential population base grows exponentially larger than that allowed by the PLUA. In addition, the PLUA would allow an imbalance of new residential and job-generating land uses which would increase the existing deficit of jobs relative to housing within the Unincorporated Area.

Some planners believe that a large supply of land available for development can engender economic opportunities. At the same time, it is possible that an oversupply of available land can lead to uneven growth and a lack of clarity regarding the County's economic and land use goals. It also reduces the County's ability to direct development towards specific areas that would offer the greatest fiscal benefits to the County. However, it may be difficult to change PLUA land use designations to reduce development potential below the significant amount of development allowed in the existing General Plan, since such a change could be considered downzoning by community members. This study recommends that the Board of Supervisors look closely at land use designations in the individual Study Areas with these issues in mind.

The detailed discussion of individual Study Areas in Table 1, below, identifies a number of Study Areas where the PLUA proposes buildout potential that is unlikely to be realized within the General Plan time horizon. For example, in total, the Oroville area Study Areas (numbers 21, 23, 25, 26, 27 and 28) account for about 66 percent of the PLUA's total new job potential (33,200 new jobs) and 74 percent of the PLUA's new housing unit potential (39,500 units). Study Area 23 (Eastern Oroville, Oroville Hills) and Study Area 26 (Las Plumas/Southside/Ophir Road), are the two Study Areas in the Oroville Area that contribute most significantly to the PLUA's total jobs and housing numbers. Full buildout of the PLUA in these two Study Areas alone would allow approximately 6.8 million square feet of retail space and 26,000 dwelling units in Study Area 23, and approximately 3.3 million square feet of retail space, 5.2 million square feet of industrial space, and 9,000 dwelling units in Study Area 26.

If the County's goal is to have a PLUA that more closely reflects expected development patterns, the PLUA should be adjusted significantly reduce the amount of land designated for development and/or proposed development densities, and focus designations for development in those locations where the County is most likely to realize fiscal benefits, as discussed in detail in the following section.

Furthermore, a better land use balance could be achieved by reducing the amount of residential development allowed under the PLUA's relative to the amount of commercial development allowed, in order to improve the Unincorporated Area's jobs/housing balance over time. To meet this goal, the PLUA should target at least a jobs/housing balance in new development that occurs in the Unincorporated Area, if not an excess of jobs, in order to balance out the Unincorporated Area's existing jobs shortfall.

Should the County choose to leave the PLUA in its current form, the following strategies may help to encourage orderly use of the available land supply and encourage balanced development:

- Adopt a land use monitoring program for the Unincorporated Area that limits the amount of new residential development that may occur, based on the amount of new jobs that are created. For example, the County might hold residential land in "reserve" until sufficient new jobs are created in the area to allow the residential land to be developed without further degrading the jobs/housing balance for the area.
- Condition issuance of building permits for major residential developments upon a finding that the surrounding area has, or will concurrently develop, job-generating land uses sufficient to provide a reasonable jobs/housing balance in the area. This could provide allowances for projects such as senior housing, whose residents do not necessarily require employment opportunities.

- Adopt an infrastructure development and phasing policy that limits development of new backbone infrastructure in the Unincorporated Area until such time as Specific Plans or other similar plans are developed to demonstrate an integrated approach to developing communities with a reasonable jobs/housing balance.

TABLE 1: Fiscal and Economic Evaluation of Land Use Plan by Sub-Area

The following tables summarize an evaluation of three key factors for each of the General Plan Update Study Areas, reflecting the land use assumptions of the Preferred Land Use Alternative. The methodology for this assessment is the same as that which was used for the Alternatives Evaluation Report.

2. North Chico Specific Plan

Fiscal Impacts	Good revenue potential; service efficiency could support fiscal sustainability, even if full commercial development is not realized. This area appears to be within an 8-minute fire response time area. ¹	B
Absorption Potential	Strong market area, but full absorption during General Plan time horizon questionable, but improvement over Alternatives. Would need to capture demand from greater Chico area to support excess retail; Hwy 99 frontage would be valuable asset.	B
Jobs/Housing Balance	Has potential to create surplus jobs; however, with questionable absorption of all employment generating land uses, this may not be an issue in GP time horizon.	&
Overall	Although full commercial absorption during General Plan time horizon is questionable, the resulting development has the potential to be fiscally neutral or positive, and the actual jobs/employed residents ratio will be closer to a balance.	B

3. Bell Muir

Fiscal Impacts	Good revenue potential with service efficiencies. Area appears within the required 13-minute response time.	B
Absorption Potential	Likely to absorb in GP time frame.	A
Jobs/Housing Balance	No jobs to balance new housing.	C
Overall	Proximity to jobs in Chico mitigates lack of internal jobs/housing balance.	B

4. Forest Ranch

Fiscal Impacts	Good revenue potential in this area due to high property tax share and good potential market values.	B
Absorption Potential	Full absorption of residential is likely; modest amount of retail has potential to be absorbed if oriented to Highway 32 and able to serve local needs as well as highway travelers.	B
Jobs/Housing Balance	Does not add enough jobs to offset residential and employed residents would mostly likely need to commute to Chico area or beyond.	C
Overall	Positive due to potential fiscal sustainability and likelihood of absorption during General Plan time horizon.	B

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

¹ Although the County Board of Supervisors has recently adopted fire standards for the Unincorporated Area that dictate a maximum 7-minute response time for the County’s most urbanized areas, as described in the following section on Recommendations for Fiscal Sustainability, the response time maps contained in the 2007 Standards of Cover Response Study for the Butte County Fire Department, by Citygate Associates, is the most detailed information available about existing response times within the Unincorporated Area. Thus, areas that are well within the 8-minute response area are assumed likely to be within a 7-minute response time.

5. Magalia/Paradise Pines

Fiscal Impacts	Reasonable revenue potential and service efficiency. Could be enhanced with limited amount of neighborhood retail.	B
Absorption Potential	Residential likely to build out fully; commercial should be limited a small amount of neighborhood-serving retail since area is isolated and not likely to serve as destination for shoppers from other parts of the County.	A
Jobs/Housing Balance	TBD pending determination of commercial designation in this area.	C
Overall	An appropriate amount of local-serving commercial can help to create a sound fiscal performer, but not likely to achieve jobs/housing balance.	&

6. Upper Stilson Canyon

Fiscal Impacts	Service inefficiency is a concern; however, low density means that this area requires no better than 17-minute fire response time, while revenue potential is strong.	B
Absorption Potential	Strong absorption potential.	A
Jobs/Housing Balance	No jobs to offset housing; would tend to deteriorate jobs/housing balance in Chico area.	C
Overall	Lack of jobs in area necessitates commuting.	&

7. Concow

Fiscal Impacts	Service inefficiency and limited revenue generating potential; however, retail would likely pay its own way.	B
Absorption Potential	Retail quantity is much more realistic than Alternatives but absorption likely to be slow.	&
Jobs/Housing Balance	Any amount of retail would help to improve the local jobs-housing balance.	B
Overall	Service demands likely low, with potential to generate adequate revenues and provide local jobs and services.	B

8. Berry Creek

Fiscal Impacts	Although population density would remain low and fire service standard would be low, other service inefficiencies are a concern and revenue potential is low.	C
Absorption Potential	Isolation makes residential absorption questionable. Area likely to support only a fraction of planned retail.	C
Jobs/Housing Balance	Only Alternative 1 has effect on jobs/housing balance; however benefits not likely during General Plan time horizon due to lack of market for retail component.	&
Overall	Lack of absorption potential for retail is primary consideration for Alternative 1, which would negate potential fiscal and jobs/housing benefit of retail.	C

9. Doe Mill/Honey Run

Fiscal Impacts	Area has solid revenue potential for residential. Full benefits from retail are unlikely because this area is unlikely to support more than neighborhood retail.	B
Absorption Potential	Residential likely to absorb; however, area is likely to support only a fraction of the retail planned, as neighborhood scale retail is more appropriate.	&
Jobs/Housing Balance	Not enough new jobs to offset new housing.	C
Overall	Ranking is neutral since plan would deteriorate Chico area jobs/housing balance.	&

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

10. Skyway/Neal Road

Fiscal Impacts	Could achieve fiscal benefits since area will remain low density and could take advantage of existing service capacities.	B
Absorption Potential	Would likely capture adequate market support.	A
Jobs/Housing Balance	Lacks jobs and would tend to deteriorate Paradise area jobs-housing balance.	C

Overall	Minor potential benefits but deteriorates jobs/housing balance.	&
---------	---	---

11. Paradise Urban Reserve

Fiscal Impacts	Good revenue and service efficiency potential mean this area could be fiscally neutral or positive because it remains a low-density location that will not require the highest fire response time standard.	B
Absorption Potential	All development likely to be viable over General Plan time horizon.	A
Jobs/Housing Balance	Only residential development.	C
Overall	Market viable and has potential to be fiscally sustainable, but would exacerbate jobs/housing imbalance in Paradise area.	&

12. Southeast Paradise Specific Plan

Fiscal Impacts	The fiscal concern is adequacy of existing fire services in the area. Based on density, area would require 13-minute response time. If service levels must be upgraded, then rank could turn negative.	&
Absorption Potential	Market demand should be adequate over course of General Plan time horizon.	A
Jobs/Housing Balance	Not enough jobs to offset new housing.	C
Overall	Neutral overall score due to lack of jobs/housing benefits.	&

13. South Paradise/Pentz Road

Fiscal Impacts	Low revenue potential and service inefficiency is a concern. Area would require 7-minute response time due to density, and may require upgraded fire services.	&
Absorption Potential	Likely adequate market support for all development during General Plan time horizon.	A
Jobs/Housing Balance	Lack of jobs to offset housing.	&
Overall	Fiscal concerns and lack of jobs balance absorption potential for Alternatives 2 and 3.	C

14. Nance Canyon/SR-99

Fiscal Impacts	No development = no fiscal impact.	&
Absorption Potential	Market viability not an issue.	A
Jobs/Housing Balance	No impact.	&
Overall	Neutral due to no changes.	&

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

15. Hamlin Canyon/SR-99

Fiscal Impacts	Solid revenue potential creates possibility of fiscal benefits; however, intensity of industrial development would most likely trigger need for upgraded fire protection services, particularly in regard to emergencies requiring response from multiple apparatus due to large-scale industrial nature.	&
Absorption Potential	As this is not an established industrial location, absorption may be slow.	&
Jobs/Housing Balance	Large job-generating component leads to job surpluses, which could help Paradise area, but hurt Chico area jobs/housing balance.	&
Overall	Neutral. May be fiscally negative and may negatively affect Chico/Paradise areas jobs/housing balance.	&

16. Oroville Chico Highway/SR-99

Fiscal Impacts	No significant fiscal impacts because no new development.	&
Absorption Potential	Market viability is not a concern.	A
Jobs/Housing Balance	Would not affect jobs/housing balance.	&
Overall	Neutral because no development.	&

17. Durham

Fiscal Impacts	Good revenue potential and service efficiency. Additional development may trigger increase in fire service standard to 13-minute response time; however, area appears to already be within standard.	A
Absorption Potential	Positive score due to potential to absorb a substantial amount of planned development during the General Plan time horizon. Scaled down retail relative to Alternatives is more realistic.	A
Jobs/Housing Balance	Would generate a surplus of new employed residents relative to jobs.	C
Overall	Earns positive score overall due to potential for successful implementation of a substantial portion of their planned development, with good fiscal outcomes. Jobs/housing balance is only drawback.	B

18. Durham Dayton/SR-99

Fiscal Impacts	Potentially positive; however, if industrial triggers need for upgraded fire services, this may not be the case.	&
Absorption Potential	Negative due to questionable market potential for its retail component, especially.	C
Jobs/Housing Balance	With no housing and significant employment potential, could lead to excess of jobs in the Chico/Durham area and necessitate substantial commutes for employees.	C
Overall	Negative because of limited positive fiscal potential, questionable absorption of retail, and potential jobs/housing impacts.	C

19. Durham Pentz/SR-99

Fiscal Impacts	Neutral due to no new development.	&
Absorption Potential	Market viability is not an issue.	A
Jobs/Housing Balance	Would not affect jobs/housing balance.	&
Overall	Neutral due to no change.	&

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

20. SR-191 (Clark Road)/Durham Pentz

Fiscal Impacts	Positive score because retail likely to pay its own way and not likely to require enhanced services.	A
----------------	--	---

Absorption Potential	Retail size is much more reasonable than Alternatives; however, lack of new residential in area may mean there is limited new market support.	&
Jobs/Housing Balance	Alternative would help improve jobs/housing balance in the central part of the County; however, this exacerbates an existing job surplus that already exists in the immediate area due to presence of Butte College.	&
Overall	Neutral based on potential positive fiscal impacts, improvement of services to Butte College, but questionable ability to fully absorb and mixed impact on jobs/housing balance.	&

21. Thermalito

Fiscal Impacts	Area has limited revenue potential. The proposed development intensity would require 7-minute fire response time standard; however, it appears that the existing service may be adequate.	&
Absorption Potential	Better potential to fully absorb all development within GP time horizon than Alternatives.	B
Jobs/Housing Balance	Surplus of housing relative to jobs would exacerbate existing jobs deficit in area.	C
Overall	Neutral. Absorption is potentially achievable, and but minimal potential for fiscal benefits, along with deterioration of Oroville area jobs/housing balance.	&

23. Eastern Oroville/Oroville Hills

Fiscal Impacts	Although there is potential for fiscal surpluses if all retail is built out, this is unlikely during General Plan time horizon. Intensity of development will require 7-minute fire response time. Additional crews and/or stations may be needed to serve such a large quantity of additional residential development. Meanwhile, revenue potential is relatively low.	&
Absorption Potential	Receives a negative rank due to questionable absorption potential of retail and residential components. Generally, Olive Highway will be a more viable location for commercial uses because it will offer more drive-by traffic, whereas Miners Ranch Road has much more limited potential to support commercial uses. Given a BCAG projection of just over 9,700 new households in Unincorporated Area by 2030, and competition with Chico area, other Oroville Study Areas, plus Paradise and Biggs/Gridley areas, it would be very aggressive for this area to anticipate capturing more than 25 percent of the residential demand, or about 2,500 units. Given a BCAG projection of just over 35,000 new jobs in the entire county (including cities), it would be aggressive for this area to assume it will capture more than 3,500 jobs, or about 10 percent of the countywide job increase, particularly given the limited accessibility of this area to other business and residential centers in the County.	D
Jobs/Housing Balance	Would have a shortfall of jobs relative to new housing, even if all retail were built out.	C
Overall	Earns a negative score because questionable marketability of retail component overrides potential fiscal benefits derived from retail. Also, would have substantial negative impact on local jobs/housing balance.	C

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

24. Stringtown Mountain

Fiscal Impacts	Density of development would trigger need for 7-minute fire response time. Not clear if existing services would be adequate; meanwhile, revenue potential to cover cost of enhanced services is modest.	&
Absorption Potential	Positive. Although full buildout of residential would require capture of a large share of residential demand for the area, this development's vacation/2 nd home marketing orientation may help it to tap into a market segment with less competition. Successful implementation will require that the development include a full range of amenities in a high-quality environment.	B
Jobs/Housing Balance	Negative because it would decrease jobs/housing balance in Oroville area.	C
Overall	Neutral due to market focus that limits competition with other areas, balanced by neutral fiscal impact and jobs/housing balance impact concerns.	&

25. Thermalito Afterbay Area

Fiscal Impacts	Neutral. Limited potential for fiscal benefits due to combination of County share of property tax, revenue potential of residential development.	&
Absorption Potential	Positive score because it is likely that all of the development could absorb during the General Plan time horizon.	A
Jobs/Housing Balance	Receives a negative score because it would contribute to a deteriorated jobs/housing balance in the Oroville area.	C
Overall	Receives a neutral score due to limited fiscal potential balanced by good absorption potential, while it would have minor adverse effect on area jobs/housing balance.	&

26. Las Plumas/Southside/Ophir Road

Fiscal Impacts	Receives neutral rank because potential fiscal benefits associated with large amount of retail are unlikely to be realized within the General Plan time horizon. Meanwhile, although area appears to have good fire response times at present and efficiencies for other services should be good, the large amount of residential development would likely trigger need for additional fire apparatus and/or stations. Revenue potential from residential development is fairly low in this area.	C
Absorption Potential	Receives negative rank due to questionable absorption for the very large amounts of retail and industrial. Also, project would have to capture a very large share of overall unincorporated area residential growth projection in order to fully build out. Given competition with Chico area, other Oroville Study Areas, plus Paradise and Biggs/Gridley areas, it would be very aggressive for this area to anticipate capturing more than about 2,500 residential units. Due to its proximity to Highway 70, this area may be better positioned to capture jobs than Eastern Oroville/Oroville Hills, but it would be aggressive to assume the area would capture more than about 25 percent of its proposed 14,000+ jobs.	D
Jobs/Housing Balance	Neutral, because the jobs/housing benefit potential associated with the large amounts of retail and industrial are unlikely to be realized in the General Plan time horizon.	&
Overall	Negative score because of the questions about absorption potential for retail, industrial, and residential components, questions about fiscal impacts, and likely adverse impact on jobs/housing balance during General Plan time horizon.	C

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

27. Pacific Heights/SR-70

Fiscal Impacts	Receives a neutral score because potential fiscal benefits from retail component may help to offset low revenue generating potential of residential, while area has good service efficiency. Intensity of development would trigger 7-minute fire response time requirement; however this level of service may already exist.	&
Absorption Potential	Neutral because it is not clear that there would be demand to support absorption of all retail and residential development during General Plan time horizon.	&
Jobs/Housing Balance	Negative. Generates more employed residents than jobs in an area that has an existing jobs deficit.	C
Overall	Negative due to concerns about absorption and jobs/housing balance and limited potential for fiscal benefits.	C

28. Southern Oroville

Fiscal Impacts	Neutral due to relatively low revenue potential of residential component, combined with likelihood that fiscal benefits of retail will only be partially realized, due to lack of market support. However, area enjoys good service efficiency.	&
Absorption Potential	Ranked low because full absorption of its planned retail development during the General Plan time horizon is questionable.	C
Jobs/Housing Balance	Neutral, because full employment benefits from large amount of commercial are unlikely to be realized in General Plan time horizon.	&
Overall	Neutral, because it has some potential for fiscal and jobs/housing benefits; however, unlikely to fully build out during General Plan time horizon.	&

29. Palermo

Fiscal Impacts	Neutral, because although the area has low revenue potential, it appears that rural service standards would remain adequate, and commercial revenues may help to balance costs.	&
Absorption Potential	Positive, because all planned development could potentially be absorbed during General Plan time horizon.	B
Jobs/Housing Balance	Negative. Does not provide adequate jobs to offset residential growth.	C
Overall	Neutral due to potential for fiscal balance but negative impact on jobs/housing balance.	&

30. Bangor

Fiscal Impacts	Positive, because retail is likely to generate revenues to cover service costs. Meanwhile, limited development means that existing services will remain adequate.	B
Absorption Potential	Planned commercial has a reasonable chance of absorption in GP time horizon.	A
Jobs/Housing Balance	Would improve jobs/housing balance even if retail component does not fully absorb, since there is no residential component.	B
Overall	Positive due to potential fiscal and jobs/housing balance benefits.	B

31. Biggs Area

Fiscal Impacts	Positive. Likely to achieve fiscal neutrality or better since area has reasonable revenue potential and good service efficiency. Proposed density would trigger need for at least 13-minute maximum fire response time, but area appears to be within 8-minute response time at present.	B
Absorption Potential	Positive because there is reasonable potential to absorb most if not all of the planned development during the General Plan time horizon.	A
Jobs/Housing Balance	Does not generate enough jobs to offset new residential.	C
Overall	Positive due to potential for fiscal neutrality or better and strong absorption potential.	B

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

33. South of Biggs

Fiscal Impacts	Positive, due to potential to achieve fiscal neutrality or better. Although such a large amount of industrial would likely trigger the requirement for 7-minute fire response time, it appears that most if not all of the area already meets this standard.	B
Absorption Potential	Full absorption during the General Plan time horizon is questionable.	C
Jobs/Housing Balance	Would improve jobs/housing balance in the Gridley/Biggs area, even if only a portion of its retail and industrial development absorbs during the General Plan time horizon.	B
Overall	Positive because even with limited absorption of retail and industrial during General Plan time horizon, it would still create benefits because it would add jobs and no new housing to an area with an existing jobs deficit.	B

34. North of Gridley

Fiscal Impacts	Neutral due to service efficiencies offsetting relatively low revenue potential in area.	&
Absorption Potential	Positive due to high likelihood of absorbing during General Plan time horizon.	A
Jobs/Housing Balance	Residential only project would deteriorate jobs/housing balance in area.	C
Overall	Neutral because it would likely not have significant fiscal impacts, and although feasibility is likely good, it would have adverse jobs/housing impacts on the area.	&

A Most beneficial score B Positive score & Neutral C Negative score D Greatest negative score

Recommendations for Fiscal Sustainability

This section includes discussion of two key issues facing the County in terms of the fiscal sustainability of the proposed General Plan Update. The first issue is the impact of new development on the health of the County's budget for ongoing operations and maintenance activities. The second issue is the County's ability to fund public improvements that are made necessary as a result of new development.

Background

Following is background information on the General Fund and public facilities funding sustainability issues. This information is based on research conducted for the Settings and Trends Report, as well as information provided more recently by County staff.

General Fund Operations and Maintenance

BAE's background economic analysis for the General Plan Update Settings and Trends Report highlighted a number of concerns in regard to the County's existing operating budget outlook, including:

- General purpose revenues (i.e., discretionary revenues) represent only 15 percent of County's total operating funds, meaning that the County has limited flexibility in allocating its available revenues to pay for critical public services.
- Nearly half the County's budget is spent on services for residents within the cities. This means that there is a disconnect between the County's service responsibilities and its ability to raise revenues, since other than a share of property tax revenues, the County has limited jurisdiction to collect revenues from development within the cities.
- County staff sees the need to ensure that future revenue sharing agreements that accompany annexations leave the County with adequate revenues to maintain current levels of service.
- The General Fund's share of property tax increment in the Unincorporated Area tax rate areas (TRAs) ranges from 7.89 to 20.61 percent, making the location of future development in the unincorporated County very important.

More recently, the Butte County Board of Supervisors adopted the Butte County Fire Department Deployment Performance Standards, on August 19, 2008. These standards specify the fire department response time that should be achieved for 90 percent of the 911 calls. The adopted standards have a direct bearing on the fiscal evaluation of the PLUA, because new development may cross thresholds that will trigger the need for increased levels of fire protection service, which

can be very costly. The acceptable response time increases as the density of development decreases, with the primary criterion being the population density of an area. Areas with population density of 1,000 persons per square mile or greater should have a first-due engine response time of seven minutes or less. Areas with a population density of between 500 and 1000 persons per square mile should have a response time of 13 minutes or less, and areas with less than 500 persons per square mile should have a response time of 17 minutes or less. In addition to population density, the standards also consider the presence of industrial, agricultural, or infrastructure facilities of high value, including facilities that are important to the economic well-being of the citizen's of Butte County.

Capital Facilities Funding and Financing

The current development fees originated from Butte County's 2004 Capital Facilities Master Plan and subsequent Impact 2004 Impact Fee Study. The County established both residential and non-residential impact fees. The calculated impact fees for new developments only include those projects' fair share of impacts. According to County Staff, the County then realized that the development impact fees alone provided insufficient funding and prevented the completion of projects identified in the capital facilities plan. One contributing factor is that the County only collects a share of the impact fees that are attributable to non-residential projects, presumably to encourage economic development by reducing the cost burden on commercial development.

In addition, the County did not originally establish a mechanism to cover current development's fair share of capital facilities costs (e.g., when there are existing infrastructure deficiencies). However, the County is now maintaining a reserve balance in a capital improvements fund which diverts County tax revenues based on federal and State guidelines to provide for current residents' fair share of capital improvement costs. County staff estimate that approximately \$600,000 is diverted annually in the capital improvements fund.

The County revisited the Capital Facilities Master Plan with the goal of narrowing the plan down to key facility needs and incorporating financing potential into the decision-making process. The resulting 20-year Capital Improvement Program provides prioritizes projects and identifies, where available, funding streams to finance individual projects. Unfortunately, development activity has tapered off during the recent market downturn, causing lower-than-projected development impact fee revenues. Therefore, despite now having a targeted capital facilities plan and a revenue stream covering current development's fair share of costs, the County is still facing a shortfall in project financing.

In addition, County staff note that the current lack of a mechanism to collect impact fees from projects within the incorporated cities creates a shortfall in the financing program. For example, the County is required to provide jail, library, and other County government services to City

residents as well as residents in the Unincorporated Area; however, the County has no authority on its own to levy impact fees on development projects that proceed within the cities. Moreover, for the Capital Improvement Program to be sustainable, County staff feel that the cities may even need to divert a portion of their tax revenues to a capital improvements fund to cover existing city developments' and residents' fair share of countywide capital improvement costs.

The County is currently exploring undertaking a new impact fee study. This may occur only after the County has adopted an updated General Plan. Currently County staff are considering transitioning to an incremental impact fee program, which assumes that demand for services will grow proportionate with increases in development and population. This would mean moving away from the County's plan-based fee program, which is tied to the 2004 Capital Facilities Master Plan. County staff feel that an incremental fee program would be more sustainable from an administrative standpoint.

Recommendations

Considering the background setting discussed above, and in response to the findings from the analysis of the overall balance of land uses in the PLUA and the economic evaluation of individual Study Areas, following are a number of recommendations for the County to consider, in order to help ensure the fiscal sustainability of the General Plan Update.

General Fund Operations

Following are recommendations for policies and programs that the County should implement in order to ensure that General Plan buildout will lead to an improvement in the County's fiscal condition rather than exacerbating existing problems.

- Prioritize General Plan buildout for those areas where the County receives above-average (relative to property tax shares that County receives elsewhere in the unincorporated area) property tax share.
- Prioritize General Plan buildout for those areas where existing County services currently provide capacity to accommodate additional development (e.g., areas that already provide 7-minute fire response times), to make the most efficient possible use of existing service expenditures while generating new revenues.
- Require concurrency of development in mixed-use developments so that revenue-generating non-residential uses do not appreciably lag residential development.
- Subject large developments that may not be served at adequate levels (e.g., staffing, equipment, and facilities) by existing public services to a requirement to undergo "Planned Development" review before gaining full entitlements to develop. As part of such approval, require preparation of a fiscal impact analysis (in addition to a public facilities

financing plan, see below under Public Facilities Financing) and any required mitigation measures, to ensure that the County will be able to maintain adequate service levels and ensure fiscal sustainability. Areas where such treatment may be particularly advisable include North Chico, Doe Mill/Honey Run, South Paradise/Pentz Road, Hamlin Canyon/SR-99, Thermalito, Eastern Oroville/Oroville Hills, Las Plumas/Southside/Ophir Road, and Pacific Heights/SR-70.

- Negotiate development agreements with sponsors of projects requiring discretionary approvals, to ensure that the County's interests will be protected. Terms of development agreements need to be negotiated on a case-by-case basis, considering the potential costs and benefits to the County from a given development along with the project's ability to shoulder the requirements of the agreement and remain financially feasible and competitive in the marketplace.
- Where development is more appropriate to occur via annexation to a City, negotiate revenue sharing agreements, either on a master revenue sharing agreement basis or on a case-by-case basis, to ensure that if cities annex unincorporated areas, the County will have access to adequate revenues to maintain countywide services that will extend to new development in the cities.
- Where compatible with a tourism development strategy and the General Plan Land Use Element, seek opportunities to develop additional lodging facilities to generate transient occupancy taxes, and additional restaurant and shopping facilities to generate sales taxes from visitors.
- Where appropriate to capture existing retail expenditure leakage, as well as to provide shopping opportunities for residents in newly developing areas, develop new retail facilities at strategic locations such as at major highway/roadway intersections, in or near existing concentrations of population, such as along the Highway 99 corridor in the Chico area, or the Highway 70 corridor in the Oroville area.

Public Facilities Funding

Following are recommendations for policies and programs that the County should implement in order to ensure that as development proceeds in the Unincorporated Area, high-quality infrastructure will be developed in a timely manner in order to ensure that public facilities standards are maintained.

- Upon adoption of the General Plan Update, prepare an updated capital improvement plan that identifies the new public facilities that will be needed in order to maintain the desired service levels through General Plan buildout.

- Use the updated capital improvement plan along with the new general plan development assumptions to develop an updated development impact fee program, to ensure that new development pays its fair share of public improvement costs for countywide infrastructure and facilities.
- Should it be desirable to charge fees that are less than what is necessary to completely fund new development's share of projected countywide costs (e.g., for economic development purposes), identify and allocate adequate funds from other sources to make the impact fee program whole.
- Through the "Planned Development" review process described above under Fiscal Sustainability, ensure that new developments that will not be adequately served by existing infrastructure and facilities and/or through the adopted countywide impact fee program prepare a public facilities financing plan, which identifies the needed public improvements and establishes a plan to pay for and develop the required public improvements.
- Utilize developer agreements as a tool to implement public facilities financing plans and to secure various benefits from significant new development projects.
- Pursue agreements with the cities of Butte County whereby the cities would collect impact fees on the County's behalf from new development in their jurisdiction that would generate demand for County public facilities. At a minimum, incorporate such agreements into new annexation proceedings but seek a blanket agreement that covers all new development within cities that would generate demand for County services.
- Review the County's current practice of setting aside a portion of General Fund monies each year in order to fund existing development's share of new public facilities costs (i.e., that portion that cannot be charged to a development impact fee program) and determine if set-asides are adequate. If current set-asides are not adequate, seek to increase set-asides accordingly or to develop other sources of revenues to generate funds.
- Where County redevelopment project areas generate tax increment funds, strategically use these funds to pay for existing development's share of public improvement costs when other financing options do not exist.
- Pursue grant funds to help pay for existing development's share of new public improvement costs.
- Consider formation of Redevelopment Project Areas or Infrastructure Financing Districts where such mechanisms can provide financing tools to help pay for existing development's share of new public improvement costs.
- Initiate talks on a countywide basis to have cities collaborate with County to generate funds to help pay for the share of County public improvement costs that are attributable to existing development within the cities. This could include exploring such mechanisms as

the cities agreeing to set aside a portion of annual revenues to help pay for existing development's share, or the cities collaborating with the County to promote and gain voter approval for a countywide measure that would generate needed funds.

Prioritization of PLUA Development

Having completed the process of conducting the fiscal and economic evaluation of the development proposed for the various Study Areas, it is recommended that the County focus its resources for early implementation on several locations where new development may be most beneficial. These locations include North Chico Specific Plan, Durham, Biggs Area, and South of Biggs. The common theme is that each of these study areas is contiguous to an already "urbanized" area where key services such as fire protection are provided at relatively high levels already, in locations where there is potential for solid County revenues due to a combination of County property tax share and market conditions. Furthermore, the development proposed in these areas will tend to help to either maintain a jobs/housing balance (North Chico) or help to improve an existing jobs deficit situation (all other areas mentioned). As a result they would contribute to the development of "complete" communities, which do not rely upon extensive commuting for local residents to access jobs elsewhere, or to supply workers for new local commercial establishments.

Although the Oroville area has a number of locations where there is potential for new development to be served relatively efficiently by existing services, the fiscal performance of these locations tends to be hampered by the fact that the County receives average or below-average shares of property taxes, and market conditions further limit revenue potential. The County should place a priority on developing non-residential projects in the Oroville area that can provide new jobs that will help to address the current jobs deficit in the area and build the revenue base with minimal demand for new services. Although development of some of the study areas in the Paradise area may have the potential to be fiscally sustainable, none of the study areas incorporates sufficient non-residential development to create an internal jobs housing balance, let alone a surplus of employment that could help to offset some of the area's existing jobs deficit; thus, potential benefits to the County from developing in this area are relatively modest and the County's resources to facilitate new development may be better directed to other areas previously mentioned.