Attachment F
Fiscal Impact Analysis

MEMO

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City of Newport Beach

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SUBJECT: Fiscal Analysis for the Vivante Senior Housing Project

INTRODUCTION

The fiscal analysis uses the Newport Beach Fiscal Impact Model to help calculate revenue and cost impacts of the proposed project. This model was initially developed in support of the General Plan Update, which was adopted in 2006.[1] The model has been updated to reflect Fiscal Year 2018-2019 costs and revenues from the Newport Beach City Budget. The fiscal impact model calculates public service impacts for specific land uses that support the residential population, the employment base and the visitor population in Newport Beach. It also calculates the public revenues that each type of land use typically generates for the City, including property taxes, sales taxes and other taxes as well as a variety of user charges and fees.

The fiscal impact model is designed to calculate the average cost of public services required by new development, on the assumption that new development affects City services in approximately the same way that existing development does. The model nets out certain costs that are unlikely to change with expansion of City government, such as the number of City Department Directors and Division managers, as well as the City Council and City Clerk expenditures, but otherwise assumes that City administrative support and overhead tends to increase as City government activities grow to provide services to an expanding population and employment base. Over the long term, this is clearly the dynamic that local governments experience. In the short term, development projects may have lower or higher cost impacts depending on the existing capacity of City services to accommodate more

[1] A technical description of the fiscal impact model may be found in: Applied Development Economics, Fiscal Impact Analysis and Model, Newport Beach General Plan Update, January 2004.

development, and the level of expenditure needed to expand services incrementally if existing capacity is not available.

PROJECT DESCRIPTION

THE PROPOSED PROJECT

The proposed project would redevelop the existing Orange County Museum and associated administrative building into a 153 bed senior assisted living complex. The main facility would have 90 units with 126 beds and an additional memory care facility would have nine units with 27 beds. The development would include resident dining areas, fitness room, yoga room, indoor pool, lounge with bowling alley, salon, art room, theater, library, golf simulator, and support uses such as offices, mechanical and storage rooms, mail room, laundry, and housekeeping. In addition to the Museum site at 850 San Clemente Drive, the project would also develop the adjacent site at 856 San Clemente. This location is in the Newport Center area of Newport Beach.

SOCIOECONOMIC CHARACTERISTICS

In order to calculate the fiscal effects of the proposed changes, it is necessary to estimate certain socio-economic characteristics of the land uses, including population and employment, assessed value, and spending on taxable retail goods in Newport Beach. The DEIR for the project indicates that at full occupancy, the project would house 153 senior citizens. The Project will be staffed 24 hours a day with varying shifts, which could range from 15-30 with 45 employees at the busiest time of a peak shift change. The fiscal model calculates certain service cost impacts based on full time equivalent (FTE) employment. For purposes of this analysis, we have assumed two shifts with 30 workers and one shift with 15 workers, for a total 75 FTE.

The assessed value for the proposed project has been derived from estimates of typical costs to build senior residential care facilities as compiled by Engineering News Record. This cost factor averages about $400 per sq. ft. of building space. The senior care facility would have an estimated assessed value of about $73.7 million.

The residents of the senior care facility are projected to generate sales tax at about half the rate of typical Newport Beach residents. Some residents of the facility will likely do very little independent shopping while others will frequent local retail centers more often. Some sales tax will also be generated by purchase of medical equipment and other supplies by the facility and its suppliers.

FISCAL IMPACTS

The fiscal analysis indicates that the proposed project would have a net positive impact on the City budget (Table 1). For the senior living project, the primary revenue source generated for the City is the property tax. The City receives about 20 percent of the base property tax that property owners pay, but in addition the City gets a share of property tax from the state in lieu of vehicle license fees, which adds about ten percent to the total property tax revenues for Newport Beach.

In terms of costs for City services, the senior care facilities could have a higher than average use of paramedic services. In addition, residents of the facility would make some use of City recreation and senior services, as well as library services, although it is likely the facility would provide a certain level of these programs onsite. Based on the fiscal model estimates of these services, it is projected that the revenues generated by the project would pay for City services it requires.

In contrast, the existing museum use does not generate property tax or sales tax for the City. The administrative employees housed there have a small but measurable impact on City services and overall the existing use of the site generates a small negative fiscal impact for the City.

TABLE 1:
PROJECTED FISCAL IMPACT OF THE PROPOSED VIVANTE SENIOR LIVING PROJECT

	Annual Revenues/Costs	
Budget Category	**Proposed Project**	**Existing Museum Use**
REVENUES		
GENERAL FUND		
Property Tax	$147,447	$0
Property Tax in lieu of Vehicle License Fees	$15,080	$0
Sales Tax	$9,521	$0
Transient Occupancy Tax	$0	$0
Franchise Fees	$5,278	$774
Business Licenses	$4,370	$0
Other Intergovernmental	$724	$0
Charges for Service	$13,680	$2,167
Fines, Penalties, and Forfeitures	$3,232	$512
Licenses and Permits	$327	$52
Use of Property	$3,921	$1,255
Other Revenue	$375	$0
Interest Income	$946	$22
SUBTOTAL GENERAL FUND	**$204,901**	**$4,782**
GAS TAX	$3,835	$0
MEASURE M	$967	$0
SUBTOTAL OTHER FUNDS	**$4,802**	$0
TOTAL REVENUE	**$209,703**	**$4,782**
EXPENDITURES		
GENERAL FUND		
General Government	$13,577	$1,541
Police	$16,265	$5,205
Fire	$70,872	$5,876
Public Works	$16,057	$5,138
Community Development	$1,507	$482
Community Services	$42,463	$0
CIP Streets	$956	$306
Other CIP Projects	$1,147	$367
SUBTOTAL GENERAL FUND	**$162,844**	**$18,915**
GAS TAX	$2,731	$428
MEASURE M	$2,560	$402
SUBTOTAL OTHER FUNDS	**$5,290**	$830
TOTAL EXPENDITURES	**$168,134**	**$19,745**
NET (COST)/REVENUE	**$41,569**	**($14,963)**

Source: ADE, Inc.

CONCLUSION

The proposed senior residential care use of the site would generate a positive fiscal benefit for the City due to the building intensity and high value of the proposed development. This positive benefit is in contrast to the existing public use of the site which does not generate property tax for the City. The 2006 General Plan designated the site for non-residential use, consistent with the existing museum use. Overall, the General Plan increased development potential for commercial and lodging uses substantially, in addition to the new residential units it would permit. The net impact of the growth in land uses at buildout of the General Plan compared to existing land uses in 2006 when the plan was adopted, would result in a positive fiscal impact for the General Fund of $21.7 million per year.[2] Due to the fact that the proposed project would be a relatively high value private sector development, it would exceed the fiscal benefit from the institutional use of the site under the existing General Plan.

[2] Applied Development Economics, *Fiscal Impact Analysis Land Use Element Amendment*, April 4, 2014. p. 3.