3 Economics

A. *Introduction*

This section presents an overview of the Butte County economy, information on the existing and projected real estate conditions within the unincorporated portion of the county, as well as the county's existing fiscal conditions. Real estate market trends will likely drive development within the portion of the unincorporated county for the foreseeable future.

Located in the northern Sacramento Valley, away from California's heavily urbanized areas, Butte County has historically been known as an agricultural county. Productive farmlands currently dominate much of the landscape in the flat western parts of the county that are blessed with fertile soils and proximity to the Sacramento River and other waterways that drain out of the mountains to the east. However, the county's economy is undergoing change in response to local, regional, and national trends and this is driving changes in the local landscape.

According to the County's log of planned and proposed development, much of the county's new development will occur within the spheres of influence of Oroville and Chico. Development is attracted to these areas because of proximity to the large and growing base of existing residents, businesses, and amenities located in the cities, as well as the availability of existing infrastructure. Although there have been no formal annexation proposals for these development areas, the County should understand that annexation could occur at some point in the future. In the outlying areas, little development is currently planned. Incremental development of new housing in the small communities that are more distant from the incorporated cities is likely to continue at slow rates, constrained by limited access and infrastructure. In these areas, new commercial development will be small-scale, local-serving retail, services and offices, and these limited developments will only be successful in those locations that offer visibility and access to nearby residents as well as through-traffic on main travel routes.

In addition to understanding the types of development planned for the unincorporated areas, the County should be aware of the fiscal implications of development within the unincorporated portion of the county. The fiscal implications of development can differ significantly based on location. For example, development that occurs within a Tax Rate Area (TRA) that allocates a larger than average share of the basic property tax to the County will generate more revenues than the same development that is built within a TRA that allocates an average or smaller share of the basic property tax to the County. Service costs can also vary based on location. For example, if 3,000 new residential units were built within a rural community in the unincorporated portion of the county and the existing Sheriff service standard is insufficient to meet the demand from new development, then the County would need to adjust service standards for the entire community, not just the new residential units, which could lead to disproportionately high costs of providing Sheriff services to the community. On the other hand, if new residential units were scattered about the rural portion of the county, such development could lead to inefficiencies in service delivery.

On a more global scale, the County also faces fiscal issues related to development that occurs within both the unincorporated and incorporated portions of the county. The County Board of Supervisors has discretion over how to spend a relatively small portion of its budget, while restrictions imposed by outside funding sources dictate how most of the budget is spent. This has important implications for the County as it considers the impacts of growth over the General Plan horizon. A chief concern for the County with regard to its fiscal condition is that while such a large portion of its budget is funded with restricted revenues, these revenues do not tend to increase proportionately with growth in the county's service population. In order to assist the County in choosing optimal land use alternatives, the fiscal portion of this Chapter presents these issues along with the County's existing baseline fiscal conditions.

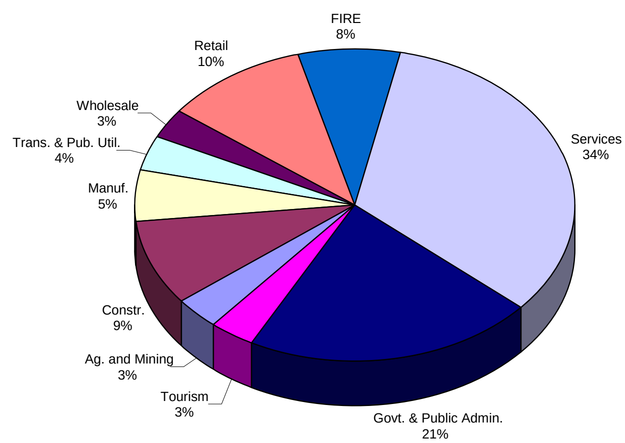
B. Existing Conditions

Agriculture has a major influence on the Butte County landscape and its economy. According to the 2007 Butte County Economic & Demographic Profile (hereafter, Economic & Demographic Profile), published by the Center for Economic Development at California State University, Chico, just under 443,000 acres of land were harvested in Butte County in 2005, representing 42 percent of the county's total land area. Although harvested acreage fluctuates from year to year, the total in Butte County has remained relatively stable since 1995, when about 471,000 acres were harvested. Of all crops, rice accounted for the largest portion of total acreage, at 21.8 percent of the total, with almonds (9.1 percent) and English Walnuts (6.1 percent) rounding out the top three.

Data published in the Economic & Demographic Profile indicate that in 2005, countywide agricultural production was valued at just under $440 million. Most notable in the Profile's production value statistics was the decline of timber production value from 13 percent of the county's total in 1995 to just 1.7 percent of the total in 2005. Clearly, this suggests a major loss of economic activity in the county's forested eastern areas and the communities that depend on this activity to support their local economies.

Although agriculture occupies a prominent portion of Butte County's land area, and generates considerable economic activity, its role in the prosperity of the local population has been steadily declining relative to other economic activity since 1990, when the agriculture and mining sector accounted for 5.2 percent of industry earnings within the county, according to the Economic & Demographic Profile. By 2004, this sector accounted for only 3.4 percent of industry earnings within the county. By contrast, Finance, Insurance, and Real Estate (FIRE) increased from 4.9 percent to 7.7 percent of industry earnings in this time frame. Services increased from 28.0 percent to 32.8 percent of industry earnings, and Government and Public Administration increased from 20.4 percent to 21.4 percent of the total. Construction increased slightly, from 8.5 percent to 8.8 percent. Other declining sectors during this time frame were Manufacturing (from 9.7 percent to 5.4 percent), Transportation and Public Utilities (6.1 percent to 3.6 percent), Wholesale Trade (3.8 percent to 3.1 percent), and Retail Trade (13.3 percent to 10.4 percent). Although not broken out separately until 2001, by 2004, Tourism generated an estimated 3.4 percent of industry earnings in Butte County, approximately equal to Agriculture and Mining in the same year. Figure 3-1 displays the 2004 distribution of industry earnings in Butte County.

Figure 3-1: Butte County: Industry by Percent of Industry Earnings, 2004



Source: CSU Chico Center for Economic Development, *2007 Butte County Economic & Demographic Profile.*

These data raise some interesting issues for the county's economic development. First, they suggest that the county is following State and national trends toward a service-based, or "knowledge-based" economy. Traditional primary industries, such as manufacturing, agriculture, and mining, are declining in terms of importance, while information-based sectors like FIRE, and service industries are growing. Additionally, earnings attributed to the tourism industry are now on par with the earnings attributed to agriculture, one of the industries most closely identified with the county. Although recreation has long-been considered one of the quality of life assets enjoyed by county residents, these data provide evidence that the

County is correct to consider tourism as a sector worthy of consideration for economic development efforts. Meanwhile, the declining importance of agricultural industry earnings relative to other industry earnings, combined with increasing pressures to urbanize more land in support of continuing residential and commercial growth, indicates that the County will continue to face heavy pressure to convert agricultural land to urban uses. Landowners will see financial benefits in developing agricultural land on the edges of urban areas and farmers will find it difficult to compete economically with housing and other growing industries to maintain their share of the county's land.

Bay Area Economics (BAE) surveyed real estate market conditions in unincorporated Butte County through interviews with local residential and commercial real estate brokers and leasing agents, and also collected and analyzed real estate market data from First American Real Estate Solutions (FARES). The market conditions survey involved a windshield survey of unincorporated areas with concentrations of development, identifying currently leasing and for-sale properties, and interviewing real estate brokers and property representatives regarding lease rates, vacancy rates, and other general market trends.

Very little information is available regarding market conditions in areas located away from the incorporated areas in Butte County. Areas like Forest Ranch and Stirling City have only basic neighborhood-serving retail establishments in the form of a small market or general store, and currently do not have any commercial properties for sale or lease. More populated unincorporated areas like Magalia and Durham have the same category of neighborhood-serving retail and also include the minimum office space required for basic local-serving businesses, such as health-related services and real estate offices. Lack of residential serving infrastructure, like community sewer and water systems, contribute to keeping population density low, hindering the viability of commercial uses in these outlying areas. The majority of industrial activity in the unincorporated portion of the county is clustered near Highway 99 and Highway 70, as access to transportation nodes is required for this type of use. Industrial space in the more remote regions of the county is sparse, agriculture-based and tends to be situated near existing railroad tracks.

1. Market Trends

Real estate development activity in Butte County is concentrated within the incorporated cities. Residential development in the unincorporated portion of the county is primarily focused on the north and south periphery of Chico, southern Oroville, and Thermalito. If all current planned and proposed residential developments are built out, southern Oroville will see more than 3,000 new housing units, compared to about 500 in Thermalito and 200 in north Chico.[1] With the exception of the North Chico Specific Plan area, all of these areas are within the adjacent city's sphere of influence (SOI), and although there have been no formal annexation proposals, it is assumed that the cities will pursue annexation of their spheres in the future.

Outlying areas of the unincorporated portion of the county are currently experiencing little residential growth, with no substantial developments planned or proposed. Home construction in these areas is minimal and occurs on an individual lot basis. In time, it is possible that these areas will demand additional retail services beyond a basic market, such as a restaurant or coffee shop; however, in order to be successful, these types of uses must be placed on a well-traveled road, with good visibility to through-traffic as well as traffic generated by nearby residents as part of their daily activities. Future office development will likely focus on basic, community-oriented services, such as medical services in a community that has a higher than average number of seniors, or real estate services in a community that is experiencing growth.

Industrial growth in the county is almost entirely focused near the Highway 99 corridor. Industrial space in the unincorporated region is not common

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[1] Based on planned and proposed data provided by Butte County Planning staff.

outside of agricultural related industrial uses like the rice storage and processing facilities in Richvale. These facilities typically require access to railroads in lieu of multilane roads, which are not available in most of the unincorporated portion of the county. Lack of access to transportation prevents a viable market for industrial land use in the areas of the county not near the incorporated cities. Local brokers reported that industrial tenants are interested in locating their businesses in the Oroville Enterprise Zone, where they receive tax incentives for employment generating activities. Part of this zone expands outside the city limits and into the unincorporated portion of the county, yet is still within the Oroville SOI.

2. Property Values

BAE obtained property value data for single-family residential units in unincorporated Butte County from FARES. These prices are representative of transactions that occurred between November 2005 and November 2006. Since there were little to no sales involving multi-family housing units during this period, only single-family unit sales are reported. Due to a lack of reportable transactions for commercial properties, interviews with local brokers provided the best idea of commercial property values in the unincorporated portion of the county.

a. Residential

Table 3-1 shows the median and average price of homes in the unincorporated portion of the county between November 2005 and November 2006, as well as average lot size, average square feet of living area, and average price per square foot of living area. Since most new residential development is currently set to occur around the incorporated areas, home sales data for cities are also provided. The median price of a home in the unincorporated portion of the county was $253,000, which is higher than in Biggs, Gridley and Oroville. Typically, homes in the unincorporated portion of the county have much larger lots than the city homes, demanding a premium for the extra space.

TABLE 3-1 **SINGLE-FAMILY HOUSING PRICES, BUTTE COUNTY, NOVEMBER 2005 TO NOVEMBER 2006**

	Median Home Price	Average Home Price	Average Lot Size (Acres)	Average Living SF	Average Price/ Living SF
Incorporated Cities					
Biggs	$239,000	$293,000	1.11	1,400	$209.29
Chico	$326,000	$356,358	0.17	1,599	$222.83
Gridley	$215,000	$234,274	0.20	1,350	$173.51
Oroville	$225,000	$234,663	0.20	1,339	$175.22
Paradise	$280,000	$310,466	4.98	1,571	$197.64
Unincorporated County	$253,000	$282,999	2.31	1,471	$192.37

Sources: First American Real Estate Solutions, 2006; BAE, 2007.

Chico has by far the highest home prices in the county, with a median price almost 25 percent more than the median in the unincorporated areas. New residential developments planned in the unincorporated portion of the county near Chico will likely average prices closer to that of the City. Likewise, residential developments in the unincorporated portion of the county near Oroville will probably average prices closer to Oroville's median prices.

b. Retail

Currently, there is not enough retail space available for sale in the unincorporated portion of the county to provide a representative value estimate. Local brokers suggest that prices for retail space in and around Chico can range from $150 to $300 per square foot, with the higher value reserved for property in the downtown area where proximity to the many students and workers on the CSU Chico campus, as well as the surrounding population of the City of Chico, create strong demand for retail, service, and office uses. For the most part, retail spaces in the unincorporated areas will need to make due with less market support and, thus, will support property values at the low end of the spectrum, even though real estate brokers indicated that rental income capitalization rates are within a relatively low range of 6 percent to 7.5 percent.

Most brokers stated that potential tenants are less interested in for-sale space and are more likely to lease in the current market. Retail lease rates near Chico are reportedly in the $1.00 to $3.00 per square foot, per month range NNN,[2] with the higher figure reserved for class A space in the downtown. Retail lease rates are commonly reported to be around $0.25 less per square foot in Oroville. Brokers estimated that neighborhood serving retail in the portions of the unincorporated portion of the county further from cities would most likely average lease rates of about $0.95 to $1.00 per square foot.

c. Office

Due to a large amount of office space set to come online soon in Chico, brokers estimated that values in the City would average around $135 to $200 per square foot. Office space in Oroville would be expected to attract slightly less per square foot. Again, brokers expressed that tenants were much more likely to lease in today's market. Although office lease rates could reach as high as $2.00 per square foot (NNN) in downtown Chico, there was a general consensus that most space is currently priced at about $1.00 per square foot.

According to Loopnet, an online portal that aggregates listings for currently leasing and for sale commercial real estate, a single office space was available for lease in the unincorporated portion of the county. This property, located in Durham, is currently available at a monthly lease rate of $0.72 per square foot (NNN) and is located in an older building. Newer space in the unincorporated regions would likely need to command higher rents in order

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[2] Under a triple-net lease arrangement, tenants typically pay for their share of real estate taxes, building insurance, and maintenance costs, in addition to the quoted base rent.

to justify development costs, even at the relatively low income capitalization rates reported above.

d. Industrial

Brokers were consistent in reporting that there was a general surplus in industrial space in Butte County, mainly due to the large supply created when Louisiana Pacific closed its facilities in Oroville, but that the new industrial park located in its place has 365,000 square feet that are currently occupied. Most space sells for approximately $55 to $60 per square foot with some exceptions made for newer buildings that could sell for around $80. There are also exceptions for very large warehouses over 100,000 square feet, like those at the airports, as their prices could dip below $30 due to lack of demand. Generally, there is less demand for industrial space outside the Oroville Enterprise Area, as the tax incentives in this district attract most industrial users who want to locate within the county.

3. Vacancy Rates

BAE obtained vacancy data for commercial properties in the unincorporated portion of Butte County through interviews with local real estate experts. Lack of centralized tracking of commercial supply and occupancy statistics within the local market prevents the establishment of accurate quantitative estimates. Occupancy data from the State Department of Finance does exist for residential land uses in the unincorporated portion of the county, and did not change significantly between 2000 and 2006.

a. Residential

According to the California Department of Finance estimates for 2006, unincorporated Butte County had a residential vacancy of 8.7 percent. As this is unchanged from the 2000 Census vacancy rate, the detailed information on housing vacancy from the Census provides some explanation of the local housing vacancy rates. According to the Census, vacant units reserved for seasonal, recreational, or occasional use accounted for almost three percentage points of the total. With these types of units that are not on the market for rent or for sale factored out, vacancy in the unincorporated portion of the county is aligned with the State average, at 5.9 percent.

b. Retail

Retail space throughout Butte County is generally considered to be fairly full and near its natural vacancy (i.e., the vacancy rate that allows for periodic turnover of tenants and creates a reasonable balance between supply offered for rent or for sale and demand created by tenants). Brokers estimate that current retail vacancy is about 10 percent in the cities, and even lower in the unincorporated areas where there is no new commercial construction and a fairly inelastic demand.

c. Office

Brokers reported that there is a slight surplus in office space at the moment, as numerous developments were recently completed. Vacancy is estimated to be between ten and 15 percent in the cities. Lack of available office space in the unincorporated areas as well as the small number of transactions in the past year suggests that any space that is available is most likely occupied and filling a role specific to the community. These uses typically come in the form of health care-related businesses like physical therapy, or local serving markets, coffee shops or real estate offices.

d. Industrial

Local experts reported that industrial vacancy rates were high when the Louisiana Pacific property in Oroville closed and a 750,000 square foot industrial park was opened in its place. However, they suggest that the industrial park is nearly 50 percent occupied (365,000 square feet), the Oroville Enterprise Zone has done much to attract new business, [3] and

[3] There are also two Recycling Market Development Zones in the County – one in Chico and one that overlays the Oroville Enterprise Zone. Although firms located in these zones are also eligible for incentives, they must either divert waste or use recycled materials to qualify for the incentives. Thus, they are less attractive to businesses than the Enterprise Zone, which provides incentives for job-generating uses that are not dependent on waste diversion programs.

vacancy rates are decreasing. There is less demand for industrial space in Butte County relative to other locations situated near Interstate 5, and brokers are citing low demand for existing warehouse space in the cities due to lack of larger multilane roads.

4. Absorption Rates

Residential absorption rates are indicated by the increase in the number of occupied housing units between 2000 and 2006. Local brokers were unable to speculate on absorption rates for commercial uses, again, due to a lack of centralized tracking of commercial inventory and occupancy statistics within the local market.

a. Residential

As discussed in Chapter 2, Population, Housing and Employment, households (occupied housing units) in Butte County as a whole increased 9.6 percent, from 79,566 to 87,174, between 2000 and 2006. Unfortunately, due to a variety of annexations by the cities, which results in a shifting of occupied housing units from the unincorporated area to the cities that is not reported in the occupancy data, the household absorption data cannot be readily broken out for the cities and the unincorporated areas.

b. Retail, Office, and Industrial

Current data on retail, office and industrial absorption rates are unavailable for the unincorporated portion of the county and local real estate experts were unable to give accurate estimates; however, data on employment growth can provide an indicator of the net growth in demand for commercial real estate. Based on data from the California Employment Development Department, employment increased 6.6 percent in the unincorporated portion of the county between 2000 and 2005. This employment growth was about 2 percent higher than the State over the same time period, and slightly higher than the total county, indicating a healthy increase in job creation and absorption of commercial and uses.

The lack of significant new construction indicates that recent absorption has served to fill up excess vacancy in existing buildings. For example, brokers indicated that the industrial park created after Louisiana Pacific's departure is moving closer to being fully occupied.

C. Planned and Pending Development

The following analysis of planned and pending developments in the unincorporated portion of Butte County is based on data provided by the Planning Division of the Butte County Department of Development Services. Table 3-2 summarizes all major residential developments that consist of ten lots and more plus commercial development as of December 2006. No additional industrial construction in the unincorporated portion of the county is currently planned.

1. Residential

Currently, most future residential development in unincorporated Butte County is set to occur around the edges of Chico and Oroville. The following paragraphs summarize planned activity in these areas.

a. Chico Area

Most residential development around Chico is planned just north of the City, within the boundaries of the North Chico Specific Plan. There are currently three developments proposed for this area and one in a pre-application process. The largest is the Sierra Moon subdivision, which will include 118 residential lots on almost 300 acres. County planning staff estimates that by build-out, the North Chico Specific Plan area will have approximately 2,900 new residential units, 8,500 new residents, and 500,000 square feet of commercial space.[4] Although this area is within the City of Chico's SOI, there are no current plans for annexation.

[4] Butte County staff, 2007; Chico Greenline Coalition, 2006; BAE, 2007.

TABLE 3-2 **PLANNED AND PENDING DEVELOPMENT IN UNINCORPORATED BUTTE COUNTY (AS OF DECEMBER, 2006)**

Location	Status	Acres	Lots	Notes
Chico Vicinity				
Southeast Chico on Skyway	Approved	11.8	12	Rocky Bluffs Subdivision Phase 3. 12 lots part of 43 lots total.
South Chico at Speedway Avenue	Approved	13.7	14	14, 1-acre residential subdivision.
West Chico at Nord Way	Pre Application	47.4	35	Rezone from A-40 to AR-1 and 35 additional residential lots.
North Chico East of Hwy 99	Pre Application	67.2	68	68 residential lots at 0.5 acres each. Two lots for storm water and sewage.
North Chico East of Hwy 99	Pending	50.5	53	53, 1-acre residential lots with on-site septic.
North Chico East of Hwy 99	Pending	49.1	50	50 residential lots at 0.5 acres plus 22 acres of open space, includes sewage system.
Hicks Lane West of Airport	Approved [b]	297.2	118	Sierra Moon Subdivision. 118 residential lots on 297 acres.
Garner Lane South of Rio Bravo Drive	Pending	13.6	12	12, 1-acre residential lots. Additional community septic lot and detention pond lot.
Hicks Lane West of Airport	Pre Application	66.2	NA	Golf school, driving range and 9-hole golf course.
North of Keefer Road	Pending[b]	77.4	34	Emerald Sea Subdivision. 250 acres total project area.
Oroville Vicinity				
Hwy 162 Northeast of Oroville	Pending	88.6	40	Rezone of 40 1-acre lots to residential.
Hurleton Rd near Lake Wyandotte	Pending	30.5	3	Rezone and divide 3, 10-acre lots to foothill recreational.
Hwy 162 near Heritage Road	Pre Application	5.2	60	60 dwelling units.
Riverview Rd. East of Oroville	Pre Application	13.11	39	39 residential lots at 0.25 acres each.
East Oroville West of Miners Ranch Road	Pre Application	54.0	245	Rezone from agriculture residential to PUD. Allows for 245 smaller lots.
East Oroville West of Miners Ranch Road	Pre Application	60.0	205	Rezone to agriculture residential that allows for smaller lots.

TABLE 3-2 **PLANNED AND PROPOSED DEVELOPMENT IN UNINCORPORATED BUTTE COUNTY** (CONTINUED)

Location	Status	Acres	Lots	Notes
3 Miles Southeast of Oroville	Pre Application	155.0	31	31 residential lots, clustered to preserve majority of open space.
Southeast Oroville North of Lower Wyandotte Road	Pre Application	336.5	Multiple	Hampton Development Group Project. 360 multi-family dwellings and 1,352 single-family units. Includes neighborhood commercial and open space
Southeast Oroville South of Oroville Bangor Highway	Pending[b]	89.9	206	New Faze Development. 206 proposed residential parcels.
South Oroville	Pre Application	109.1	651	Hampton Development Group Project. 651 residential lots proposed.
South Oroville	Pre Application	4.22	19	19 lots will include single-family, duplexes and triplexes.
South Oroville	Pending	37.6	230	Proposed gross density of 6.32 units/acre. 48 single-family, 114 metroplexes, and 68 townhomes.
South Oroville	Pending	13.3	114	Van Zille Project. 114 single-family homes.
South Oroville	Pre Application	17.2	240	Four-plex condo project at maximum density.
South Oroville	Pending	58.2	97	Monte Vista Estates. 97 proposed residential lots.
South Oroville	Pending	35.0	186	Dequine project. 186 single-family parcels with 5 common parcels.
South Oroville	Pending	51.0	175	175 residential lots with an overall density of 3.43 dwelling units per acre.
South Oroville	Pending[b]	49.95	Multiple	Subdivide into four land uses: 29.6 acres residential with 111 single-family lots, 11 acres commercial, 2.75 acres open space.
Thermalito Area	Pending	21.0	97	97 residential lots ranging from 6,500 to 12,340 sf.
Thermalito Area	Pending	24.0	94	94 residential lots.
Thermalito Area	Pending	10.0	40	40 residential lots.
Thermalito Area	Pending	4.5	18	18 residential lots.
Thermalito Area	Pending	5.62	22	22 residential lots ranging from 6,582 sf to 13,803 sf.
Thermalito Area	Approved	2.5	16	16 single-family lots.

TABLE 3-2 **PLANNED AND PROPOSED DEVELOPMENT IN UNINCORPORATED BUTTE COUNTY** (CONTINUED)

Location	Status	Acres	Lots	Notes
Thermalito Area	Approved	8.81	28	28 single-family lots.
Thermalito Area	Pre Application	3.3	18	18 residential lots ranging from 6,700 sf to 10,700 sf.
Thermalito Area	Pending	4.25	16	16 residential lots and one drainage lot ranging from 6,500 sf to 12,000 sf.
Thermalito Area	Pending	9.7	42	42 residential parcels ranging from 6,500 sf to 10,216 sf.
Durham/Dayton Vicinity				
Northwest Durham North Burdick Road	Pending	56.7	46	46-lot single-family residential development with a community septic system.
Southeast Durham East of Railroad	Pending	117.0	29	29 single-family lots at 0.5 acres each, plus onsite community waste water treatment.
Durham Center	Pre Application	9.7	9	9 residential parcels.

Note: SF = square feet
[a] Includes only planned and pending developments over 10 lots.
[b] As of June, 2007.
Sources: Butte County Planning Department, 2007; BAE, 2007.

b. South Oroville

South Oroville, specifically the El Medio Fire District area, has the highest concentration of new planned and proposed development. Within this area, developers have proposed 1,281 new residential lots for construction. These lots will eventually include single-family homes, as well as townhomes, condos, and other multi-family residences. Just outside of the fire district area, a project is planned for 1,352 single-family homes, 360 multi-family units, neighborhood commercial, and open space.

c. Thermalito

Thermalito, on the western border of Oroville, has 563 lots in the planned development phase. At the present stage, all of these projects are single-family homes, the largest of which will consist of over 97 units.

d. Other Areas

There are nine small projects in the planned and proposed phase that are situated in the foothills east of Chico, near Forest Ranch.[5] These projects will create between 2 and 4 new units each. The Durham/Dayton area has three residential projects proposed, one of which will include 46 large-lot, single-family units and one of which will include 29 such units. The Lake Oroville Spa and Gold Resort, also known as the Stringtown Mountain Specific Plan, is planned on the southeastern bank of Lake Oroville. The resort would include 32 condo units, 44 duplex townhouses and 167 single-family homes. Although the first phase of the project is approved, a requirement that the resort build its own wastewater treatment facilities was delaying construction as of December 2006.

2. Retail, Office and Industrial

Little retail development is currently planned in unincorporated Butte County. A South Oroville project, just outside of the El Medio Fire District area, incorporates neighborhood serving retail, but there are no specific details as to how many square feet are currently available. Just south of the

[5] Projects were too small to include in Table 3-2.

fire district another housing project is set to reserve 11 acres for commercial space, likely retail, but also no further details are available at this time. A project involving a golf school, driving range, and nine-hole golf course is currently in the pre-application process north of Chico. There are no other firm plans for commercial development in this part of the county at this time; however, planners indicate that according to the North Chico Specific Plan, there will be approximately 500,000 square feet available after build out.

Additional retail and office space is more likely to come online after the currently planned residential projects are completed and there are greater numbers of households residing in these unincorporated areas to support commercial facilities. Neighborhood markets, dry cleaners, coffee shops, and restaurants are typical convenience-oriented retail uses that will come online to serve the residential populations, once residential densities are sufficient. Even greater densities of population may be required before any substantial amounts of office space are needed, but these uses will likely be attracted to commercial nodes where retail and services tenants can serve as amenities for the office tenants.

No industrial space, other than for mini-storage use, is currently planned in the unincorporated areas, but as vacant space is filled, this may change in the future. In particular, the incentives offered by the Oroville Enterprise Zone may be a stimulus for additional industrial construction in the eligible part of the unincorporated area as vacancies drop and employment levels continue to increase.

3. Market Area Demand and Absorption Estimates

Based on the prevailing market conditions and trends and available population and employment projections, the majority of residential growth in the unincorporated portion of the county may occur on the periphery of Chico and Oroville, where access to regional transportation networks via Highways 70 and 99 and proximity to established population and employment centers will continue to attract new residents and businesses.

As new residences are occupied, neighborhood serving retail may follow in support of the population, followed by office space that may demand retail amenities. In areas remote from the larger population concentrations, retail and office uses may need to be clustered in a way that their synergy reaches enough of a critical mass to create a destination that will attract residents who are spread over a larger surrounding area. The small number of office users who serve local needs may view proximity to retail uses and services as an amenity, and the office employees and visitors attracted to the office space may provide some measure of daytime demand for the retail and services. These small commercial nodes will need to be easily accessible to both local and through traffic in order to capture adequate market support. Compared to the total county, including the cities, the supply of commercial space in the unincorporated area will likely be small, but appropriately serve the needs of the nearby residents. The vast majority of commercial space serving residents in the unincorporated areas may be located in the cities, where the businesses can take advantage of the larger surrounding populations; thus, commercial development in the unincorporated portion of the county may for the most part be small, convenience-oriented retail and services that is ancillary to residential development.

Although absorption estimates are not available, employment projections from the California Employment Development Department (EDD), combined with industry standard employment density factors can provide an idea of how much new non-residential space may be demanded over time. However, these data and the corresponding building space projections are only available for the total county. Because the cities are the established locations for most retail, office and industrial activities that are not agriculture-related, most of this new development can be expected in the cities. Factors such as superior infrastructure availability, highway access, proximity to complimentary businesses, and the concentrations of population likely ensure that this development pattern continues through the planning horizon.

a. Residential

Assuming that current planned and pending residential developments are approved, the unincorporated portion of the county can expect to see approximately 3,000 residential units constructed in South Oroville, 2,800 in North Chico and nearly 600 in Thermalito. In addition, if the Lake Oroville Spa and Golf Resort (Stringtown Mountain Specific Plan) is constructed, it will add 32 condo units, 44 duplex townhouses and 167 single-family homes in its first phase. As shown in Table 3-3, the Butte County Association of Governments (BCAG) projects the unincorporated portion of the county to grow by approximately 7,500 households by 2025. Thus, assuming current BCAG projections hold, currently planned and proposed residential development represents much of the potential supply of new housing required to satisfy the projected increase in demand through 2025 in the unincorporated area.

b. Retail

According to Table 3-4, employment growth in the retail trade sector in Butte County will increase 19.4 percent between 2002 and 2012. This accounts for about 2,000 new jobs. Assuming an industry standard of about 500 square feet per retail employee, this translates to about one million new square feet of retail for the county. If the average annual rate of change between 2002 and 2012 remains constant through 2030, the increase in employment would suggest almost three million additional square feet between 2002 and 2030. Although most of this may be captured by the cities, a small portion may be developed in the unincorporated areas, incidental to new residential growth.

c. Office

Table 3-4 shows that over 70 percent of employment in Butte County is in sectors that are typically office-based. The EDD projects that employment in office sectors will increase from 51,100 to 58,400 jobs by 2012. Based on land use assumptions of 200 to 250 square feet per employee, this translates to between 1.5 million and 1.8 million square feet of additional office space by 2012. Assuming the annual average rate of change remains constant through 2030, approximately 4.3 million to 5.4 million additional square feet of office

TABLE 3-3 **BUTTE COUNTY POPULATION, HOUSING, AND EMPLOYMENT PROJECTIONS, 2006 – 2030**

	2006	2010	2015	2020	2025	2030
Population						
Incorporated	126,886	138,084	155,438	172,452	188,761	206,628
Unincorporated	90,323	93,991	98,786	103,825	109,121	114,687
Total County	217,209	232,075	254,224	276,277	297,882	321,315
Households[a]						
Incorporated	53,832	58,583	65,946	73,164	80,083	87,664
Unincorporated	36,018	37,481	39,393	41,402	43,514	45,734
Total County	89,850	96,064	105,339	114,566	123,597	133,397
Housing Units						
Incorporated	54,202	58,883	66,158	73,233	80,049	87,517
Unincorporated	39,181	40,772	42,852	45,038	47,335	49,749
Total County	93,383	99,655	109,010	118,271	127,384	137,266
Employment						
Incorporated, All Industries[b]	84,232	87,524	93,153	98,259	108,854	117,298
Unincorporated, All Industries[b]	4,482	4,657	4,956	5,228	5,792	6,241
Total County, All Industries	88,714	92,181	98,109	103,487	114,646	123,539

[a] Household projections are calculated by applying the following 2006 Department of Finance estimates of average household size to the population projections for the incorporated and unincorporated areas within the county.

Area	Avg. Persons per Household
Incorporated	2.357
Unincorporated	2.508

[b] Employment projections based on employment distributions by area from the Census' County Business Pattern data for 2004.

Sources: BCAG, 2006; California Department of Finance, 2007; Census County Business Patterns, 2006; BAE, 2007.

TABLE 3-4 **BUTTE COUNTY EMPLOYMENT PROJECTIONS BY INDUSTRY, 2002 –2012**

Butte County	2002	2012	Growth Rate	Land Use Type
Natural Resources, Mining, and Construction	3,100	4,700	51.6%	Industrial
Manufacturing	3,900	4,500	15.4%	Industrial
Wholesale Trade	1,700	2,300	35.3%	Industrial
Retail Trade	10,300	12,300	19.4%	Retail
Transportation, Warehousing, and Utilities	2,200	2,200	0.0%	Industrial
Information	1,300	1,500	15.4%	Office
Financial Activities	4,200	4,700	11.9%	Office
Professional and Business Services	6,200	7,400	19.4%	Office
Education and Health Services	11,700	14,400	23.1%	Office
Leisure and Hospitality	7,100	8,100	14.1%	Office
Other Services	3,700	4,200	13.5%	Office
Government	16,900	18,100	7.1%	Office
Total Nonfarm[a]	72,300	84,400	16.7%	

[a] Data from the Employment Development Department do not include estimates of agricultural employment. However, employment trend data indicate that agricultural employment grew by 0.0 percent between 2001 and 2005.
Sources: California Employment Development Department, 2006; BAE, 2007.

space could be expected by the end of the planning period. Due to higher than average office vacancy rates reported by brokers, the amount of new construction should be lower, as existing vacant space can satisfy some of the projected increase in demand. Similar to retail development, most of this office construction may occur within the cities, where businesses can attract a wider market. Some basic neighborhood office construction could occur in conjunction with residential and retail development in the unincorporated portion of the county.

d. Industrial

Industrial land uses accounted for about 15 percent of employment within Butte County as of 2002. The EDD projections indicate that these sectors will grow from 10,900 jobs to 13,700 by 2012. Due to the large variety of industrial uses, their employment densities may vary considerably. Assuming typical densities in the range of 800 to 1,000 square feet per employee would suggest absorption potential of somewhere between 2.2 million square feet and 2.8 million square feet of industrial space countywide by 2012. Extending the growth rate beyond 2012 and assuming a constant annual rate of change, industrial space can expect to increase from seven million to 8.8 million square feet by the end of the planning period.

It should be noted that BCAG data do not match EDD data, as EDD data do not include self-employed persons, domestic employees, or agricultural employees. However, as EDD data shows employment projections by industry, it is included in this analysis.

D. Baseline Fiscal Conditions

As California continues to grow, counties struggle to meet the service expectations of their expanding populations. State revenue shortfalls have led the legislature to divert revenues from counties in order to balance the State budget. However, due to state laws, counties have few options to raise revenues from other sources. Thus, most California counties are concerned about the fiscal sustainability of growth. This section of the report provides some basic information about the sources of Butte County's General Fund dollars and how the County spends them. In addition, this section includes a brief discussion of other funding mechanisms (e.g. building permit fees, etc.) that would be affected by growth in the unincorporated portion of the county. Data for this section comes primarily from the Butte County Recommended 2007-08 Budget figures provided by the County Administration Office.

1. Budget Overview

According to budget information provided by the Butte County Administration Office, the County's 2007-2008 recommended budget is approximately $418 million. As shown in Table 3-5, general purpose revenues account for only about $61 million, or 15 percent of the County's total operating funds. General purpose revenues include such sources as property taxes, sales taxes, franchise fees, property transfer taxes, and property taxes in lieu of vehicle license fees. The remainder of the operating funds are either restricted revenues, revenues carried over from prior fund balances, or fund transfers. This information shows that the County Board of Supervisors has discretion over how to spend a relatively small portion of its budget, while restrictions imposed by outside funding sources dictate how most of the budget is spent. This has important implications for the County as it considers the impacts of growth over the General Plan horizon. A chief concern for the County with regard to its fiscal condition is that while such a large portion of its budget is funded with restricted revenues, these revenues do not tend to increase proportionately with growth in the County's service population. With general purpose revenue funding such a small portion of the County's budget, the Board of Supervisors has limited ability to steer its budget to compensate for shortfalls that may arise from the disconnect between rising service costs and restricted revenue sources, forcing difficult decisions in order to balance the budget while trying to maintain service levels to the greatest extent possible.

TABLE 3-5 **BUTTE COUNTY BUDGET SUMMARY, 2007-2008 (RECOMMENDED)**

Total Expenses	$390,471,426
Interfund Transfers	$20,377,126
Contingencies	$6,700,000
Total Budget	**$417,548,552**
Restricted Revenues	$267,421,583
General Purpose Revenues	$61,208,543
Transfers/Fund Balance	$88,918,426
Total Available Resource	**$417,548,552**

Source: Butte County Administration Office, 2007; BAE, 2007.

2. Expenditures

Table 3-6 summarizes recommended 2007-2008 County expenditures for services provided countywide (i.e., in both cities and unincorporated areas). The first column of figures shows the total expenditures, the second column of figures shows the portion funded by restricted revenues, and the third column shows the net General Fund cost for each function. The fourth and fifth columns of figures show total per capita costs and net per capita costs, respectively. These budget figures show that the majority of the countywide expenditures are for Health and Human Services and Public Protection functions. Overall countywide expenditures total to $1,461 per capita, and net countywide expenditures are $410 per capita, after accounting for offsetting revenues from restricted funding sources. The remaining $410 is funded by general purpose (i.e., discretionary) revenues.

Table 3-7 shows recommended 2007-2008 expenditures for services that are provided in unincorporated areas only. Overall per capita costs for services provided in unincorporated areas only are $845, while net per capita costs for these services are $396. These costs are added to the corresponding per capita

TABLE 3-6 **COUNTY EXPENDITURES FOR COUNTYWIDE SERVICES, 2007 TO 2008**

Countywide Services	2007-2008 Recommended Expenditures	2007-2008 Restricted Revenue	2007-2008 Net Cost	Cost Per Capita Total 218,069	Net Cost Per Capita Total 218,069
General Government					
Board of Supervisors	$2,049,265	$0	$2,049,265	$9	$9
Assessor	$3,939,465	$1,104,532	$2,834,933	$18	$13
Other Finance	$1,400,196	$0	$1,400,196	$6	$6
Elections	$2,183,819	$927,615	$1,256,204	$10	$6
Capital Projects	$4,847,900	$803,895	$4,044,005	$22	$19
Debt Service	$4,930,150	$0	$4,930,150	$23	$23
Veterans Memorial Halls	$331,074	$31,000	$300,074	$2	$1
Literacy Services	$251,460	$56,094	$195,366	$1	$1
Library System	$2,593,556	$439,511	$2,154,045	$12	$10
Farm, Home and 4H	$327,422	$0	$327,422	$2	$2
Administrative/Support Services	$11,598,660	$7,505,907	$4,092,753	$53	$19
Health and Human Services					
Public Guardian	$861,611	$275,094	$586,517	$4	$3
Public Health	$24,201,902	$23,290,035	$911,867	$111	$4
Environmental Health	$2,994,741	$2,994,741	$0	$14	$0
Mental Health	$44,707,733	$44,296,850	$410,883	$205	$2
Substance Abuse	$4,674,850	$4,635,214	$39,636	$21	$0
Child Support Services	$9,114,146	$9,069,146	$45,000	$42	$0
Welfare Administration	$13,080,770	$12,073,978	$1,006,792	$60	$5
Child/Adult Protection	$18,676,235	$16,902,625	$1,773,610	$86	$8

Countywide Services	2007-2008 Recommended Expenditures	2007-2008 Restricted Revenue	2007-2008 Net Cost	Cost Per Capita Total 218,069	Net Cost Per Capita Total 218,069
Employment Services	$18,267,180	$17,611,770	$655,410	$84	$3
Aid to Persons	$86,197,449	$70,799,484	$15,397,965	$395	$71
Veterans Services	$207,278	$45,000	$162,278	$1	$1
Other Social Services	$85,717	$60,000	$25,717	$0	$0
Public Protection					
Grand Jury	$121,059	$0	$121,059	$1	$1
Courts	$2,009,537	$734,000	$1,275,537	$9	$6
District Attorney	$11,106,303	$2,580,789	$8,525,514	$51	$39
Public Defender	$2,591,172	$264,742	$2,326,430	$12	$11
Sheriff – Non-Police	$6,613,006	$2,136,861	$4,476,145	$30	$21
Jail	$17,054,839	$1,222,992	$15,831,847	$78	$73
Juvenile Hall	$4,987,463	$125,000	$4,862,463	$23	$22
Victim/Witness Services	$273,843	$273,843	$0	$1	$0
Probation Services	$11,219,335	$5,658,437	$5,560,898	$51	$26
Agriculture and Measures	$2,173,713	$1,192,610	$981,103	$10	$4
Disaster Preparation	$281,599	$143,530	$138,069	$1	$1
Water Conservation	$868,605	$429,072	$439,533	$4	$2
Recorder	$1,533,276	$1,533,276	$0	$7	$0
Fish and Game Comm.	$47,671	$47,671	$0	$0	$0
Court Wards	$231,500	$0	$231,500	$1	$1
Total Countywide	***$318,635,500***	***$229,265,314***	***$89,370,186***	***$1,461***	***$410***

Sources: Butte County Administration Office, 2007; State Department of Finance, 2007; BAE, 2007.

TABLE 3-7 **COUNTY EXPENDITURES FOR SERVICES IN UNINCORPORATED AREAS ONLY, 2007-2008**

Services for Unincorporated Areas Only	2007-2008 Recommended Expenditures	2007-2008 Restricted Revenue	2007-2008 Net Cost
Community Development	$1,518,793	$1,277,291	$241,502
Public Works	$126,011	$0	$126,011
Capital Projects	$1,485,343	$1,485,343	$0
Sheriff – Police Services	$13,974,839	$1,901,893	$12,072,946
Fire and Rescue	$16,295,776	$363,535	$15,932,241
Development Services	$6,317,078	$3,936,906	$2,380,172
Subdivision Inspection	$1,132,515	$462,295	$670,220
LAFCo – County Share	$200,000	$0	$200,000
Roads and Bridges	$30,422,411	$28,679,006	$1,743,405
Recreation Grant	$58,160	$50,000	$8,160
Debt Service	$305,000	$0	$305,000
Total Unincorporated	*$71,835,926*	*$38,156,269*	*$33,679,657*

Note: These expenditures are in addition to expenditures for countywide services.
Sources: Butte County Administration Office, 2007; State Department of Finance, 2007; BAE, 2007.

costs for countywide services, in order to arrive at the County's total per capita cost to serve residents in the unincorporated areas.

3. Allocation of Expenditures Between Cities and Unincorporated Areas

These per capita costs can be re-aggregated in order to understand how the County's expenditures on behalf of the Butte County population are allocated between development within the county's cities and development in the unincorporated areas. Table 3-8 summarizes the different per capita cost components and then sums them to determine that the County's total per capita expenditure per resident in the unincorporated areas is $2,306 and the County's total per capita expenditure in the incorporated areas is $1,461. Net costs are $806 and $410, respectively. These figures are then multiplied by the corresponding population figure for the cities and for the unincorporated area, in order to estimate the overall expenditures that can be allocated to the unincorporated areas versus the incorporated areas. As shown at the bottom of Table 3-8, total recommended expenditures for 2007-2008 can be allocated approximately 50/50 between unincorporated and incorporated parts of the county. For net expenditures, approximately 56 percent are allocated to the unincorporated areas and 44 percent to the population within the cities. In either case, the data show that nearly half of the County's budget is spent on services for residents within the cities. Thus, while the County has little control over the type and rate of development within the cities, the populations residing within the cities drive a substantial piece of the County's overall expenditure requirements.

4. General Purpose Revenue Sources

According to the 2007-2008 proposed budget document, over three fourths of the County's general purpose revenues come from property tax ($44.6 million), Public Safety Sales Tax ($15.2 million) and general sales tax ($4.8 million). Other large revenue sources include redevelopment pass-though funds from the City of Chico ($4.1 million), "Other" taxes ($3.5 million), and tobacco settlement funds ($2.5 million). Following are discussions of several of the more important general purpose revenue sources.

a. Property Taxes

For new development within the unincorporated area, the actual portion of the new property taxes generated by the development that accrues to the County's General Fund will depend on the specific Tax Rate Area (TRA) in which the development is located. The County is divided into numerous TRAs that account for the unique combination of governmental entities that provide services within each respective TRA and receive a share of the

TABLE 3-8 **COUNTY EXPENDITURE ALLOCATION, 2007-2008**

	Total Costs Per Capita		Net Costs Per Capita	
Countywide Services	**Unincorporated Areas**	**Incorporated Areas**	**Unincorporated Areas**	**Incorporated Areas**
General Government	$105	$105	$89	$89
Admin/Support Services	$53	$53	$19	$19
Health & Human Services	$1,023	$1,023	$96	$96
Public Protection	$280	$280	$205	$205
Unincorporated Area Only Service				
Community Development	$18		$3	
Public Works	$1		$1	
Capital Projects	$17		$0	
Sheriff - Police Services	$164		$142	
Fire and Rescue	$192		$187	
Development Services	$74		$28	
Subdivision Inspection	$13		$8	
LAFCo – County Share	$2		$2	
Roads and Bridges	$358		$21	
Recreation Grant	$1		$0	
Debt Service	$4		$4	
Total Per Capita Costs	**$2,306**	**$1,461**	**$806**	**$410**
Population	84,995	133,074	84,995	133,074
Total Expenditures	$196,027,922	$194,443,504	$68,512,756	$54,537,087
Percent of Total Expenditures	**50.2%**	**49.8%**	**55.7%**	**44.3%**

Sources: Butte County Administration Office, 2007; State Department of Finance, 2007; BAE, 2007.

property taxes. According to data furnished by the Butte County Auditor-Controller's office, the Butte County General Fund's share of the property tax increment in the unincorporated area TRA's ranges from 7.89 percent to 20.61 percent, with an average allocation rate of 17.45 percent. This means that certain locations within the county will be more attractive for the county for new development from a fiscal perspective than other locations.

For example, if developers build a new home with an assessed value of $400,000 in a location where the county's share of the basic property tax is 17.45 percent, the County will receive approximately $698 per year in property tax revenues. However, if the same home is built in an area that yields a lower (7.89 percent) share of the basic property tax for the County, the County will only receive $316 in property tax revenues. Likewise, if the house is located in a tax rate area with an above average share (20.61 percent) of the basic property tax, the County will receive approximately $824 in annual property tax revenues. Thus, the location of future developments in relation to County TRAs is an important consideration in the analysis of General Plan land use alternatives.

b. Property Taxes in Lieu of Vehicle License Fees

Because the State has ceased providing Counties with a pass-through of motor vehicle license fees (VLF), which were based on the number of residents, and replaced that subvention with property tax in-lieu of VLF, which is based on the change in total assessed value within the county, the assessed value of future development will become increasingly important to the fiscal health of the county. For example, according to the proposed 2007-2008 budget document, this has helped to contribute to an increase in the portion of the property taxes that the County retains from approximately 13 percent, to approximately 25 percent.

c. Sales and Use Taxes

The current sales tax rate in Butte County is 7.25 percent with 1 percent of the total taxable sales going to the County's General Fund. Insofar as the General Plan preferred development alternative includes retail space, the

County will receive General Fund revenues from any taxable retail sales that occurs as a result of the General Plan development alternative. If the development alternative does not contain sufficient retail space to satisfy demand from new county households, the County will still receive sales tax revenues from households spending their income on taxable sales at existing retail establishments within the unincorporated portion of the county. However, if the development alternative includes a significant amount of housing located on the periphery of incorporated cities, but does not include retail space to serve these new residents, those residents would likely shop at existing retail establishments located within the cities, and the County would not receive any additional retail sales tax revenues under this scenario.

In determining the amount of retail space to include in a development alternative, the County should consider the overall demand for retail in the county, as well as in the various areas of the county. If the county encourages the development of too much retail space for a given area, new retail establishments may take business from existing retail, thereby limiting the amount of net new sales tax revenue for the county and potentially harming existing retail establishments. For example, although a given retail development may generate $100,000 in retail sales taxes, if $40,000 of those sales taxes will be the result of the new store taking business away from existing stores that generate sales taxes for the local government, the net increase in sales taxes is only $60,000 instead of $100,000. This can occur in areas where the retail market is already saturated (i.e., the supply of retail stores is already adequate to serve the anticipated demand). In contrast, there may be opportunities for the County to realize increased sales tax revenues by strategically developing retail facilities in unincorporated locations where there are under-served populations residing in the surrounding area, whether these residents live in the unincorporated area or an adjacent city.

d. Transient Occupancy Taxes

The County collects tax revenues from lodging establishments within the unincorporated areas of the county. Any time that a person rents a hotel room, six percent is added to the room rate for the transient occupancy tax.

Although this is not currently a major revenue source for the County, any new hotel space in the unincorporated portion of the county would generate additional Transient Occupancy Tax (TOT) revenues for the County's General Fund. As tourism becomes a more important economic generator within the county over time, this will become a more significant revenue source.

5. Fiscal Implications of Growth

The budget data presented thus far demonstrate that the County provides a wide array of services to benefit the cities as well as the unincorporated areas. To fund these services, the County is largely dependent upon restricted revenues from sources that are beyond its control and which do not necessarily increase in proportion to the County's costs of providing the services. To further complicate the County's challenges in managing its budget, much of the demand (and costs) for County services stems from development within the incorporated cities, yet the County has no control over the development that occurs within the cities.

Although the County has jurisdiction over development in the unincorporated areas, it still must be aware of the potential for cities to expand by annexing adjacent unincorporated areas. When this occurs, certain revenues that currently accrue to the County, will be transferred over to the annexing city. And although some of the County's service responsibility will transfer over to the annexing city, the County will still retain service responsibilities that are equal to 63 percent of total per capita costs and 51 percent of net per capita costs for each resident that is annexed into a city. In light of this, it is very important for the County and cities to cooperate to ensure that revenue sharing agreements that accompany annexations will leave the County with sufficient revenues to continue to maintain adequate levels of services for all county residents.

When contemplating development within the unincorporated areas, the County will find that certain types of development will be more fiscally advantageous than others. Initially, it appears that commercial and industrial development will be most beneficial to the County, because it will generate a full range of revenues; however, without a residential population component, demand for costly County services in the Health and Human Services and Public Protection areas will be low.

6. Other Funding Mechanisms: Development Impact Fees

Butte County currently collects impact fees from new developments, both residential and commercial, within the unincorporated portion of the county. These fees vary depending on the type of development and location, in accordance with the assessed impacts on County facilities. For example, current development impact fees per single-family residential unit range from $3,250 to $8,900, with the highest fees applied to projects in the North Chico Specific Plan area. Residential impact fees cover Library facilities, vehicles, and materials; General Government facilities, vehicles, and equipment; Sheriff Department facilities, vehicles, and equipment; road improvements; Fire Department facilities, vehicles, and equipment; and Jail facilities. However, within the Chico Urban Area, a street facilities fee replaces the roads impact fee applied in the rest of the unincorporated portion of the county. Furthermore, developments within the North Chico Specific Plan area pay impact fees for parks, trails, roads and bridges, storm drainage, and fire department facilities.

The County established both residential and non-residential impact fees based on the 2004 Impact Fee Study. While the County adopted the full impact fees recommended for residential development, the Board of Supervisors elected to apply only a share of the fees suggested for commercial developments. Impact fees for retail commercial developments range from approximately $5 to $15 per square foot, while fees for general office projects range from $5 to nearly $8 per square foot. The size and location of a project account for the variance in these fees. The type of industrial project, such as a mini-storage facility or warehouse, determines the impact fees for such projects. Current industrial impact fees fall between just under $0.50 to nearly $3 per square foot. The County also collects fees on medical facilities, nursing homes, private school facilities, and hotels and other lodging places. The basis of the fee determination for such projects varies and could be on a per square foot, per bed, per student, or per room calculation. Fees levied on non-residential projects encompass the same impacts as residential impact fees, with the exception of library fees, and parks and trails fees in the North Chico Specific Plan Area.

The current development fees originated from Butte County's 2004 Capital Facilities Master Plan and subsequent Impact Fee Study. The calculated impact fees for new developments only include those projects' fair share of impacts. According to County staff, the County is now facing insufficient funding, preventing the completion of projects identified in the capital facilities plan. One contributing factor relates to the County only collecting a share of the impact fees from non-residential projects. In addition, the County has not established a mechanism for collecting current development's fair share of capital facilities costs, such as costs to mitigate exiting deficiencies. Staff has indicated that the County is investigating the option of establishing a new Facility Reserve Fund in order to divert ongoing operating revenues for the purpose of covering some of the costs of new facility needs.

Furthermore, the County is revisiting the Capital Facilities Master Plan with the goal of narrowing down the plan to key facility needs, and incorporating financing potential into the decision-making process. The County will then calculate new impact fees based on the revised Capital Facilities Master Plan. Though the new plan may include fewer capital facilities needs, increasing construction costs could potentially result in higher impact fees. The County may also consider exploring countywide fees, applied to projects both within the unincorporated portion of the county and the incorporated cities. For example, a regional transportation impact fee could help fund infrastructure improvements for major roadways utilized by residents and businesses countywide.