APPENDIX M

FINAL MEMORANDUM

To: Ron Mauck, Quad Knopf

From: David Zehnder, Richard Davis, and Janelle Santos

Subject: Knighton and Churn Creek Commons Fiscal Impact Analysis; EPS #18579

Date: October 12, 2009

The Economics of Land Use

Quad Knopf retained Economic & Planning Systems, Inc., (EPS) to prepare a fiscal impact analysis (Analysis) of the Knighton and Churn Creek Commons project (Project), a 92.0-acre area located approximately 3 miles south of the City of Redding in the unincorporated area of Shasta County (County). The Project, which consists exclusively of commercial development, proposes approximately 740,000 square feet of new community and regional retail and entertainment space.

This memorandum summarizes the Project's estimated fiscal impact on the County's annual General Fund, Public Safety Fund, Road Fund, and County Services Area #1 (CSA #1) budgets resulting from the provision of public services to the Project. Specifically, the Analysis estimates whether projected revenues from the Project will adequately cover the costs of delivering countywide services (e.g., public protection, health and sanitation, education, and public assistance), as well as County-administered municipal services (e.g., law enforcement, fire protection, and road maintenance) to the Project's businesses. This Analysis estimates the annual fiscal impact of the Project at buildout and is based on the assumption that all public services will be provided directly by the County.[1]

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[1] Fire Protection will be provided through CSA #1. CSA #1 includes a combination of County and volunteer firefighters that operate under the management of contract staff from the California Department of Forestry and Fire Protection (Cal Fire).

Overview of Results

At Project buildout, as summarized in **Table 1** below, the Analysis estimates that the General Fund and Public Safety Fund will experience significant annual surpluses of **$1.4 million** and **$715,000**, respectively. The Road Fund is projected to experience a minimal surplus of **$2,000** at Project buildout. CSA #1 is projected to break even.[2]

Table 1
Fiscal Impact Summary (2009$)

Item	Annual Fiscal Impact
General Fund	
Revenues	$2,321,000
Expenditures [1]	$961,000
Surplus/(Deficit)	**$1,360,000**
Public Safety Fund	
Revenues	$810,000
Expenditures [1]	$95,000
Surplus/(Deficit)	**$715,000**
Road Fund	
Revenues	$30,000
Expenditures	$28,000
Surplus/(Deficit)	**$2,000**
County Services Area #1 - Fire Protection	
Revenues	$913,000
Expenditures [1]	$913,000
Surplus/(Deficit)	**$0**

"sum_all"

Source: Shasta County Fiscal Year 2008-2009 Budget and EPS.

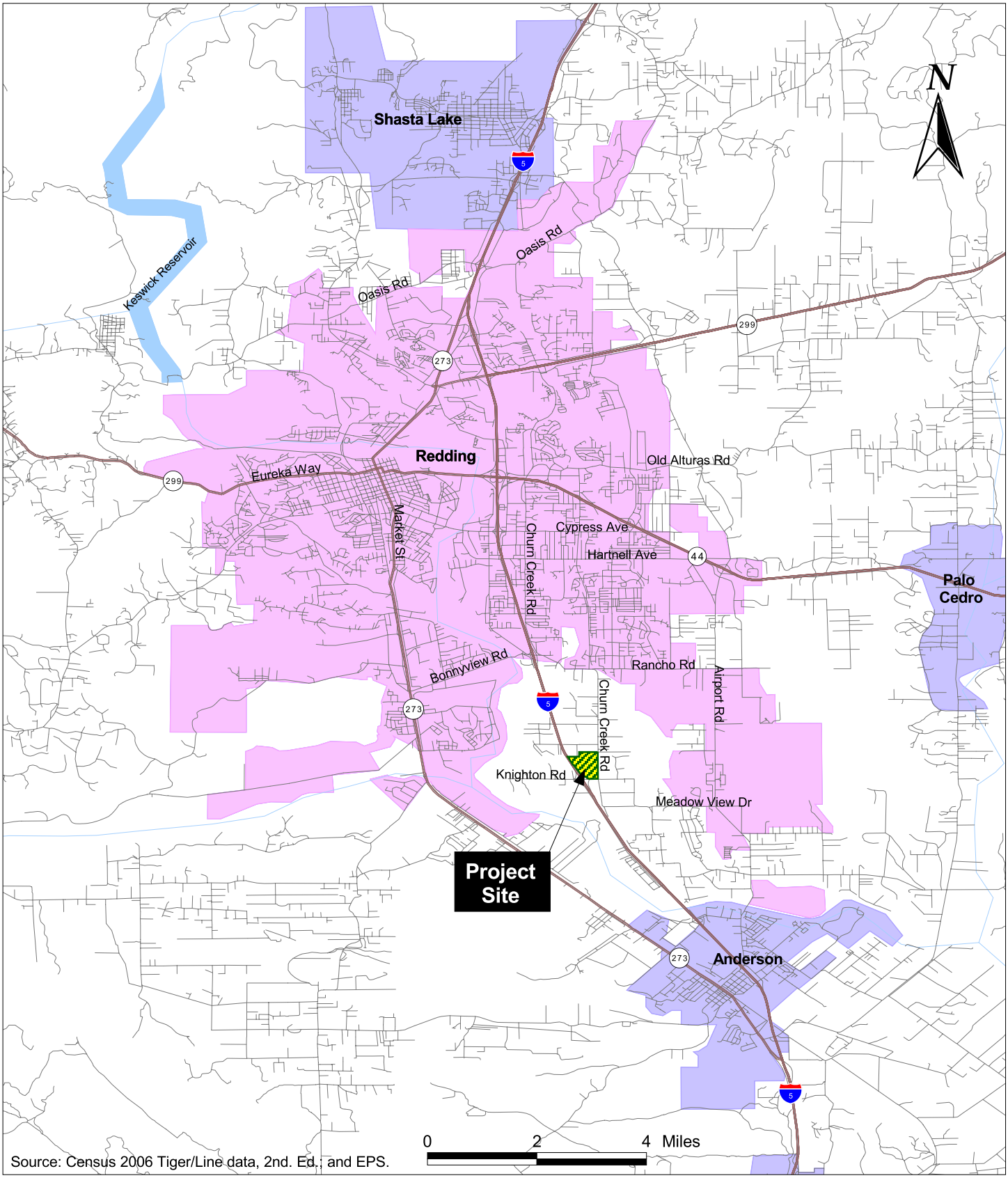
[1] To avoid double-counting, General Fund transfers to CSA #1 - Fire Protection are included in the General Fund and excluded from the CSA #1.

Overview of Project Land Uses

The Project is proposed for the northeast corner of the intersection of Interstate 5 (I-5) and Knighton Road and is bordered by I-5 to the west, Churn Creek Road to the east, and Knighton Road to the south. **Map 1** identifies the Project's location in its regional context.

[2] This Analysis assumes that any Project-generated deficit in CSA #1 will be funded through a transfer of funds from the General Fund. This assumption and the impact on both the General Fund and CSA #1 are discussed in greater detail in the "Methodology and Assumptions" section of this Analysis.

Map 1
Project Location



Source: Census 2006 Tiger/Line data, 2nd. Ed.; and EPS.

Prepared by EPS April 2, 2009

P:\18000\18579 Shasta Knighton_Churn Creek FIA and Urban Decay Analysis\GIS\Map I-2.pdf

The Project consists of 92.0 acres of retail development at Knighton and Churn Creek Roads, approximately 3 miles south of the City of Redding in the unincorporated area of the County. The proposed conceptual buildout is estimated to encompass approximately 740,000 square feet of community and regional retail space. The Project description, dated January 2009, identifies the concept for the Project as a "destination shopping mall" and venue for "shopping, dining, open space, and entertainment." Precise tenanting for the Project is to be determined. **Table A-2** identifies the estimated land use plan, which reflects a preliminary breakdown of community- and region-serving retail planned for the Project. In addition to the retail development described above, the Project is planned to include 3,400 parking spaces. **Map 2** shows the Project's proposed site plan.

Methodology and Assumptions

This section details the underlying methodology and assumptions used to estimate the fiscal impact of the Project on the County. It describes assumptions concerning unincorporated countywide and municipal public services delivery, land use development, and General Fund budgeting. In addition, it describes the methodology used to forecast the Project-related revenues and expenditures.

Countywide and Municipal Services

This Analysis examines the Project's ability to generate adequate revenues to cover the costs of providing services to the Project. For countywide services and municipal services provided to unincorporated areas of the County (e.g., law enforcement and fire protection), the Analysis evaluates the fiscal impact of providing these services on the appropriate County financial fund (i.e., General Fund, Public Safety Fund, and CSA #1). For road maintenance, this Analysis evaluates the fiscal impact of providing services on the Road Fund. This Analysis does not address activities budgeted in other Governmental Funds or Proprietary Funds. In addition, the Analysis does not include an evaluation of capital facilities or funding of capital facilities needed to serve new development.

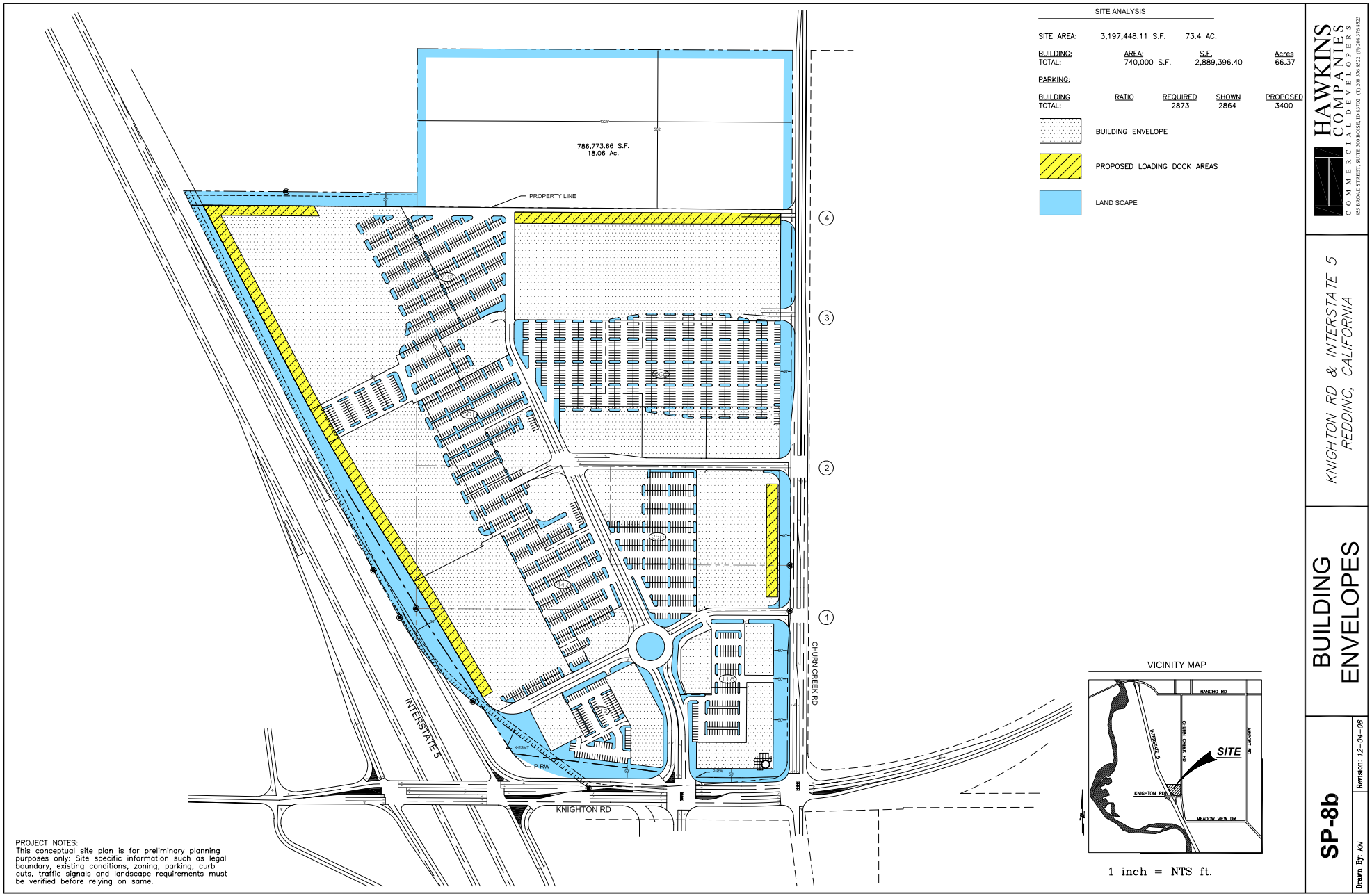
General Assumptions

This Analysis uses information and land use assumptions from the Project proponent, as well as historical data and projected demographic data from the California Department of Finance (DOF), Claritas, and U.S. Bureau of Labor Statistics.

The Analysis is based on the Proposed Fiscal Year (FY) 2008–09 County budget, tax regulations, statutes, and other general assumptions discussed in the following section. Each revenue item is estimated based on current State legislation and current County practices. Future changes by either State legislation or County practices can affect the revenues and expenditures estimated in this Analysis. All costs and revenues are shown in constant 2009 dollars. General fiscal and demographic assumptions are detailed in **Table A-1**.

Other critical assumptions that may affect the results of this Analysis are actual versus estimated commercial values and the assumed mix of commercial land uses, especially assumptions regarding the types of retail land uses (i.e., community-serving retail or region-serving retail).

Map 2
Conceptual Land Use Plan



The land use information in this Analysis was provided by the Project proponent. The results of this Analysis will vary if development plans or other assumptions change from those on which this Analysis is based.

Revenue- and Expenditure-Estimating Assumptions

This Analysis focuses on discretionary revenues that will be generated by the Project. Offsetting revenues (i.e., dedicated revenues that are used to offset the cost of specific County department/function costs) are excluded from this Analysis. Departmental costs that are funded by offsetting revenues are excluded from the Analysis as well. Calculations used to exclude offsetting revenues from the Analysis are shown in **Table B-1**. Calculations used to exclude corresponding departmental costs are shown in **Table C-1**.

Development Assumptions

The following list documents additional assumptions and the revenue- and expenditure-estimating procedures used in this Analysis.

Buildout Land Uses[3]—While development of the Project is to be phased in over 3 to 4 years, this Analysis estimates the fiscal impact of the Project at buildout only and does not address interim fiscal impacts. Of the Project's total 740,000 square feet, 290,000 square feet and 447,000 square feet are estimated to consist of community-serving and region-serving retail, respectively. An additional 3,500 square feet is estimated to encompass a bank.

Nonresidential Assessed Value—Valuation of the Project's nonresidential land uses is based on sales prices of comparable land uses listed on LoopNet and range from $325 to $350 per square foot. Estimated nonresidential values are shown in **Table A-2**.

Square Feet per Employee—Employee projections were generated using an average factor for retail land uses of 450 square feet per employee. Employees generated by the Project's bank were based on a factor of 400 square feet per employee. Factors are based on EPS's experience and standard industry assumptions. Calculations are shown in **Table A-2**.

Revenue-Estimating Methodology

EPS used either a marginal revenue case-study approach or an average-revenue approach to estimate Project-related revenues.

The marginal revenue case-study approach simulates actual revenue generation resulting from new development. The case-study approach for property tax-related revenues (i.e., ad valorem Property Taxes and Property Tax In-Lieu of Vehicle License Fees) is based on the estimated assessed value of the Project at buildout. The case-study approach for estimating sales and use

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[3] At this time the definite mix of retail tenants is not available. Buildout land uses are based on preliminary information provided by the Project proponent. It is possible that the Project may include a home improvement store, discount club, hotel/motel, and high turnover and fast food restaurants, among other tenants.

tax revenues (e.g., Bradley-Burns Local Sales Tax, Property Tax In-Lieu of Sales Tax, and Proposition 172 Public Safety Sales Tax) is based on the supply of new retail square footage and estimated taxable sales per square foot. These methodologies are discussed in further detail later in this section.

The average-revenue approach uses the County's FY 2008–09 budgeted revenue amounts on a countywide per-persons-served basis to forecast the revenues that will be derived from estimated new employees of the Project. A *per-persons-served* basis of estimating revenues is used to take into account that businesses (and their employees) have a fiscal impact on many County revenues but at a lower level than residential development's impact.

Revenue sources that are *not* expected to increase as a result of development are excluded from the Analysis. These sources of revenue are not affected by development because they are either one-time revenue sources not guaranteed to be available in the future or there is no direct relation between increased employment growth and increased revenue.

A listing of all revenue sources by fund and the corresponding estimating procedure used to forecast future Project revenues is shown in **Table B-1** and summarized in the table on the next page.

Property-Related Taxes

Estimated annual property-related tax revenues resulting from development in the Project are presented in **Table B-3**. To be consistent with the County's budget data, the estimated assessed values for Project land uses are expressed in current year (2009$) values.

The County's estimated Property Tax revenues from the Project are derived from the total assessed value of the Project and the County General Fund's property tax allocation share of the 1-percent ad valorem Property Tax for Tax Rate Area (TRA) 115-016, as shown in **Table B-5**.

This Analysis uses a formula provided by the California State Controller's Office to project Property Tax In-Lieu of Vehicle License Fee (PTIL VLF). PTIL VLF is calculated by taking the percentage increase in a jurisdiction's assessed value resulting from the Project and applying that percentage share to the County's current State allocation of PTIL VLF. This calculation is shown in **Table B-3**.

Sales and Use Taxes

The sales tax components examined in this Analysis include the Bradley-Burns 1-percent rate and a revenue-neutral factor estimating the ¼-percent reduction in revenues because of the Property Tax In-Lieu of Sales Tax (PTIL ST) and Proposition 172 Public Safety Sales Tax. PTIL ST revenues are included in the County's budget in the Intergovernmental Revenue category. In this Analysis, Project-related PTIL ST revenues are not included in Intergovernmental Revenues, but are shown under a separate line item. The Bradley-Burns 1-percent Sales and Use Tax,

Revenues	Revenue Estimating-Procedure
General Fund	
Property Tax	Marginal Revenue (Case Study)
Property Tax In-Lieu of VLF	Marginal Revenue (Case Study)
Property Tax In-Lieu of Sales Tax [2]	Marginal Revenue (Case Study)
Sales & Use Taxes	Marginal Revenue (Case Study)
Documentary Transfer Tax	NA [1]
Transient Occupancy Tax	Average Revenue
Charges for Services	NA [1]
Licenses, Permits & Franchises	Average Revenue
Revenue From Money & Property	NA [1]
Other Financing Sources Transfer In	NA [1]
Fines, Forfeitures & Penalties	Average Revenue
Intergovernmental Revenues	NA [1]
Miscellaneous Revenues	NA [1]
Timber Yield Taxes	NA [1]
Public Safety Fund	
Property Tax	NA [1]
Sales & Use Tax Prop 172	Marginal Revenue (Case Study)
Charges for Services	NA [1]
Intergovernmental Revenues	NA [1]
Other Financing Sources Transfer In	NA [1]
Other Revenues	NA [1]
Road Operations Fund	
Gas Tax	Average Revenue
Charges for Services	NA [1]
MPO Funds	NA [1]
Licenses, Permits & Franchises	Average Revenue
Use of Money and Property	NA [1]
Intergovernmental Revenues	NA [1]
Miscellaneous Revenues	NA [1]
Fund Balance Applied to Current Year Costs	NA [1]
County Services Area #1 - Fire Protection	
Property Taxes	Marginal Revenue (Case Study)
Charges for Services	NA [1]
Other Financing Sources Transfer In	NA [1]
Other Revenues	NA [1]

[1] Not affected by development.

PTIL ST, and Proposition 172 Public Safety Sales Tax[4] revenues to the County are summarized in **Table B-4**. Detailed calculations are shown in **Tables B-4A**.

The annual taxable sales generated by retail uses in the Project were calculated by taking an "annual sales per square foot" factor published in the Urban Land Institute's *Dollars and Cents of Shopping Centers: 2008*. The projected sales tax revenue generated by retail development in the Project is shown in **Table B-4A**.

The precise retail mix in the Project is unknown. Of the Project's total 740,000 square feet, 290,000 square feet and 447,000 square feet are estimated to consist of community-serving and region-serving retail, respectively. Sales at the Project's commercial sites are assumed to be supported mainly by area residents, Project employees, and visitors.

Reader's Note: EPS examined whether the Project's retail development could result in sales displacement from other regional shopping centers in the area. EPS's April 2009 Knighton and Churn Creek Commons Draft Urban Decay Analysis (Urban Decay Analysis) estimated projected demand for retail space from population growth and forecasted supply from existing retail centers and the Project. The Urban Decay Analysis concluded that development of the Project on a stand-alone basis is not likely to create an oversupply of retail, which would ultimately trigger sales displacement. Please see the Urban Decay Analysis for details on assumptions, methodology, and calculations.

Transfers In

The County offsets deficits in CSA #1 through fund transfers from the General Fund. This Analysis assumes that any Project-generated deficit in CSA #1 will be funded through additional transfers of funds from the General Fund. The Transfer-In revenue estimated for CSA #1 represents the estimated Project-related annual operating deficit. This transfer of funds is also included in this Analysis as an expense of the General Fund.

Expenditure-Estimating Methodology

EPS interviewed County staff from major County departments, including Sherriff, Fire (CSA #1), Public Works, and Finance to determine the best methodology for estimating the cost to provide public services to the Project. Based on these interviews, with the exception of fire protection expenditures, EPS estimated Project-related expenditures using an average-cost approach. Fire protection expenditures were estimated using a case-study approach and are based on cost estimates provided by the County Fire Warden. A listing of County expenditures and the estimating procedures used to forecast future annual expenditures that will be impacted by the Project are shown in **Table C-1**. Costs were based on the County's FY 2008–09 budget and supplemental information from County staff.

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[4] Proposition 172 Public Safety Sales Tax revenues are included in the County's Public Safety Fund and cover public safety services costs that would otherwise be funded by the transfer of discretionary General Fund monies to the Public Safety Fund.

Average cost *per person served* was used to estimate the following General Fund, Public Safety Fund, and Road Fund expenditures because these expenditures are affected by additional residents *and* employees:

- General Government[5]
- Detention and Correction
- Judicial
- Other Protection
- Protection Inspection
- Road Operations
- Health and Sanitation
- Public Ways and Facilities
- Public Safety

General Government

This Analysis applies an efficiency factor of 50 percent to general government expenditure multipliers. This factor is based on the assumption that economies of scale are realized in General Government department functions that lessen the incremental costs of serving new growth (i.e., employees and persons served). Thus, to account for departmental efficiencies, General Government costs are estimated at a reduced rate instead of being directly proportional to growth.

Fire Protection

Fire protection will be provided to the Project by CSA #1. CSA #1 includes a combination of County and volunteer firefighters under the direction of contract staff from Cal Fire. This Analysis is based on the assumption that the contractual relationship with Cal Fire will continue. Annual Project-related costs were based on a case-study analysis that estimates the annual cost to provide the incremental increase in service necessary to support the Project. The County Fire Warden provided a detailed breakdown of annual fire protection costs (see **Table C-3**) and includes the addition of one additional ladder truck and two person daily staffing to an existing County fire station. This Analysis does not address the capital costs of purchasing the new ladder truck or other required capital equipment.

Excluded Expenditures

The following expenditure categories were excluded from Project expenditure calculations: education, public assistance, recreation, and other functions.[6] These categories were excluded because they are assumed not to be affected by Project development.

Fiscal Impact Results

The section below identifies the Project's fiscal impact on each of the County funds that will be affected by the Project. **Table 2** provides a detailed list of the Project's estimated revenue and expenditure projections by fund.

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[5] Includes Legislative and Administrative, Elections, Finance, Other General, and Reserves for Contingencies.

[6] Other functions include General Fund Transfers to County Health, Internal Service Fund, Capital Projects, and Debt Service.

Table 2
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Revenue and Expenditure Summary by Fund (2009$)

Item	Total Annual Fiscal Impact at Buildout
General Fund	
Annual Revenues [1]	
Property Tax	$354,000
Property Tax In-Lieu of VLF	$260,000
Property Tax in-Lieu of Sales Tax	$421,000
Sales & Use Taxes	$1,262,000
Transient Occupancy Tax	$7,000
Licenses, Permits & Franchises	$6,000
Fines, Forfeitures & Penalties	$11,000
Total Annual Revenues	**$2,321,000**
Annual Expenditures [2]	
General Government	
Legislative & Administrative	$2,000
Elections	$3,000
Finance	$8,000
Other General	$2,000
Reserves for Contingencies	$9,000
General Government Subtotal	**$24,000**
Public Protection	
Police Protection	$68,000
Detention and Correction	$53,000
Judicial	$33,000
Other Protection	$15,000
Protection Inspection	$3,000
Public Protection Subtotal	**$172,000**
Fire [2]	**$761,000**
Health & Sanitation	**$3,000**
Public Ways and Facilities	**$1,000**
Total Annual Expenditures	**$961,000**
General Fund Surplus/(Deficit)	**$1,360,000**

Table 2
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Revenue and Expenditure Summary by Fund (2009$)

Item	Total Annual Fiscal Impact at Buildout
Public Safety Fund	
Annual Revenues [1]	
Sales & Use Tax Prop 172	$810,000
Total Annual Revenues	**$810,000**
Annual Expenditures [2]	
Police Protection	$66,000
Detention and Correction	$22,000
Judicial	$5,000
Other Protection	$2,000
Total Annual Expenditures	**$95,000**
Public Safety Fund Surplus/(Deficit)	**$715,000**
Road Operations Fund	
Annual Revenues [1]	
Gas Tax Revenues	$30,000
Total Annual Revenues	**$30,000**
Annual Expenditures [2]	
Road Operations Expenditures	$28,000
Total Annual Expenditures	**$28,000**
Road Operations Surplus/(Deficit)	**$2,000**
County Services Area #1 - Fire Protection	
Annual Revenues [1]	
Property Tax	$152,000
Transfer In	$761,000
Total Annual Revenues	**$913,000**
Annual Expenditures [2]	
CSA #1 Expenditures	$913,000
Total Annual Expenditures	**$913,000**
County Services Area #1 - Fire Protection Surplus/(Deficit)	**$0**

'"summary"

Source: Shasta County Fiscal Year 2008-2009 Budget and EPS.

[1] See **Table B-1** for detail on revenue estimating procedures.
[2] See **Table C-1** for detail on expenditure estimating procedures.

As previously discussed, this Analysis assumes that any Project-related deficit in CSA #1 will be offset by a transfer in from the General Fund. Therefore, CSA #1 is projected to break even.

General Fund

Based on this Analysis, the Project is anticipated to generate an annual fiscal surplus of **$1.4 million** for the General Fund at buildout. Total annual General Fund revenues at buildout are estimated at **$2.3 million**. Total annual General Fund expenditures at buildout are estimated at **$960,000**. Because the Project is primarily a retail development, and the types of proposed retail typically include a high percentage of taxable sales,[7] sales and use taxes represent the largest share of General Fund revenues that will be produced by the Project. Property tax-based revenues also represent a significant source of revenue. The amounts and percentage share of Project-related General Fund revenues are shown in **Figure 1** below.

Figure 1
Annual Project-Generated General Fund Revenues

General Fund Revenue Source	Annual Fiscal Revenues	% of Annual Revenues
Property Tax	$353,916	15.3%
Property Tax In-Lieu of VLF	$260,206	11.2%
Property Tax in-Lieu of Sales Tax [2]	$420,750	18.1%
Sales & Use Taxes	$1,262,250	54.4%
Transient Occupancy Tax [3]	$7,245	0.3%
Licenses, Permits & Franchises	$5,697	0.2%
Fines, Forfeitures & Penalties	$10,571	0.5%
Total General Fund Revenues	**$2,320,635**	**100.0%**

The Project will have a minimal impact on most General Fund expenditures. Nearly 80 percent (**$760,000**) of the Project's annual expenditures are for transfers from the General Fund to CSA #1 for fire protection services. Transfers from the General Fund are necessary to offset the operating deficit in CSA #1 that would result from providing fire protection to the Project. This impact is described in more detail under the CSA #1 section below.

[7] As is detailed on **Table B-4A**, 65 percent of Community Commercial Retail sales per square foot and 96 percent of Regional Retail sales per square foot result in taxable transactions. The Project does not include any Neighborhood Commercial Retail land uses. Neighborhood Commercial Retail typically includes grocery stores and local services where more than 50 percent of the sales per square foot are non-taxable.

Public Safety Fund

The Public Safety Fund is projected to experience an annual fiscal surplus of **$715,000**. This sizable surplus is attributed to the Proposition 172 Public Safety Sales Tax revenues that the Project will generate, which are estimated to be **$800,000** annually at buildout. Annual expenditures, resulting primarily from Police Protection-related services, are expected to increase by approximately **$95,000**. This surplus could lessen the need for the County to transfer General Fund monies to the Public Safety Fund, thereby increasing the annual Project-related General Fund surplus noted above.

Road Fund

For the Road Fund, the Project is estimated to produce a minimal annual surplus at buildout of **$2,000**. The Project is anticipated to generate **$30,000** in Gas Tax revenues and nearly **$28,000** in expenditures per year at buildout.

CSA #1

CSA #1 is anticipated to break even at buildout. Transfers in from the General Fund represent almost 85 percent (**$760,000**) of CSA #1 revenues. The Project is estimated to generate an additional **$150,000** annually in property tax revenue for CSA #1. As previously discussed, this Analysis assumes the County would offset any Project-related deficit in CSA #1 with a transfer of funds from the General Fund. CSA #1 transfer-in revenue is equal to the estimated annual operating deficit resulting from the Project. This transfer of funds is also included in this Analysis as an expense of the General Fund.

Annual Project-related expenditures in CSA #1 of **$913,000** are based on an estimate provided by the County Fire Warden to add the necessary staff and equipment to ensure fire protection and suppression to the proposed Project.

Funding and Mitigation of Potential Fiscal Deficits

The results of this Analysis estimate surpluses in the General Fund, Public Safety Fund, and Road Fund and a break-even impact on CSA #1. The surpluses identified in the General Fund and Public Safety Fund are significant and, therefore, it is unlikely that the Project will produce any deficits to the County's budget. However, while not probable, it is possible that as a result of changes in proposed land uses, mix of retail tenants, the County's revenues and/or expenditures in future budgets, or other currently unforeseen circumstances that materially impact key assumptions used in this Analysis, the Project could result in a short term or structural deficit in one or more County funds.

If future changes were to result in a fiscal deficit the County may consider one or a combination of the following Project-specific mitigation measures:

- **Special Taxes and Assessments:**
  - **Community Facilities District for Services (Services CFD).** If funding mitigation were necessary, the County could form a new Services CFD to fund road maintenance services over the Project area and establish special tax rates at levels that would fully or

partially mitigate any negative impacts. Alternatively, the County could annex the Project into an existing CFD and establish either a new zone with separate special tax rates or the same special tax rates of the existing CFD.

— **CSA.** Upon annexation, the County could fully or partially mitigate any negative impacts of new commercial development by forming a CSA for the Project area or by annexation into an existing CSA. CSA assessments are subject to voter approval and can be used to fund requisite public services. Statutory authority allows CSA assessments to fund a broader range of local government services than those provided by a CFD.

— **Landscaping and Lighting Districts.** Local governments may impose assessments on benefiting property to fund construction and maintenance of street landscaping, lighting, traffic signals, and sidewalk repair, among other improvements. Landscaping and Lighting District formation requires a majority vote of the benefiting landowners.

By statutory definition, the funds generated by the special taxes and assessments imposed under each of the above mechanisms must benefit the properties assessed and may not be used to fund services outside the special district/Project area.

- **Development Impact Fee/Maintenance Annuity Fund:** Some local governments have opted to collect a one-time fee at the issuance of a building permit to mitigate the negative impacts of new development. The fee is structured so that it funds county services for a specified period of time. The fee serves as an annuity that, when invested, is estimated to fund county services for a set period of time, say 25 years. Interest rates and the costs of services will be the true determination of the period for which the fee funds county services. The County could establish the fee as an "extraction" under a Development Agreement to protect it from challenge and eliminate the requirement to establish a nexus between the amount of the fee and the benefit received for the properties subject to the fee.

Technical Appendices

The technical calculations used in this Analysis are shown in **Appendices A** through **C** (**Tables A-1** through **C-3**) of this memorandum:

- **Appendix A** indicates the proposed land uses and general assumptions used in this Analysis.
- **Appendix B** identifies the projected revenues that will be generated by the Project for the County's General Fund and Road Fund. **Appendix B** also provides detail on the portion of the Assembly Bill 8 allocation of property tax revenues retained by the County.
- The tables in **Appendix C** detail the estimated expenditures for the County to provide General Fund services to the Project.

APPENDICES:

Appendix A: General Assumptions

Appendix B: County Revenue Analysis

Appendix C: County Expenditure Analysis

APPENDIX A:

General Assumptions

Table A-1 General Assumptions A-1

Table A-2 Land Use Assumptions A-2

Table A-1
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
General Assumptions

Item	Assumption
General Assumptions	
Base Fiscal Year [1]	FY 2008-09
General Demographic Characteristics	
Shasta County - Total	
Population [2]	182,236
Employees [3]	82,519
Persons Served [4]	223,496
Shasta County - Unincorporated Area	
Population [2]	70,887
Employees [3]	17,279
Persons Served [4]	79,527

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Source: California Department of Finance, Claritas, U.S. Census, and EPS.

[1] Revenues and Expenditures are in 2008 dollars. Future revenues and costs are assumed to increase at the rate of inflation.
[2] California Department of Finance data for January 1, 2008.
[3] Based on Claritas Demographics Snapshot March 30, 2009.
[4] Defined as total County population plus half of total County employees.

Table A-2
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Land Use Assumptions

Land Use	Sq. Ft. [1]	Estimated Assessed Value per Sq. Ft [2]	Total Estimated Assessed Value	Sq. Ft. per Employee [3]	Estimated Employees
Retail					
Community Retail					
General Community Retail	110,000				
Home Improvement Store	133,000				
Food Service	47,000				
Subtotal Community Retail	**290,000**	$325	**$94,250,000**	450	644
Regional Retail					
General Regional Retail	223,300				
Movie Theater	65,000				
Discount Club	158,700				
Subtotal Regional Retail	**447,000**	$350	**$156,450,000**	450	993
Total Retail	**737,000**				
Bank (Drive In)	**3,500**	$350	**$1,225,000**	400	9
Total Development	**740,500**		**$251,925,000**		**1,647**
Persons Served [4]					**823**

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Source: Kittelson & Associates, Inc., LoopNet, and EPS.

[1] Provided by the project proponent. At this time, the precise mix of retail development is not yet available. Square footage and land use types are approximate.
[2] Represents comparable values for new retail development in the region as shown in LoopNet's for-sale database.
[3] Represents factors for employee space by land use type. Based on EPS experience and standard industry assumptions.
[4] Persons served is equal to 50% of the project-related new employees.

APPENDIX B:

County Revenue Analysis

Table B-1 Revenue-Estimating Procedures by Fund (2 pages) B-1

Table B-2 Estimated Annual Project Revenues by Fund B-3

Table B-3 Estimated Annual Property Tax Revenues B-4

Table B-4 Estimated Annual Taxable Sales and Use Tax Revenue B-5

Table B-4a Estimated Annual Taxable Sales, Adjusted Retail Space Method B-6

Table B-5 AB-8 Property Tax Allocations B-7

Table B-1
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Revenue-Estimating Procedures By Fund (2009$)

Item	Estimating Procedure	Case Study Reference	FY 2008-09 Recommended Revenues	Offsetting Revenues [1]	Net Annual General Fund Revenues	Service Population	Revenue Multiplier
General Fund Revenues							
Property Tax	case study	**Table B-3**	$21,921,500	$0	$21,921,500	NA	-
Property Tax In-Lieu of VLF	case study	**Table B-3**	$17,000,000	$0	$17,000,000	NA	-
Property Tax In-Lieu of Sales Tax [2]	case study	**Table B-4**	$650,000	$0	$650,000	NA	-
Sales & Use Taxes	case study	**Table B-4**	$2,275,000	$0	$2,275,000	NA	-
Documentary Transfer Tax	[3]	-	$700,000	$0	$700,000	NA	-
Transient Occupancy Tax	per person served	-	$700,000	$0	$700,000	79,527	$8.80
Charges for Services	[3]	-	$6,404,229	$5,904,229	$500,000	NA	-
Licenses, Permits & Franchises	per person served	-	$831,223	$281,223	$550,000	79,527	$6.92
Revenue From Money & Property	[3]	-	$1,530,642	$16,942	$1,513,700	NA	-
Other Financing Sources Transfer In	[3]	-	$715,005	$715,005	$0	NA	-
Fines, Forfeitures & Penalties	per person served	-	$3,066,099	$2,044,599	$1,021,500	79,527	$12.84
Intergovernmental Revenues	[3]	-	$4,213,117	$3,107,117	$1,106,000	NA	-
Miscellaneous Revenues	[3]	-	$4,374,258	$4,374,258	$0	NA	-
Timber Yield Taxes	[3]	-	$300,000	$0	$300,000	NA	-
Total General Fund Revenues			**$64,681,073**	**$16,443,373**	**$48,237,700**		
Public Safety Fund							
Property Tax	[3] [4]	-	$135,234	$135,234	$0	NA	-
Sales & Use Tax Prop 172	case study	**Table B-4**	$14,245,664	$0	$14,245,664	NA	-
Charges for Services	[3]	-	$5,302,684	$5,302,684	$0	NA	-
Intergovernmental Revenues	[3]	-	$8,092,656	$8,092,656	$0	NA	-
Other Financing Sources Transfer In	[3]	-	$26,072,867	$26,072,867	$0	NA	-
Other Revenues	[3] [5]	-	$1,624,378	$1,624,378	$0	NA	-
Total Public Safety Fund Revenues			**$55,473,483**	**$39,603,441**	**$14,245,664**		
Road Operations Fund							
Gas Tax	per person served	-	$2,886,730	$0	$2,886,730	79,527	$36.30
Charges for Services	[3]	-	$2,415,626	$2,415,626	$0	NA	-
MPO Funds	[3]	-	$1,006,253	$1,006,253	$0	NA	-
Licenses, Permits & Franchises	per person served	-	$18,000	$0	$18,000	79,527	$0.23
Use of Money and Property	[3]	-	$150,000	$150,000	$0	NA	-
Intergovernmental Revenues	[3]	-	$27,782,459	$27,782,459	$0	NA	-
Miscellaneous Revenues	[3]	-	$11,036	$11,036	$0	NA	-
Fund Balance Applied to Current Year Costs	[3]	-	$5,908,566	$5,908,566	$0	NA	-
Total Road Operations Fund Revenues			**$40,178,670**	**$37,273,940**	**$2,904,730**		
County Services Area #1 - Fire Protection							
Property Taxes	case study	**Table B-3**	$1,456,850	$0	$1,456,850	NA	-
Charges for Services	[3]	-	$795,865	$795,865	$0	NA	-
Other Financing Sources Transfer In	[3] [6]	-	$1,983,125	$1,983,125	$0	NA	
Other Revenues	[3] [5]	-	$164,570	$164,570	$0	NA	-
Total Fire Protection Fund Revenues			**$4,400,410**	**$2,943,560**	**$1,456,850**	NA	-

"rev_est_procedures"

Source: Shasta County Fiscal Year 2008-2009 Budget and EPS.

Table B-1
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Revenue-Estimating Procedures By Fund (2009$)

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[1] Represents revenues generated by specific department functions. These revenues are allocated to their corresponding departments as offsetting revenues in the expenditure analysis shown in Table C-1.
[2] Property Tax In-Lieu of Sales Tax revenues are included in the County's Budget under Intergovernmental Revenues.
[3] Not affected by development.
[4] Property taxes collecting for water going vessels (boats) are budgeted in Public Safety Fund and allocated to the Boating Safety Unit.
[5] Other Revenues include Licenses, Permits & Franchises, Fines Forfeitures & Penalties, Revenue From Money & Property, Miscellaneous Revenues, and Other Financing-Sale of Fixed Assets.
[6] Discretionary General Fund revenues are used to support Fire Protection Fund expenditures. (See Tables C-1, C-2 and C-3 for details on Fire Service-related costs).

Table B-2
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Project Revenues By Fund (2009$)

Revenues [1]	Annual Fiscal Revenues	% of Annual Revenues
General Fund Revenues		
Property Tax	$353,916	15.3%
Property Tax In-Lieu of VLF	$260,206	11.2%
Property Tax in-Lieu of Sales Tax [2]	$420,750	18.1%
Sales & Use Taxes	$1,262,250	54.4%
Transient Occupancy Tax [3]	$7,245	0.3%
Licenses, Permits & Franchises	$5,697	0.2%
Fines, Forfeitures & Penalties	$10,571	0.5%
Total General Fund Revenues	**$2,320,635**	**100.0%**
Public Safety Fund		
Sales & Use Tax Prop 172	$809,913	100.0%
Total Public Safety Fund Revenues	**$809,913**	**100.0%**
Road Operations Fund		
Gas Tax	$29,884	100.0%
Total Road Operations Fund Revenues	**$29,884**	**100.0%**
County Services Area #1 - Fire Protection		
Property Tax	$151,629	16.6%
Other Financing Sources Transfer In	$761,371	83.4%
Total Fire Protection Fund Revenues	**$913,000**	**100.0%**

"revenues"

Source: Shasta County Fiscal Year 2008-2009 Budget and EPS.

[1] Includes only those revenues affected by development. See Table B-1 for revenue-estimating assumptions.
[2] Property Tax In-Lieu of Sales Tax revenues are included in the County's Budget under Intergovernmental Revenues.
[3] A hotel/motel is being considered for this project, however, at this time the actual mix of land uses has not yet been determined. Thus, to provide a conservative estimate Transient Occupancy Tax revenues are estimated using the average revenue multiplier approach. If a hotel/motel is included in the project, TOT revenue would be significantly greater than estimated.

Table B-3
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Property Tax Revenues (2009$)

Item	Assumptions/ Source	Formula	Annual Fiscal Impact
One-Percent Property Tax Revenue			
Assessed Value (2008$) [1]	**Table D-2**	*a*	**$251,925,000**
Property Tax Revenue (1% of Assessed Value)	1.00%	*b = a * 1.00%*	**$2,519,250**
Estimated Property Tax Allocation [2]			
Shasta County	14.05%	*c = b * 14.05%*	**$353,916**
Fire Protection CSA #1	6.02%	*d = b * 6.02%*	**$151,629**
Other Agencies/ERAF	79.93%	*e = b * 79.93%*	**$2,013,705**
Property Tax In-Lieu of Motor Vehicle In-Lieu Fee Revenue (VLF)			
Current Total Countywide Assessed Value [3]		*f*	$16,458,967,684
Total Assessed Value of Project		*g*	$251,925,000
Total Assessed Value		*h = f + g*	**$16,710,892,684**
Percent Change in AV		*i = g / f*	1.5306%
Property Tax In-Lieu of VLF [4]	**$17,000,000**	*j = i * $17,000,000*	**$260,206**

"prop_tax"

Source: Shasta County FY 2008-2009 Budget, State Controller's Office, and EPS.

[1] For assumptions and calculation of assessed value, see **Table D-2**.
[2] For assumptions and calculation of the estimated property tax allocation, refer to **Table D-1**.
[3] Total secured and unsecured assessed value for the County as reported on page 29 (Schedule 6) of Shasta County FY 2008-09 Budget.
[4] Property Tax in Lieu of VLF as reported on Page 13 (Schedule 5) of the Shasta County FY 2008-09 Budget.

Table B-4
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Taxable Sales and Use Tax Revenue (2009$)

Item	Formula	Reference/ Assumptions	Annual Fiscal Impact
Estimated Annual Taxable Sales	*a*	**Table B-4a**	**$168,300,000**
Annual Sales Tax Revenue			
Bradley Burns Sales Tax Rate		1.0000%	
Subtotal Estimated Local Sales Tax Rate		1.0000%	
Less Property Tax in Lieu of Sales Tax Rate [1]		*-0.2500%*	
Total Annual Sales Tax Revenue	*b = a * .75%*	***0.7500%***	**$1,262,250**
Annual Property Tax in Lieu of Sales Tax Revenue [1]	*c = a * .25%*	**0.2500%**	**$420,750**
Annual Prop. 172 Public Safety Tax Revenue	*d = a * .005%*	0.5000%	**$841,500**
Estimated Prop. 172 Public Safety Sales Tax Revenue [2]	*e = d * 96.2464%*	**96.2464%**	**$809,913**

"sales_tax"

Source: Shasta County, California State Board of Equalization, and EPS.

[1] Based on Senate Bill 1096 as amended by Assembly Bill 2115 which states 1/4 of the 1 percent sales tax will be exchanged for an equal dollar amount of property tax revenue.
[2] According to Shasta County, the County receives 98 percent of all Prop. 172 Sales Tax revenues generated in the County.

Table B-4a
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Taxable Sales, Adjusted Retail Space Method (2009$)

Item	Annual Taxable Sales per Sq. Ft. [1]	Annual Fiscal Impact	
		Commercial Sq. Ft. [2]	Total Annual Taxable Sales
Annual Taxable Sales from Commercial Site			
Community Retail	$195	290,000	$56,550,000
Regional Retail	$250	447,000	$111,750,000
Total Annual Taxable Sales			**$168,300,000**

"sales_tax_b"

Source: U.S. Department of Labor Bureau of Labor Statistics; Urban Land Institute; and EPS.

[1] Sales per square foot amounts estimated in EPS's 4/09 Knighton and Churn Creek Commons Urban Decay Analysis. Taxable retail sales factor based on an analysis of data from ULI's Dollars & Cents of Shopping Centers: 2008.

Assumptions	Annual Sales per Sq. Ft.	Taxable Retail Sales Factor	Annual Taxable Sales per Sq. Ft. (Rounded)
Community Commercial Retail	$299	65%	$195
Regional Retail	$261	96%	$250

[2] Derived in Table A-2.

Table B-5
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
AB-8 Property Tax Allocations

Item	TRA 115-016 Distribution Factor [1]	Less ERAF [2]	Net Allocation
Project Related Taxing Entities			
County General	30.27687%	53.60000%	14.04847%
Fire Protection CSA 1	6.90232%	12.8000%	6.01882%
Other Taxing Entities			
Shasta County Water	0.12355%		
Shasta Mosquito/Vector Control	1.81116%		
Western Shasta RCD	0.00000%		
Anderson-Cottonwood Irrigation	2.87515%		
Superintendent of Schools	3.03946%		
Anderson Union High School	21.57729%		
ST&T Jr. College	7.06032%		
Pacheco Union ESD	26.33389%		
Subtotal	**62.82081%**		
Less Educational Revenue Relief Fund (ERAF)			
Total County Gross Property Tax Share	**100.00000%**		

"city_annex_share"

Source: Shasta County Auditor-Controller

[1] Represents the percentage allocation of the 1% ad valorem property tax before ERAF allocation.
[2] Estimated percentage of jurisdiction's property tax revenues allocated to Educational Revenue Relief Fund (ERAF).
The APN parcels within the proposed Knighton Retail Center project boundaries are as follows:

Parcel Number	TRA
055-160-001	115-016
055-160-008	115-016
055-160-009	115-016
055-160-012	115-016
055-270-001	115-016

APPENDIX C:

County Expenditure Analysis

Table C-1 Expenditure-Estimating Procedures (2 pages) C-1

Table C-2 Estimated Annual Expenditures by Fund C-3

Table C-3 Estimated Annual Fire Protection Expenditures C-4

Table C-1
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Expenditure-Estimating Procedures (2009$)

Function/Category	Estimating Procedure	Case Study Reference	FY 2008-09 Recommended Expenditures	Offsetting Revenues [1]	Net County Cost	Service Population	Unadjusted Revenue Multiplier	Adjustment Factor [2]	Revenue Multiplier
General Fund									
General Government									
Legislative & Administrative	per person served	-	1,158,395	83,259	1,075,136	223,496	$4.81	0.50	$2.41
Elections	per person served	-	2,204,303	533,047	1,671,256	223,496	$7.48	0.50	$3.74
Finance	per person served	-	6,913,318	2,692,454	4,220,864	223,496	$18.89	0.50	$9.44
Other General	per person served	-	5,447,335	4,220,873	1,226,462	223,496	$5.49	0.50	$2.74
Reserves for Contingencies	per person served	-	4,822,373	0	4,822,373	223,496	$21.58	0.50	$10.79
General Government Subtotal			**$20,545,724**	**$7,529,633**	**$13,016,091**		**$58.24**		**$29.12**
Public Protection									
Police Protection	per person served	-	6,812,828	204,100	6,608,728	79,527	$83.10	1.00	$83.10
Detention and Correction	per person served	-	14,355,264	0	14,355,264	223,496	$64.23	1.00	$64.23
Judicial	per person served	-	13,489,069	4,485,014	9,004,055	223,496	$40.29	1.00	$40.29
Other Protection	per person served	-	5,464,588	1,273,070	4,191,518	223,496	$18.75	1.00	$18.75
Protection Inspection	per person served	-	1,553,872	761,833	792,039	223,496	$3.54	1.00	$3.54
Public Protection Subtotal			**$41,675,621**	**$6,724,017**	**$34,951,604**		**$209.92**		**$209.92**
Fire	[3]	-	**1,931,762**	**0**	**1,931,762**	NA	NA	NA	NA
Education	[4]	-	**1,582,729**	**25,269**	**1,557,460**	NA	NA	1.00	NA
Health & Sanitation	per person served	-	**931,298**	**0**	**931,298**	223,496	$4.17	1.00	$4.17
Public Assistance	[4]	-	**6,715,473**	**1,231,183**	**5,484,290**	NA	NA	1.00	NA
Public Ways and Facilities	per person served	-	**76,957**	**0**	**76,957**	79,527	$0.97	1.00	$0.97
Recreation	[4]	-	**808,073**	**652,000**	**156,073**	NA	NA	NA	NA
Other [5]	[4]	-	**527,162**	**281,271**	**245,891**	NA	NA	NA	NA
General Fund Total			**$74,794,799**	**$16,443,373**	**$58,351,426**		**$273.29**		**$244.17**
Public Safety Fund									
Police Protection	per person served	-	19,379,269	13,042,221	6,337,048	79,527	$79.68	1.00	$79.68
Detention and Correction	per person served	-	27,789,140	21,729,611	6,059,529	223,496	$27.11	1.00	$27.11
Judicial	per person served	-	7,194,843	5,875,695	1,319,148	223,496	$5.90	1.00	$5.90
Other Protection	per person served	-	2,315,054	1,785,115	529,939	223,496	$2.37	1.00	$2.37
Public Safety Fund Total			**$56,678,306**	**$42,432,642**	**$14,245,664**		**$115.07**		**$115.07**
Road Operations Fund [6]	per person served	-	**$39,947,670**	**$37,273,940**	**$2,673,730**	79,527	**$33.62**	1.00	**$33.62**
CSA #1 - Fire Protection	case study	**Table C-3**	**$6,742,451**	**$2,943,560**	**$3,798,891**	NA	NA	NA	NA

"exp_est_procedures"

Source: Shasta County Fiscal Year 2008-2009 Budget and EPS.

Table C-1
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Expenditure-Estimating Procedures (2009$)

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[1] Represents non-discretionary departmental revenues that support specific department/activities in the County's FY 2008-09 Adopted Budget.
[2] This Analysis applies an efficiency factor of 50 percent to the general government expenditure multipliers. This factor assumes that economies of scale are realized within general government department functions that lessen the incremental costs of serving new growth (residents and persons served).
[3] Fire expenditures for the County are included in a special district (CSA #1 Fire Protection). The $1.9 million included here represents the transfer of General Fund revenues to support CSA #1.
[4] These expenditure categories will not expected to be affected by the proposed new development and are therefore not included in this analysis.
[5] Other includes General Fund Transfer to Shasta County Health, Internal Service Fund, Capital Projects and Debt Service.

Table C-2
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Expenditures By Fund (2009$)

Expense Category	Annual Fiscal Expenditures [1]	% of Annual Expenditures
General Fund		
General Government		
Legislative & Administrative	$1,980	0.2%
Elections	$3,078	0.3%
Finance	$7,774	0.8%
Other General	$2,259	0.2%
Reserves for Contingencies	$8,882	0.9%
General Government Subtotal	**$23,973**	**2.5%**
Public Protection		
Police Protection	$68,414	7.1%
Detention and Correction	$52,879	5.5%
Judicial	$33,167	3.4%
Other Protection	$15,440	1.6%
Protection Inspection	$2,918	0.3%
Public Protection Subtotal	**$172,817**	**18.0%**
Fire [2]	$761,371	**79.1%**
Health & Sanitation	$3,431	**0.4%**
Public Ways and Facilities	$797	**0.1%**
General Fund Total	**$962,387**	**100.0%**
Public Safety Fund		
Police Protection	$65,601	69.2%
Detention and Correction	$22,321	23.6%
Judicial	$4,859	5.1%
Other Protection	$1,952	2.1%
Public Safety Fund Total	**$94,733**	**100.0%**
Road Operations Fund [6]	**$27,678**	**100.0%**
CSA #1 - Fire Protection	**$913,000**	**100.0%**

"expenditures"

Source: Shasta County Fiscal Year 2008-2009 Budget and EPS.

[1] See Table C-1 for expenditure estimating procedures.

[2] Fire protection costs in the General Fund represents the transfer of funds to CSA #1 necessary to mitigate the project-related deficit in CSA #1. This transfer from the General Fund is included as a revenue source in CSA #1 as noted on Table B-2.

Table C-3
Knighton & Churn Creek Commons Retail Center
Fiscal Impact Analysis
Estimated Annual Fire Protection Expenditures (2009$)

Item	Annual Fiscal Impact [1]
Fire Protection Expenditures [2]	
Annual Staffing Cost	
One ladder truck with 3-person daily staffing	$680,000
Annual Vehicle Replacement Cost	
Ladder Truck	$90,000
Other Annual Expenses	
Equipment Maintenance	$30,000
Firefighter training	$6,000
Replacement of turnouts	$19,000
Communication	$2,000
Uniform allowance	$5,000
Annual Administrative Cost	$81,000
Total Estimated Annual Fire Cost	**$913,000**

"fire_costs"

Source: CAL FIRE Shasta Trinity Unit/Shasta County Fire Department.

[1] Costs were provided by the CAL FIRE Shasta Trinity Unit/Shasta County Fire Department. Although costs were not independently verified by EPS, they appear reasonable based on comparable projects on which EPS has worked.

[2] Includes annual costs for operations, maintenance and amortization of capital equipment only. Capital costs for initial vehicle acquisition are not included.