

ADMINISTRATIVE REPORT

Date: April 4, 2011

Agenda Item No.: Advance Item No. 2

Council Action Date: April 19, 2011

To: RICK COLE, CITY MANAGER

From: JEFFREY LAMBERT, COMMUNITY DEVELOPMENT DEPARTMENT

Subject: RECEIVE MARKET OVERVIEW AND FISCAL ANALYSES OF THE WESTSIDE AND NORTH AVENUE AREA COMMUNITY PLAN, INCLUDING CANADA LARGA.

RECOMMENDATION

It is recommended that the Council receive Market Overview and Fiscal Analyses prepared by Illuminas Consulting of the Westside and North Avenue Community Plan, including Canada Larga. (Attachment A and B)

PREVIOUS COUNCIL ACTION

Jan 24, 2011, Council appropriated funds for completion of the Community Plan and Development Code, associated special studies including, but not limited to **Market Demand and Fiscal Analyses** and civic engagement efforts and also provided direction to reduce the Westside Community Planning Area boundary to the existing city limits.

October 11, 2010, Council reconsidered a prior decision and provided direction to include the approximately 650-acre Canada Larga valley floor in the Westside and North Avenue Planning Area boundary.

August 2, 2011, Council provided direction regarding planning principles to shape development policy for the future Brooks/Petrochem site reuse.

April 19, 2010, Council provided direction to include the approximately 150-acre freeway adjacent western Canada Larga area in the Westside and North Avenue Community Planning boundary; considered the use of the optional zones tool for select urban areas in the development code; discussed planning assumptions for the Brooks/Petrochem site; and reviewed principles for planning and redevelopment project area formation.

January 25, 2010, Council provided direction to proceed with work plan formation and resuming planning efforts for the Westside and North Avenue Community Planning project. September 26, 2005 – Council direction to proceed with drafting Community Plans to implement the General Plan at the neighborhood level and prioritized long-range planning work plan.

August 8, 2005, Council adopted the 2005 General Plan directing infill first and form-based code tools for future development of the City of Ventura.

SUMMARY

Market Demand and Fiscal Analyses of the current Westside Community Planning project were completed by Illuminas Consulting. The salient findings for the Westside Community Plan, North Avenue Annexation and Canada Larga Annexation are summarized below.

Market Overview

- Based on projections of job growth, it appears that there is a sufficient amount of land set aside in the Community Plan for near and long-term industrial and commercial uses. The proposed mix of uses is believed to be economically viable.
- Assuming that the North Avenue area is annexed to the City, the projected development that will occur in the entire Plan area will result in 4,105 new jobs to the area (20-year projection).
- If the boundaries of the Community Plan area were limited to the Westside area only (e.g. no annexation of the North Avenue area), then incremental growth will be based on the area's two opportunity sites as well as infill development primarily along Ventura Avenue. The projected development that will occur in the Westside area will result in 524 new jobs over the 20-year projection period.

Plan Area Potential for Green Jobs

- A conservative estimate of 3,800 green jobs will be created in Ventura County in the coming 20 years. If 10 percent of Countywide demand for green jobs is captured by the Plan Area, this would support the development of 304,000 square feet of flex and industrial space. Moreover, the additional jobs would help reach the City's prosperity goal to increase its 14.41% share of the County's high value/high wage 2% each year (14.70% in 2011).
- Within the green tech business environment, companies involved in material fabrication and product manufacturings are two industrial segments most likely to respond to the Plan Area's building inventory and the City's labor supply. If

appropriate office product is built, the Plan Area's building inventory may also appeal to firms involved in professional and technical services to green industry.

Executive Housing

- Generally the term "Executive Housing" refers to housing that is defined by price, location, size and density. Structures are generally family housing on large lots, often one-acre or more in size. Residences typically have four-to-five bedrooms. Location and environment are important factors with rural and semi-rural locations particularly popular. Restricted access (gated areas) is often seen as an important amenity. Values usually are in the upper end range for the market with prices of \$1 million to \$3 million common in Southern California.
- While not generally considered to be in the top tier of community economic development assets, the presence of a suitable number of housing choices geared toward senior executives and business owners is still an important "quality of life" asset that should help a community when all business location factors are taken under consideration.
- In general, if suitable housing choices are not located nearby, typical buyers of executive housing are prepared to commute in order to obtain the type of property they are looking for. In the greater Ventura area, the communities of Ojai and Camarillo have been attractive locations for buyers looking for housing on larger lots with significant levels of privacy. This type of housing exists in limited supply in the City of Ventura.
- For the community hosting the business location, it is advantageous to capture both the company and the residential locations of as many employees as possible. Capturing new residents "in town", at all income levels, increases sales at local stores, services and restaurants, adds to the city's tax base and increases the likelihood that volunteer contributions of time and funding will stay in the host community.

Fiscal Assessment

- If the Community Plan area were limited to the Westside Study Area only, then the Community Plan would generate a fiscal surplus of \$184,000 by the year 2020 and \$392,000 by the year 2030.
- If the North Avenue area were added to the Westside Area to form the Community Plan Area, then the combined area would generate a fiscal deficit upon annexation of \$314,000 which will shrink to a deficit of \$233,000 by 2020. This scenario assumes that the Brooks Petrochem project is built out according to the developer's

current plans. By 2030, this combined Plan Area would generate a fiscal surplus on the order of \$707,000 annually.

- If the Brooks Petrochem site were developed with more of a light industrial focus rather than market rate housing, then the combined Westside / North Avenue Area would still generate a fiscal deficit upon annexation of \$314,000. This total would grow to a deficit of \$767,000 by 2020. By 2030, surpluses would be generated on the order of \$200,800 annually.
- If the Canada Larga area were added to the Westside Area and North Avenue areas to form a combined Community Plan Area, then the total area would generate a fiscal deficit upon annexation of \$333,600, which will shrink to a deficit of \$239,000 by 2020.
- With the exception of consideration of the potential for wildfire risk on the Canada Larga site along with the associated cost burden on the City's Fire Department, the fiscal impacts of Canada Larga are largely minor until residential development can occur. Due to Williamson Act constraints on this property, the consultant has assumed that this development is unlikely to occur before 2020.
- By the year 2030, it is anticipated the full impact of the Canada Larga residential development program will be in effect. The combined Westside, North Avenue and Canada Larga Study Area will generate \$1.1 to \$1.6 million in annual fiscal surplus for the City's General Fund.

DISCUSSION

Market Overview – Report Objectives

The market overview document prepared by Illuminus Consulting addresses the following issues pertinent to the Community Plan:

1. What are the Plan Area's development potentials including medium- and long-range timing for proposed land uses?
2. What can the City realistically expect to achieve in attempting to attract green high-tech or sustainable businesses to the area?
3. Will the presence of executive housing located in the Canada Larga area act as an economic development catalyst for new business development in the City?
4. What are the job impacts of the plan's elements over time?

Development Potential for the Plan Area

The market study takes a macro economic look at the Plan Area's development potential based on the land uses set forth in the Community Plan. Specifically, the goal of this assessment is to determine if the land use mix of the Community Plan matches projected long-term economic trends in the region, the county and the City of Ventura.

Regional Trends

Similar to other areas in California, Ventura County has seen a significant erosion of its job base since the beginning of the current recession. Since 2007, employment totals have declined by 27,850, effectively wiping out the job gains of the first half of the decade.

However, job losses throughout the Ventura County area may have finally stabilized. Though there was little new job growth in 2010, there were no major layoffs either. In comparison, with the exception of Orange County, which has recorded significant job gains in the past year, the other areas of greater Los Angeles region still continued to experience job losses though the end of 2010.

Despite the current volatile nature of the regional economy, Ventura County is beginning to capture larger shares of a few key economic sectors. Over the past decade, the manufacturing, wholesale trade, and finance and insurance sectors have been gradually increasing their shares of regional employment growth. Over time, this growth will translate into a larger share of the regional market for Ventura County.

Over the next 20 years, Ventura County is expected to add just over 68,000 new jobs to its existing base. The largest gains will be in Professional and Business Services (9,116 jobs) and Education and Health Services (9,259 jobs). Industrial-oriented employment, represented by Manufacturing and Transportation/Warehousing and Utilities is projected to grow by 8,779 jobs.

Ventura County's projected manufacturing employment growth runs counter to prevailing trends within the larger region which anticipate current levels of manufacturing employment decreasing over time. These macro trends represent a shifting of manufacturing business operations from higher cost areas with aging facilities and infrastructure to newer areas. Some of these jobs are moving out of California, however outlying areas of the region such as Ventura, Santa Clarita, and the Inland Empire are also benefiting by attracting businesses looking to expand operations or relocate.

Industrial Property – Competitive Supply

The preservation and expansion of industrial land use is a significant emphasis of the Community Plan. In the post recessionary environment, regional industrial growth projections favor outlying areas of the greater Los Angeles region, such as Ventura County and the Community Plan area will certainly benefit from this trend. However, new demand

for land and built space by companies expanding operations or relocating existing facilities will be offset against existing and planned competitive locations within the County.

Currently there is a total of 76 million square feet of built industrial space located within Ventura County. Vacancies total 4.6 million square feet or 6.1 percent of supply. The City of Ventura has an industrial inventory of 12.3 million square feet of space (16 percent of countywide totals) with a current overall vacancy rate of 4.8 percent.

The neighboring Oxnard / Port Hueneme area has the largest inventory of industrial space in the County with 25.4 million square feet. This submarket comprises 33 percent of the county's industrial inventory.

It is estimated that due to the recent recession there is approximately 4.6 million square feet of vacant industrial space located at industrial parks throughout the County. The cities of Camarillo and Moorpark / Simi Valley have the largest amount of vacant industrial space currently totaling 45 percent of all vacancies or 2.1 million square feet. In addition to vacancies in completed buildings, there are additional vacant parcels within existing industrial parks such as Ventura's Arundell business park. Development ready sites will be the first choices for new investment when the business climate begins to improve.

In addition to built, but vacant space, it is estimated that there is an additional 3.8 million square feet countywide of approved industrial space in the pipeline as well as 9.9 million square feet that is pending approvals. Most of the industrial space pending approvals is located in the City of Oxnard. While not every project on the pending approvals list will eventually be built, nonetheless, this total is fairly large and will present significant competition to attracting new industrial development and tenants to the Plan Area.

Community Plan Area – Existing Economic Conditions

Compared to other areas of the City, the Plan Area has a fairly low density of employment relative to its size. Estimates based on Census data indicate that as of 2008, there were only 2,017 jobs located in the combined Westside and North Avenue areas. Construction and retail jobs constitute 40 percent of the area's job base. Jobs in manufacturing, wholesale trade and transportation/distribution account for only 13.5 percent of the total or 217 jobs. This estimate is based on counts of unemployment insurance records by census tract.

Data on commuting patterns for the Plan Area indicates that nearly three-quarters of all Plan Area employees reside outside the City of Ventura. Most commuting employees traveled from Oxnard, Camarillo, Santa Barbara and Los Angeles.

As part of this project a database of existing industrial, office and retail business for the Plan Area was created using CoStar, a service that compiles data on commercial building inventories by area. The following information derived from this data was used to compile an estimate of existing commercial space within the Plan Area:

Industrial Properties

- There is a total of 1.5 million square feet of industrial space located in the Plan Area with 71 percent of it located in the Westside portion.
- Since 2000, only 56,250 square feet have been added to area's inventory.
- Current vacancies run at 4.6 percent, which mirrors the industrial vacancy rate experienced in the larger City of Ventura.
- Average lease rates for industrial space run at \$0.70 per square foot.
- There are 127 acres of land area devoted to warehouse space and 97 acres devoted to manufacturing uses.

Office Properties

- There is a total of 199,550 square feet of Class B office space in eight buildings. Class C space is much smaller and totals 48,400 square feet in 22 separate buildings.
- Vacancies for Class B office are currently at 12.5 percent. There is no vacancy in the Class C inventory.
- Since 1996, only 57,900 square feet of new office space has been added to the area.
- Rents for Class B space currently average \$1.60 per square foot.
- There are 63 acres of land area presently occupied by commercial office structures.

Retail Properties

- There is a total of 23,939 square feet of retail located in shopping center space and 202,223 square feet in small freestanding structures.
- Due to the limited supply and adjacent residential neighborhoods, there is very little vacancy at the moment, totaling to less than 2 percent.
- Average lease rates for shopping center space are \$1.08 per square foot and \$1.00 per square foot for freestanding retail.
- Retail uses account for 16 acres of land area

Demand Projections

The consultant developed projections of job growth at the County level utilizing recent forecasts by the State of California's Employment Development Department as well as the Southern California Association of Governments. Growth projections by employment sector were then associated with unique building typologies associated with each employment type. Likely market capture rates for the City of Ventura as well as the Community Plan area were developed to allocate the projected uses by area.

The following assumptions guided the land use projections:

- As the Ventura economy begins to recover during the next several years, demand for business expansion will be primarily satisfied by refilling vacated space County-wide and by newly developed projects already in the approval stage.
- Within the City of Ventura, existing industrial and business park areas such as Arundell will fill up as the last remaining spaces are built out.
- Over time, new structures will be required to satisfy growing demand for space. The Westside and North Avenue areas will become attractive for development if sufficient land areas can be aggregated to create quality master planned space or light industrial and distribution facilities.
- While there are still considerable office vacancies in other parts of the City, it is anticipated that the Community Plan Area could become a destination for small office users and start-ups looking for unconventional space such as live-work and flexible configurations of space.
- Retail uses are likely to consist of stores and services catering to the neighborhood residents rather than drawing customers from the larger city.
- Incremental demand for institutional uses will be filled primarily by businesses and organizations engaged in health and medical care services. This sector of the economy is projected to be a high growth area for Ventura County over the coming two decades. Health and medical care services will likely constitute additional medical office space rather than traditional hospital space.

The following tables compare the land area acreages, as set forth in the Community Plan, with the projected demand by land area. There appears to be a sufficient amount of land set aside for near and long-term industrial uses. The plan has designated 436 acres of industrial area. Projections for the coming 20 years anticipate demand at 370 acres. Likewise, demand for commercial uses are anticipated to be nearly 193 acres. The Plan has set aside 195 acres for these uses.

Industrial Land Uses
 Plan Area Includes Westside and North Avenue

	Existing Built Up Area	New Demand	Total
Flex / Business Park	n.a.	29.5 ac	29.5 ac
General Industrial	96.6 ac	65.4 ac	162.0ac
Distribution	127.3 ac	51.2 ac	178.5 ac
Total	223.9 ac	146.1 ac	370.0 ac
Allocation in Plan			435.9 ac

Commercial Land Uses
 Plan Area Includes Westside and North Avenue

	Existing Built Up Area	New Demand	Total
Office	63.0 ac	17.1 ac	80.1 ac
Institutional	71.2 ac	13.6 ac	84.8 ac
Retail	16.0 ac	11.9 ac	27.9 ac
Total	150.2 ac	42.6 ac	192.8 ac
Allocation in Plan			195.4 ac

Demand Projections for Westside Area Only

If the boundaries of the Community Plan Area were limited to the Westside area only, then incremental growth would be based on the area's two opportunity sites as well as infill development opportunities. It is projected that many older existing industrial parcels located along the Ventura Avenue corridor will convert over time to commercial uses. In addition, there are two vacant industrial parcels of sufficient size for a small amount of industrial infill built to contemporary standards. In total, this scenario yields an additional 2.5 acres of new industrial development and 11.1 acres of new commercial development.

Job Impacts of the Community Plan

Assuming that the North Avenue area is annexed to the City, the projected development that will occur in the entire Plan area will result in 4,105 new jobs to the area (20-year projection). Looking only at the Westside area, due to its built up area, projections for job growth are restricted to development occurring at Opportunity Sites 1 and 2 as well as a small amount of commercial and industrial infill. This results in a projection of 524 new jobs.

Plan Area Potential for Capture of Green Jobs

As recently defined by the City's Sustainable Business Developer, the green economy is the clean energy economy, consisting primarily of four sectors: renewable energy (e.g. solar, wind, geothermal); green building and energy efficiency technology; energy-efficient infrastructure and transportation; and recycling and waste-to-energy. The green economy is not just about the ability to produce clean energy, but also technologies that allow cleaner production processes, as well as the growing market for products which consume less energy, from fluorescent light bulbs to organic and locally produced food. Thus, it might include products, processes, and services that reduce environmental impact or improve natural resource use."

A green job is an occupation that 1) directly works with policies, information, materials, and/or technologies that contribute to minimizing environmental impact, and 2) requires specialized knowledge, skills, training, or experience in these areas.

Current estimates for the state indicate that California's green businesses are primarily working in the areas of energy generation and energy efficiency. As of 2009, it has been estimated that there were 125,000 employees working statewide in the green tech sector. To put this number into context, this total represents just less than 1 percent of total non-farm employment for the state.

Looking at the green tech sector from the perspective of job categories, manufacturing jobs represent 41 percent of the sector's job base, while professional, scientific and technical services represents 28 percent and construction jobs represent 10 percent.

The heaviest concentration of green jobs is located in the major metropolitan areas of Los Angeles and San Francisco. Together these two cities accounted for 58 percent of all green tech jobs as of 2009. Available databases of green jobs and employment segment their data by various regions throughout the State. Ventura County is counted in the Central Coast Region, which currently contains just two percent of all green jobs statewide. Types of green industries that are currently located in the coastal area region include companies involved in Energy Generation, Air and Environment and Water and Wastewater services.

Long-term projections for green business development in the coastal region indicate that this area will gain 9,000 green jobs over the next 20 years. Currently this regional area has a total non-farm employment base of 654,100 jobs and employment within Ventura County accounts for 42% of the regional job base.

A "fair-share" assessment of the long-term green job projections implies that Ventura County has the potential to attract approximately 3,800 jobs over the coming 20-year period. If 10 percent of Countywide demand for green jobs can be captured by the Plan Area, this would support the development of 304,000 square feet of flex and industrial space.

Within the green tech business environment, companies involved in material fabrication and product manufacture are two industrial segments most likely to respond to the Plan Area's building inventory and the City's labor supply. If appropriate office product is built, this may also appeal to firms involved in professional and technical services to green industry.

Executive Housing as an Economic Development Asset

The Canada Larga property is located in the northernmost area of the North Avenue to the east of Ventura Avenue and lengthwise along Canada Larga Road. The owner of this property has requested that the City consider annexation of this property and inclusion within the Plan Area. The owner has proposed building up to 100 large lot executive housing units on the property.

As part of its consideration of the feasibility of including the Canada Larga site into the Westside / North Avenue Area Community Plan and annexing the property into the City, Council has asked the Illuminas Consulting if the existence of a supply of "executive housing" within the City could be seen as an economic development asset. In other words, how critical is the presence of executive housing to recruiting or retaining companies to locate in the City of Ventura?

The Business Decision to Locate

Companies choose to locate in a particular area for a variety of reasons. The reasons for a particular choice are not only grounded in economic and financial factors but, in fact, in subjective criteria which is not often amenable to simple explanation.

According to the decision factors employed by consulting firms and commercial real estate brokers that assist companies contemplating a move, the relocation of most manufacturing, regional offices, and distribution centers are usually justified by cost reductions, improved operating efficiencies or choosing a strategic location to take advantage of new opportunities. These are in place for headquarters moves as well, but there are usually transcending considerations that overwhelm the basics and make more subjective factors such as quality of life of relative importance to decision makers.

Business considerations such as adequate site and infrastructure availability, access to transportation networks, the presence of a qualified, yet affordable labor supply and an overall "business friendly" environment are usually the first factors considered when a new location is under review.

While not generally considered to be in the top tier of community economic development assets, the presence of a suitable number of housing choices geared toward employees as well as senior executives and business owners is still an important "quality of life" asset that should help a community when all business location factors are taken under consideration.

With reference to executive housing, if suitable housing choices are not located nearby, typical buyers of executive housing are usually prepared to commute in order to obtain the type of property they are looking for. In the greater Ventura area, the communities of Ojai and Camarillo have been attractive locations for buyers looking for housing on larger lots with a suitable level of privacy. This type of housing is in limited supply in the City of Ventura.

For the community hosting the business location, it is advantageous to capture both the company and the residential locations of as many employees as possible. Capturing new residents "in town", at all income levels, increases sales at local stores, services and restaurants, adds to the city's tax base and increases the likelihood that volunteer contributions of time and funding will stay in the host community.

In general a community that has a suitable inventory of housing choices representing the full spectrum of income levels will be that much more competitive when a company is choosing between several possible locations.

Finally, a couple of caveats should be noted:

- The presence of executive housing by itself does not guarantee every buyer will bring jobs to the City of Ventura, and
- The presence of executive housing does not guarantee that a company will remain in Ventura.

Fiscal Analysis – Objectives and Methodology

The firm of Illuminas Consulting, LLC (Illuminas) prepared a Fiscal Impact Analysis (Analysis) of the Westside and North Avenue Area Community Plan (Plan Area) including the potential for annexation of the North Avenue and Canada Larga areas. Specifically the following three configurations were investigated:

- Westside Area Only
- Westside and North Avenue Area
- Westside, North Avenue and Canada Larga

This analysis provides estimates for all three study areas at several points in time. For the Westside Study Area, the fiscal impacts of projected development are assessed for the years 2020 and 2030. For the two annexation study areas, three time periods are assessed: a point in time just after annexation, the year 2020 and the year 2030.

The primary objective of the fiscal study is to inform the City Council's direction as to the boundary of the Westside planning effort. The analysis will help Council to determine whether the proposed annexations as well as projected new commercial, industrial and

residential development in the Plan Area is likely to have a positive or negative fiscal impact on the City's General Fund. This fiscal analysis has the following key characteristics:

- A focus on operating costs and tax revenues that impact the City's General Fund.
- An estimate of capital costs required so that the City can provide a desired level of service provision to the two areas under consideration for annexation.
- A focus on the impacts of land use change including the impacts associated with adding the two annexation study areas to the City's service jurisdiction.

This analysis does not include an assessment of the potential tax increment revenues that may be generated should a redevelopment project area be established. An assumed development program for the three Study Areas is derived from several sources including the 2006 Westside Economic Development Strategy and the 2011 Market Overview of the Westside and North Avenue Area Community Plan. Additionally two property owners and/or their representatives provided development program information for their respective properties. Petrochem Venture, LLC provided information regarding the Brooks campus expansion as well as a development program for the areas surrounding the campus to the north and south. Buz Bonsall provided information regarding the planned development program for Canada Larga. Sensitivity testing was performed on the Brooks Petrochem and Canada Larga projects including a hypothetical alternative development program on the Brooks Petrochem site.

This analysis should be treated as an estimate based upon the best data available. In some cases, assumptions of impact are speculative, such as a projection of costs associated with the risk of fighting a wildfire on the Canada Larga site. However, most cost estimates are grounded in current city budget factors and are developed utilizing methods employed by fiscal impact practitioners for the past several decades. In addition, numerous interviews with City of Ventura departmental staff were conducted in order to obtain insight into how annexation as well as future growth would impact on City services and the need for infrastructure upgrades.

Impact of Westside Area Development

If considered by itself, the Westside Study Area will generate a positive fiscal impact. By the year 2020, incremental investment anticipated by the development program will generate \$184,400 of revenues in excess of city costs to provide services. By 2030, the fiscal surplus will grow to \$392,000.

**Exhibit 1
 Fiscal Impact of Westside Study Area**

General Fund Impacts	Point of Annexation	By Year 2020	By Year 2030
Revenues	\$ -	\$ 626,931	\$ 945,022
Expenditures	\$ -	\$ (442,518)	\$ (552,836)
Net Fiscal Impact	\$ -	\$ 184,412	\$ 392,187

Impact of Annexing the North Avenue Area

Point of Annexation

Exhibits 2 and 3 illustrate the long-term impacts associated with annexing the North Avenue Area to the City and adding it to the Community Plan Area. At the point of annexation, the combined Westside and North Avenue Area will generate just over \$1 million for the City’s General Fund, but it will also cost \$1.3 million in municipal service demand. This will result in a modest fiscal deficit of \$314,000. This result is not surprising since the North Avenue area has a significant supply of older residential development with modest assessed values. Despite this, newly annexed residents will require services at the same level of demand as other residents of the City.

Development Scenario 1

Considering Development Scenario 1, which assumes that the Brooks Petrochem project is built out according to the developer’s proposed plan that includes 1,105 residential units (300 of which would be student housing), by the year 2020, the fiscal impact is still slightly negative with a deficit of \$233,300.

**Exhibit 2
 Fiscal Impact of Westside + North Avenue Study Areas
 Development Scenario 1**

General Fund Impacts	Point of Annexation	By Year 2020	By Year 2030
Revenues	\$ 1,006,043	\$ 3,396,493	\$ 4,495,464
Expenditures	\$ (1,319,947)	\$ (3,629,797)	\$ (3,788,434)
Net Fiscal Impact	\$ (313,904)	\$ (233,304)	\$ 707,030
Capital Improvement Costs (annual) /1	\$ -	\$ (791,630)	\$ (791,630)

Notes:

1/ Annual debt service on a bond to finance a North Avenue area police and fire station.

While new development will add a significant amount of assessed value to the tax rolls, new residents and students located at the Brooks Petrochem project as well as new employees working in the industrial space projected for Opportunity sites 3 and 6, will entail additional service cost burdens for the City. Additionally, by this time, it is anticipated that the new police and fire station facility will be in place. The O&M costs that will be required to staff and maintain this facility are higher on an annual basis than the annual costs of service demand from the area residents and businesses.

Regarding the fiscal effects of adding a new station to the North Avenue Area, this is a typical situation when a new facility is built in that it takes time before the localized demand catches up to the cost to staff and run a full station. In the meantime, there should be extra resources available at the new station to provide additional coverage in other parts of the City. While this may be a desired outcome, it nonetheless, inflates the fiscal cost of fire service provision in the North Avenue area when compared with average residential/business costs demand in other areas of the City where new development may not require additional station construction.

By the year 2030, the combined Westside and North Avenue Study Areas are fiscally positive with a total of \$707,000 of revenues in excess of General Fund expenses. This is due to the additional development set to occur during the second period of the analysis, as well as an increasing assessed value base.

The annual cost associated with capital expenses is projected to be \$791,630. This was derived as the estimated annual debt service on a bond to pay for land acquisition and construction of a new police and fire facility. The assumption of using a bond is only to annualize the costs associated with the new station and is not meant to imply that this would be the only method of financing the new facility.

Development Scenario 2

Development Scenario 2 is an alternative development program for the Brooks Petrochem site that substitutes 750,000 square feet of light industrial and flex space for the 805 units of non-student housing that has been proposed by the developer. Otherwise, all other aspects of the Brooks Petrochem project remain the same. This program is not an alternative that has been proposed by the site's developer. It was created by the consultant as an illustrative development program to contrast the fiscal effects of substituting industrial property for residential property on this site.

Fiscally, this alternative does not perform as well as Development Scenario 1. This is due to the lower assessed values that industrial property generates compared to housing as well as the lower sales tax revenues that are generated by employees compared with residents. By the year 2020, the combined Westside / North Avenue Plan area would run a fiscal deficit of \$767,000. However, by 2030, the Plan Area would generate a fiscal surplus

of \$200,840 due to rising assessed values in the area. Capital improvement costs remain the same as in Development Scenario 1.

Exhibit 3
Fiscal Impact of Westside + North Avenue Study Areas
Development Scenario 2

General Fund Impacts	Point of Annexation	By Year 2020	By Year 2030
Revenues	\$ 1,006,043	\$ 2,294,168	\$ 3,466,602
Expenditures	\$ (1,319,947)	\$ (3,060,951)	\$ (3,265,762)
Net Fiscal Impact	\$ (313,904)	\$ (766,782)	\$ 200,840
Capital Improvement Costs (annual) /1	\$ -	\$ (791,630)	\$ (791,630)

Notes:

1/ Annual debt service on a bond to finance a North Avenue area police and fire station.

Impact of Annexing the Canada Larga Area

Point of Annexation

Exhibits 4 and 5 illustrate the long-term impacts associated with annexing the Canada Larga Area to the City and adding it to the Community Plan Area. At the point of annexation, the combined Westside, North Avenue and Canada Larga Area will have a fiscal profile roughly the same as for the Westside / North Avenue Area combination. This is due to the fact that Canada Larga is largely undeveloped and as a result of its Williamson Act designation, has a very low assessed value relative to its size. This study area scenario results in a fiscal deficit of \$333,600. An additional cost to consider for this scenario however, is the risk associated with the costs to suppress a wildfire should there be an event on the Canada Larga site. This becomes an issue for the City due to its jurisdiction of Canada Larga in the event of an annexation. Should there be a wildfire on this site, the apportionment of costs between State, County and City agencies will fall more heavily on the City of Ventura for any suppression activities that would occur directly on this site.

Though it is not possible to accurately predict the occurrence or scale of a fire on this site, the consultant in consultation with the City's Fire Chief, has developed an annualized risk cost that can be applied side-by-side with the fiscal impact analysis. The estimate of risk associated with wildfire suppression costs on the Canada Larga property assumes one catastrophic fire on the property during the 20-year analysis period with an estimated cost to the City at \$2.8 million. This cost is then annualized over the analysis period for an annual risk cost allocation of \$141,700.

Exhibit 4
Fiscal Impact of Westside + North Avenue + Canada Larga Study Areas
Development Scenario 1

General Fund Impacts	Point of Annexation	By Year 2020	By Year 2030
Revenues	\$ 1,007,047	\$ 3,397,496	\$ 5,430,154
Expenditures	\$ (1,340,636)	\$ (3,636,740)	\$ (3,795,377)
Net Fiscal Impact	\$ (333,588)	\$ (239,244)	\$ 1,634,777
Capital Improvement Costs (annual) /1	\$ -	\$ (791,630)	\$ (791,630)
Wildfire Risk Value 2/	\$ (141,657)	\$ (141,657)	\$ (141,657)

Notes:

1/ Annual debt service on a bond to finance a North Avenue area police and fire station.
 2/ Estimate of risk associated with wildfire suppression costs on the Canada Larga property. Assumes one catastrophic fire on the property during the 20-year analysis period. Estimated cost to the City at \$2,833,150 This cost is then annualized over the analysis period for an annual risk cost allocation of \$141,657

Development Impacts

For this analysis, we have assumed that the developer of the Canada Larga site will be required to enter a contract non-renewal process for his Williamson Act designation, which will effectively delay his start of construction until sometime after 2020. Thus for this analysis, new revenues generated by the Canada Larga site will be limited until after 2020. By the year 2020, adding the Canada Larga site to the other two study areas will increase the fiscal deficit only slightly by 1 to 2.5 percent depending of the North Avenue Development program under consideration. (This total does not take wildfire risk costs into account). However, by 2030, it is assumed that the proposed housing program at Canada Larga is built out. This incremental development will add an extra \$927,750 in fiscal surplus to the City over what is projected for the scenarios that don't include Canada Larga. For Development Scenario 1 this means a total fiscal surplus to the City of \$1.6 million and for Development Scenario 2, the surplus would be \$1.1 million.

Exhibit 5
Fiscal Impact of Westside + North Avenue + Canada Larga Study Areas
Development Scenario 2

General Fund Impacts	Point of Annexation	By Year 2020	By Year 2030
Revenues	\$ 1,007,047	\$ 2,295,172	\$ 4,401,292
Expenditures	\$ (1,340,636)	\$ (3,067,894)	\$ (3,272,706)
Net Fiscal Impact	\$ (333,588)	\$ (772,722)	\$ 1,128,586
Capital Improvement Costs (annual) /1	\$ -	\$ (791,630)	\$ (791,630)
Wildfire Risk Value 2/	\$ (141,657)	\$ (141,657)	\$ (141,657)

Notes:

1/ Annual debt service on a bond to finance a North Avenue area police and fire station.
 2/ Estimate of risk associated with wildfire suppression costs on the Canada Larga property. Assumes one catastrophic fire on the property during the 20-year analysis period. Estimated cost to the City at \$2,833,150 This cost is then annualized over the analysis period for an annual risk cost allocation of \$141,657

Sensitivity Testing of the Canada Larga Development Program

Several sensitivity tests were performed on the Canada Larga development program:

- **Development Timing** – the owner of the Canada Larga site has stated he believes that he will qualify for a Williamson Act contract cancellation. If granted, the cancellation process occurs immediately and the owner pays a penalty to the governing agency. If this should occur, the owner will be able to start his development program within four to five years from the point of annexation. This would mean that roughly one-third of the total 91 units may be built by the 2020 time period. The effects of this earlier start date will produce a small fiscal surplus of \$17,612 by the year 2020 for the combined Community Plan Area. By 2030, the surplus is \$2.1 million.
- **Density of Development** -- According to the City's Director of Community Development, County Fire staff has indicated that should the Canada Larga property remain within County jurisdiction, the total allowable unit count would likely be restricted to no more than 20 dwellings. This scenario was tested and not surprisingly it results in lower overall fiscal surpluses for the Plan Area. On average, for each one unit reduction in density, the fiscal surplus is reduced by \$9,900.

Removing 71 units from the developer's plans would lower the Plan Area surplus by approximately \$700,000.

- Average Sale Price per Unit – although no formal market study has yet been completed for the developer's proposed residential development, he has initially proposed an average price point of \$3.5 million per house. This target value places the average house in Canada Larga at the top end of luxury home prices for the Ojai, Ventura, and Oxnard and Camarillo areas. While it may be possible to realize these prices once development occurs, a sensitivity test was conducted to assess the effects of reducing the average realizable price per housing to \$2.0 million. Assuming that 91 units are built, a \$1.5 million reduction in the average unit value will reduce the fiscal surplus from \$2.1 million to \$1.7 million, a change of \$400,000.

CITIZEN ADVISORY GROUP REVIEW

Not applicable.

PUBLIC COMMUNICATIONS / PUBLIC ENGAGEMENT

Not applicable.

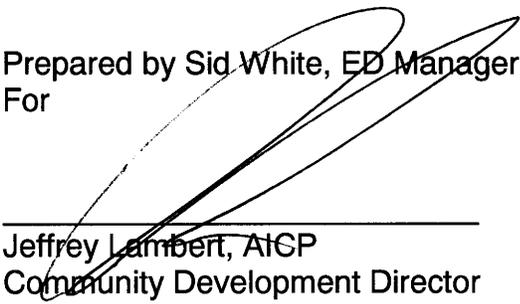
FISCAL IMPACTS

Although no fiscal impacts are associated with report review per se, the City Council directions to move forward the Westside Planning Project will have significant fiscal impacts upon the fiscal and economic prosperity of City of Ventura.

ALTERNATIVES

The City Council could choose to direct staff to include annexation of the North Avenue, or not: and/or annexation of Canada Larga, or not.

Prepared by Sid White, ED Manager and Michael Wright, Illuminas Consulting
For



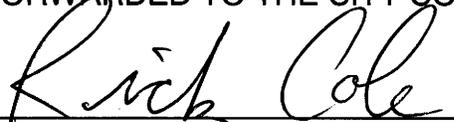
Jeffrey Lambert, AICP
Community Development Director

Reviewed as to fiscal impacts



Jay Panzica
Chief Financial Officer

FORWARDED TO THE CITY COUNCIL



Office of the City Manager

ATTACHMENTS

- A. Market Overview of Westside and North Avenue Community
- B. Fiscal Impact Analyses Proposed General Plan Land Use Amendments

Available online at www.cityofventura.net/westside: