FBC Comments on West Davis Active Adult Community Fiscal Estimate
February 12, 2018

The Finance and Budget Commission finds the following:

1. At the time of this analysis, the commission did not have available to it a development agreement with the city for the project. Therefore, any conclusions we have reached should be considered preliminary and subject to change.

2. The initial estimate developed by staff of one-time fiscal benefits from the project of $8.6 million in construction tax revenues and development impact fees is generally reasonable given the data currently available. These resources are to be used to offset unspecified future costs of the city's growth. However, we note that the city has significant flexibility under city ordinances to use these resources to address infrastructure needs, like improving roads and parks.

3. We also generally concur with the estimate that annual ongoing revenues and costs for the city from the project would be significantly positive over its first 15 years of development, generating as much as a $300,000 net fiscal benefit in many years.

We note, however, that the estimate does not reflect additional revenues that could result if Davis voters approve an increase in parcel taxes. Also, the estimate does not include revenues from possible community enhancement funds that could result from the negotiation of a development agreement. Also, the draft EIR for the project suggests that police and fire costs for serving the new residents could be nominal. Thus, in some respects, the net fiscal benefit of the project could be greater than estimated.

On the other hand, revenues generated from the project could be less than estimated if Davis voters reject renewal of the parcel tax. Moreover, the estimate assumes voter renewal in 2020 of the full rate currently imposed in Measure O sales taxes. Council or voter actions to reject or reduce Measure O revenues would also reduce the revenues generated by this project and its net fiscal impact.

4. Provisions of the California Constitution would permit some persons over age 55 who are selling a home elsewhere in Yolo County, and then moving to the new development, to reduce the property taxes they would otherwise have to pay for the newly purchased home in WDAAC. This loss of revenue could be offset, to an unknown degree, as various purchasers of homes in WDAAC who had homes in Davis sold them to new purchasers. This would in some cases trigger a reassessment of their former home to its full cash value, and thereby increase the property taxes levied on the home they "moved down" from. The applicant has proposed to restrict sales of new homes in WDAAC to persons with various personal connections to Davis, potentially maximizing the "move down" benefits of new property tax revenues to the city of Davis. However, these reassessments could be avoided in certain cases if that former Davis home was transferred to certain family members rather than sold to a new owner. The net

fiscal impact of these various measures on the generation of property taxes from WDAAC is unknown.

5. A development agreement for the project could include important fiscal provisions, such as a Community Services District assessment or community enhancement funds. We recommend that these negotiations be informed by a residual land value analysis of the revised project.

6. We recommend that the commission, or if necessary an FBC subcommittee, be provided a timely opportunity to review and comment on the fiscal provisions of the proposed development agreement before its presentation to City Council for approval.

7. The WDAAC proposal contemplates the operation of a 150-unit senior apartment complex and a 30-unit senior assisted living unit complex that would be operated by non-profit organizations and not be subject to property taxation. In the unlikely event that the use of either complex was changed someday to for-profit use, we recommend the inclusion in any development agreement of language to deter master leasing of WDAAC apartments by the campus because of the potential negative impact on city property tax revenues. A similar provision was included for the Sterling apartment project.