

AGENDA

CITY OF GUADALUPE PLANNING COMMISSION

Tuesday, January 20, 2009

Regular Meeting 6:00 p.m.

City Hall, Council Chambers
918 Obispo Street, Guadalupe, CA 93434

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a City meeting or other services offered by this City, please contact the City Clerk's office, (805) 356-3891. Notification of at least 72 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

*If you wish to speak concerning any item on the agenda, please complete the Request to Speak form that is provided at the rear of the Council Chambers prior to the completion of the staff report and hand the form to the City Clerk. **Note:** Staff Reports for this agenda, as well as any materials related to items on this agenda submitted after distribution of the agenda packet, are available for inspection at the office of the City Administrator, City Hall, 918 Obispo Street, Guadalupe, California during regular business hours, 8:00 a.m. to 12:00 p.m. and 1:00 p.m. to 5:00 p.m., Monday through Friday; telephone (805) 356-3891.*

MEMBERS OF THE PLANNING COMMISSION: Commissioners Monika Huntley, Alejandro Ahumada, Jesse Ramirez, Vice-Chair Carl Kraemer, and Chair Frances Romero.

1. **CALL TO ORDER.**
2. **PLEDGE OF ALLEGIANCE.**
3. **ROLL CALL.** Commissioners Monika Huntley, Alejandro Ahumada, Jesse Ramirez, Vice-Chair Carl Kraemer and Chair Frances Romero.
4. **CONSENT CALENDAR.** The following routine items are presented for Planning Commission approval without discussion as a single agenda item in order to expedite the meeting. Should a Commissioner wish to discuss or disapprove an item, it must be dropped from the blanket motion of approval and considered as a separate item.
 - a. Minutes of the Planning Commission meeting of January 6, 2009 to be ordered filed.

5. COMMUNITY PARTICIPATION FORUM.

Each person will be limited to a discussion of 3 minutes. Pursuant to provisions of the Brown Act, no action may be taken on these matters unless they are listed on the agenda, or unless certain emergency or special circumstances exist. The Planning Commission may direct Staff to investigate and/or schedule certain matters for consideration at a future Planning Commission meeting.

6. DESIGN REVIEW OF PROPOSED TWO-STORY ADDITION AND REMODEL FOR THE HERNANDEZ RESIDENCE, 4468 AMBER STREET (PLANNING APPLICATION #2009-004-DRP). That the Planning Commission receive a presentation from staff and take action on the request for a Design Review Permit.

- a. Written Staff Report (Rob Mullane)
- b. Written Communications.
- c. Public Comments.
- d. Planning Commission discussion and consideration.
- e. It is recommended that the Planning Commission receive a presentation from staff and take action on the request for a Design Review Permit.

7. PLANNING COMMISSION WORKSHOP # 10: FISCAL ISSUES. That the Planning Commission receive a presentation from staff.

- a. Written Staff Report (Rob Mullane)
- b. Planning Commission discussion and consideration.
- c. It is recommended that the Planning Commission receive presentation from staff.

8. PLANNING DEPARTMENT REPORT

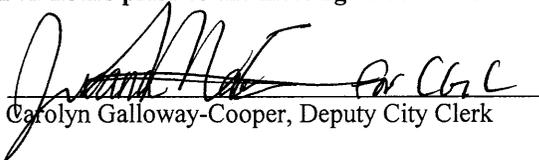
9. FUTURE AGENDA ITEMS

10. ANNOUNCEMENTS

11. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing Agenda was posted at the City Hall display case, the Water Department, the City Clerk's office, and Rabobank not less than 72 hours prior to the meeting. Dated this 16th day of January 2009.

By:


Carolyn Galloway-Cooper, Deputy City Clerk



Draft MINUTES

CITY OF GUADALUPE PLANNING COMMISSION

Tuesday, January 6, 2009

Special Meeting 6:00 p.m.

**City Hall, Council Chambers
918 Obispo Street, Guadalupe, CA 93434**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a City meeting or other services offered by this City, please contact the City Clerk's office, (805) 356-3891. Notification of at least 72 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

*If you wish to speak concerning any item on the agenda, please complete the Request to Speak form that is provided at the rear of the Council Chambers prior to the completion of the staff report and hand the form to the City Clerk. **Note:** Staff Reports for this agenda, as well as any materials related to items on this agenda submitted after distribution of the agenda packet, are available for inspection at the office of the City Administrator, City Hall, 918 Obispo Street, Guadalupe, California during regular business hours, 8:00 a.m. to 12:00 pm. and 1:00 p.m. to 5:00 p.m., Monday through Friday; telephone (805) 356-3891.*

MEMBERS OF THE PLANNING COMMISSION: Commissioners Monika Huntley, Alejandro Ahumada, Jesse Ramirez, Vice-Chair Carl Kraemer, and Chair Frances Romero.

Staff present: Rob Mullane, City Planner, and Bob James, City Engineer's Office.

1. **CALL TO ORDER.** 6:05 by Chair Romero
2. **PLEDGE OF ALLEGIANCE.**
3. **ROLL CALL.** Commissioners Alejandro Ahumada, Jesse Ramirez, Vice-Chair Carl Kraemer and Chair Frances Romero present. Commissioner Monika Huntley absent.
4. **CONSENT CALENDAR.** The following routine items are presented for Planning Commission approval without discussion as a single agenda item in order to expedite the meeting. Should a Commissioner wish to discuss or disapprove an item, it must be dropped from the blanket motion of approval and considered as a separate item.
 - a. Minutes of the Planning Commission meeting of November 18, 2008 to be ordered filed.

- b. Minutes of the Planning Commission meeting of December 16, 2008 to be ordered filed.

Motion: Ramirez/Ahumada moved to approve the consent calendar.

VOTE: Ayes: 4
Noes: 0
Motion passed

5. COMMUNITY PARTICIPATION FORUM.

Each person will be limited to a discussion of 3 minutes. Pursuant to provisions of the Brown Act, no action may be taken on these matters unless they are listed on the agenda, or unless certain emergency or special circumstances exist. The Planning Commission may direct Staff to investigate and/or schedule certain matters for consideration at a future Planning Commission meeting.

Speaker #1, George Alvarez: Speaking on the Apio expansion project that was discussed by the Commission on December 16, 2008. Mr. Alvarez noted that a grading permit was indeed issued for the grading for the expansion project and that grading fees were paid.

Mr. Mullane noted to the Commission that the minutes of the December 16, 2008 meeting included a note with this corrected information.

6. CONCEPTUAL REVIEW OF CELLULAR FACILITIES RELOCATION AT CENTRAL PARK. That the Planning Commission conduct conceptual review of proposed relocation of cellular facilities in Central Park as a result of the removal of the earthquake-damaged water tank.

- a. Written Staff Report (Rob Mullane)
- b. Written Communications.
- c. Public Comments.
- d. Planning Commission discussion and consideration.
- e. It is recommended that the Planning Commission conduct conceptual review of proposed relocation of cellular facilities in Central Park.

Mr. Mullane gave a staff report explaining the objectives of the Commission's conceptual review of these requests and that City staff has been working with the cellular companies to ensure that City interests in making the site more aesthetically pleasing and maximizing the amount of park land that can be reclaimed for public use. One reason for the conceptual review of the proposed relocated and new facilities is to allow early input from the Commission on the design, as each carrier will need to obtain a Conditional Use Permit (CUP) from the Planning Commission. Mr. Mullane also noted that Verizon noted that a change in the location of their equipment shelter is needed and suggested that the Verizon representative address this issue in more detail.

Chair Romero asked for speakers to address the Commission.

Draft MINUTES – CITY OF GUADALUPE PLANNING COMMISSION
Special Meeting – January 6, 2009
Page 3

Speaker #1: George Alvarez, concurring with the goal to maximize amount of usable park area, inquiring about the amount of fees that the City will collect, and whether radio-frequency emissions will pose any hazards.

Chair Romero also noted the maximization of usable park space as important, noted that each carrier will be paying monthly lease fees to the City, that the projects are likely to be CEQA exempt, and that radio-frequency (RF) emissions are typically well below established safety thresholds.

Mr. Bob James noted that RF emission exposure to workers maintaining the City's water tank will need to be addressed.

Speaker #2: Jaime Strahan, representing Verizon, confirmed that Verizon now proposes to locate a new equipment shelter closer to the new water tank, since their current area is too small, and to avoid impacts from trenching to tree roots. They would like to locate roughly in line with the other carriers near the eastern property line. The new building would be 12' x 30' and house equipment including an emergency generator. Color would be similar to existing equipment shelters (brown to tan).

The Commission expressed general support for conceptual plan, including the new Verizon location.

The Commission discussed the style of the enclosures and carrier access with a preference for:

- Vinyl-coated chain link fencing without slats in the fencing—visibility into enclosure area desirable for safety, fencing style deters graffiti
- Low shrubs around enclosures for screening and graffiti deterrence
- No barbed wire, if possible
- Motion-activated security lights would be acceptable
- Extension of the masonry wall along the eastern property line to screen all proposed equipment shelters, including Verizon's, which would be farthest south.
- A consolidated point of access/gate for all carriers to use.

During this discussion, the following speakers addressed the Commission and provided input:

Speaker #3: Eric Little, representing Sprint

Speaker #4: Jay Higgins, representing Metro PCS

Speaker #5: Justin Robbins, representing AT&T

The Commission also noted its concurrence with the proposed antenna style and shorter mounting arms than the existing antennas on the old water tank.

The Commission, attendees, and staff discussed the graffiti potential for the new wall, particularly on the railroad side of the wall, as Union Pacific Railroad (UPRR) does not typically allow landscaping in its Right of Way, nor does UPRR remove graffiti. Mr. James noted that UPRR suggested that an anti-graffiti coating might provide some deterrent and help in clean-up.

Draft MINUTES – CITY OF GUADALUPE PLANNING COMMISSION
Special Meeting – January 6, 2009
Page 4

No action was taken other than the discussion of the conceptual plans.

7. FUTURE AGENDA ITEMS.

Commission Ahumada asked about the status of the Apio Expansion project. Mr. Mullane noted that his belief is that the applicant wants to proceed and will be working with staff to assemble the information needed to bring this item back for Planning Commission consideration. A meeting between Apio's representatives and City staff has been scheduled for later this week.

8. ANNOUNCEMENTS.

Chair Romero noted that Commission Huntley would normally remind the audience to please spay and neuter their pets at this point in the meeting.

9. ADJOURNMENT.

Meeting adjourned by motion (Ahumada/Ramirez) and vote (4-0) at 7:20 pm.

Submitted by:

Affirmed by:

Robert A. Mullane, City Planner
Planning Commission Secretary

Frances Romero, Chair

6a.

REPORT TO THE PLANNING COMMISSION

January 20, 2009

151

151

Prepared By:
Rob Mullane, City Planner

Approved By:
Carolyn Galloway-Cooper

SUBJECT: Design Review of a proposed two-story addition and remodel for the Hernandez residence, 4468 Amber Street (Planning Application #2009-004-DRP)

EXECUTIVE SUMMARY:

The City received an application for a two-story addition and remodel located at 4468 Amber Street (APN 115-224-004). The proposed addition would be 25 feet at its highest point and would add 1,213 square feet to the existing 1,680-sq ft residence. Because the project includes windows on the second-story, it may affect the privacy of neighboring properties. At tonight's meeting, the Planning Commission can approve, conditionally approve, or continue the item. Any approval or conditional approval would be done by motion and majority vote of the Commission.

RECOMMENDATION:

- 1) Receive a presentation from staff
- 2) Provide an opportunity for the applicant to present the proposed project
- 3) Take any comments from the public
- 4) Take action on the request for a Design Review Permit

BACKGROUND:

The City first received an application for a Zoning Clearance for an addition and remodel on September 10, 2008 (Planning Application # 2008-013-ZC). The owner is Mr. Jorge Hernandez. The Zoning Clearance application underwent three rounds of review by Planning Staff, with review memos issued on October 3, 2008, October 9, 2008 and December 10, 2008. The applicant was informed in the latter two review memos that privacy is a concern because the project would include windows on the second story that may affect the privacy of neighboring properties. The applicant was provided with the option to modify the window locations such that privacy was no longer a concern and informed that should the applicant wish to keep the windows as proposed, the application would need to be referred to the Planning Commission for additional review in the form of a Design Review Permit. The applicant subsequently submitted a Design Review Permit application on January 9, 2009: Planning Application # 2009-004-DRP. The DRP application was deemed complete for processing on January 9, 2009.

DISCUSSION:

The request is for a two-story addition and remodel. The addition would add a second-story to an existing 1,680-square foot single-story residence, consisting of 1,152-sq ft of

habitable area, plus a 456-sq ft two-car garage, and a 72-sq ft porch. The addition would increase the existing residence by 1,213 square feet and involve an additional family room and game room on the first floor and two additional bedrooms and a bathroom on the second floor. The project would also involve an interior remodel of the kitchen. The highest point on the proposed two-story addition would be 25 feet.

The project would include two 3' x 4' bedroom windows on the west elevation that would face the neighboring property to the west. There would also be a 2'6" x 3' bathroom window located on the west elevation that would face the neighboring property to the west. The base of these windows would all be 3 or 4 feet high (above the second floor's floor level). Site plans are provided as Attachment 1 to this staff report.

In response to Planning Department comments on potential privacy impacts, all three windows are proposed to be glazed. The key issue for the Planning Commission's consideration is the location of these windows with respect to views of the neighboring property to the west. While glazed windows would provide for some privacy assurance, windows do require replacement or can be replaced. Another option to ensure long-term privacy is protected is a change in the location of the window to be above eye-level.

Site Information

LOCATION	4468 Amber Street
APN	115-224-004
ZONING	R-1 Single Family Residential
LOT SIZE	6,300 square feet
PRESENT USE	Residence
SURROUNDING USES AND ZONING	R-1 Single Family Residential to the North, East and West. Highway 166 to the South.

The property is developed with a 1,680-square foot, single-family residence. The surrounding uses are noted in the above table. A vicinity map is below, and site photos are included as Attachment 2.

Zoning Conformity

Staff has reviewed the request's conformity to zoning requirements and standards and notes no inconsistencies with zoning requirements.

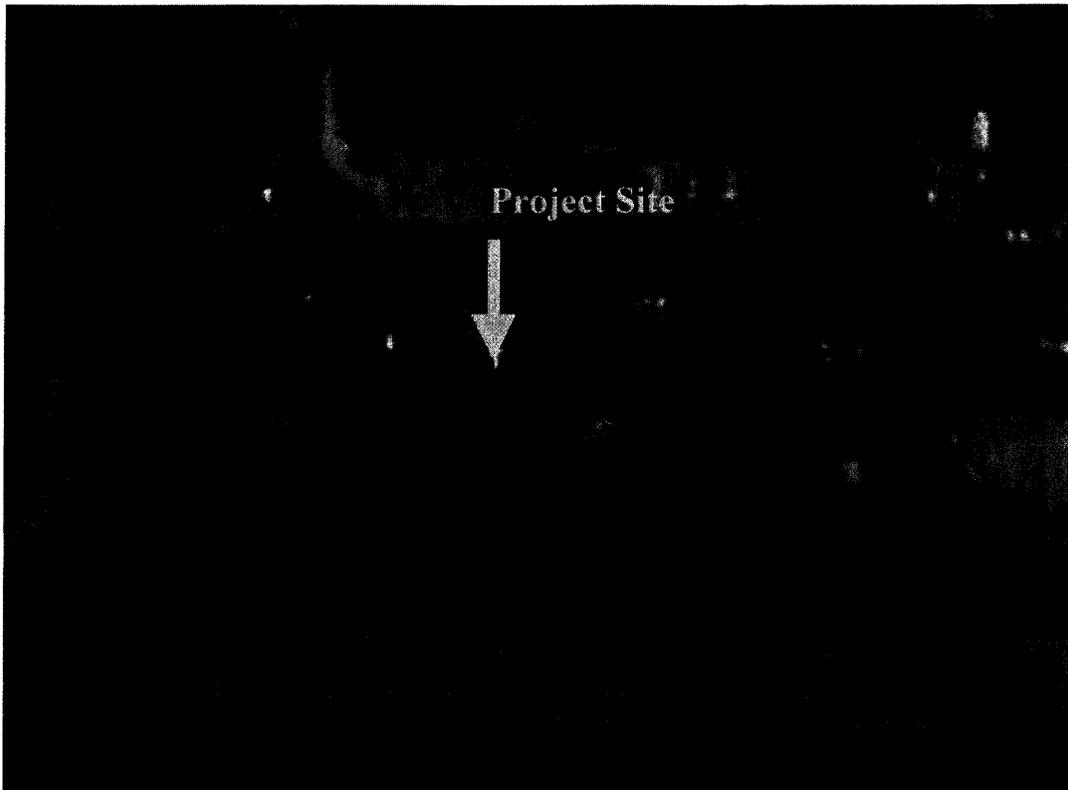
CEQA Review

The project is exempt from CEQA pursuant to Section 15301(e)(1). This section of the CEQA Guidelines states:

...Additions to existing structures provided that the addition will not result in an increase of more than 50 percent of the floor area of the structures before the addition, or 2,500 square feet, whichever is less.

The request is for a two-story addition and remodel within an existing residential area and is less than 50 percent of the existing house's area. In addition, the request is in

conformity to zoning requirements, and the scope of the Planning Commission's review for aesthetic considerations, with such review ensuring that significant impacts do not result.



Planning Commission Consideration

The Design Review Permit process is set forth in Chapter 18.73 of the City's Zoning Code. Item 10 of the list in Section 18.73.010, part (b) requires a DRP for:

Any other project not otherwise on this list that, in the opinion of the Planning Director or City Planner, would benefit from design review because of its visibility, scope, or historic merit, or potential for deprivation of private property right of other landowners.

In considering a DRP, the Planning Commission may approve as submitted, approve with conditions of approval, or provide direction to the applicant on recommended changes and continue the item to a future meeting of the Commission. As a reminder to the Commission, should the PC approve the application, as a part of the motion to approve the PC should explicitly state that Commission is above to make findings for approval per Section 18.73.100.

In addition, the applicant was instructed on the requirement to post notice of the pending DRP on-site as required by Section 18.73.070.

Next Steps

Should the Commission approve or conditionally approve the DRP, staff would issue the associated Zoning Clearance once any prior to issuance conditions—if any—have been met and once the 10-day appeal period has run.

ATTACHMENTS:

1. Project Site Plan and Elevations
2. Site Photographs

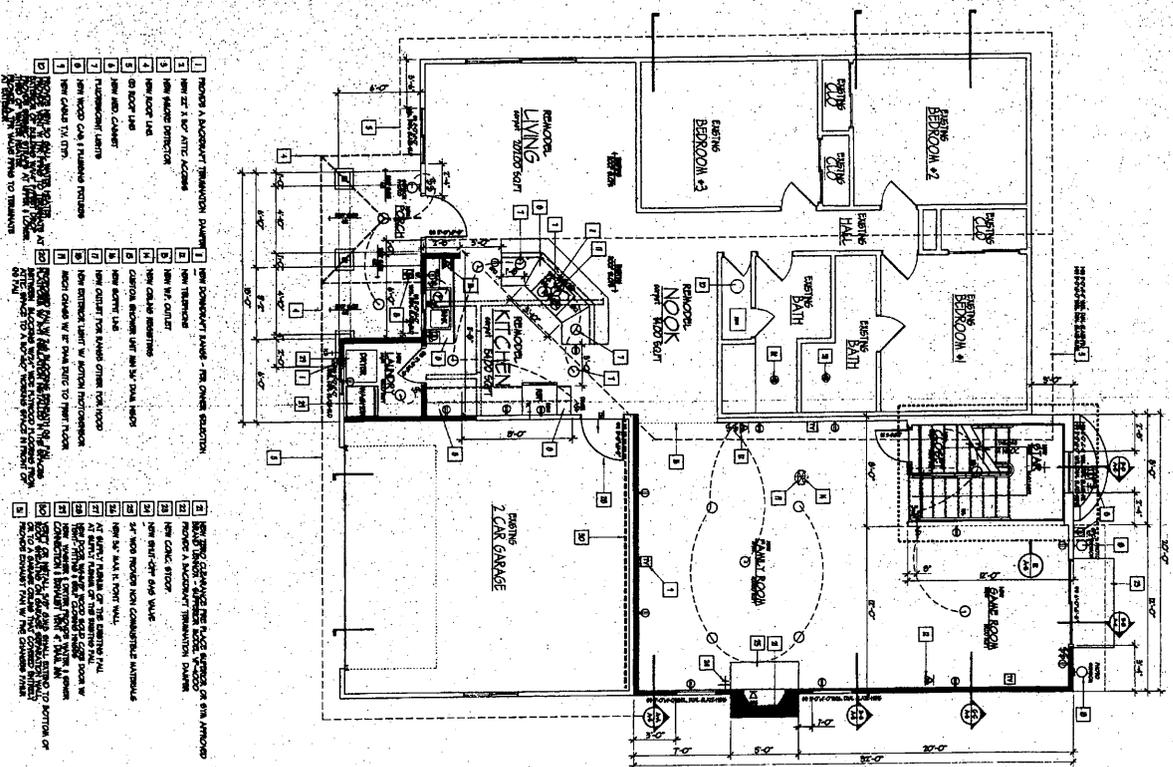
AGENDA ITEM:

ATTACHMENT 1

Project Site Plan and Elevations

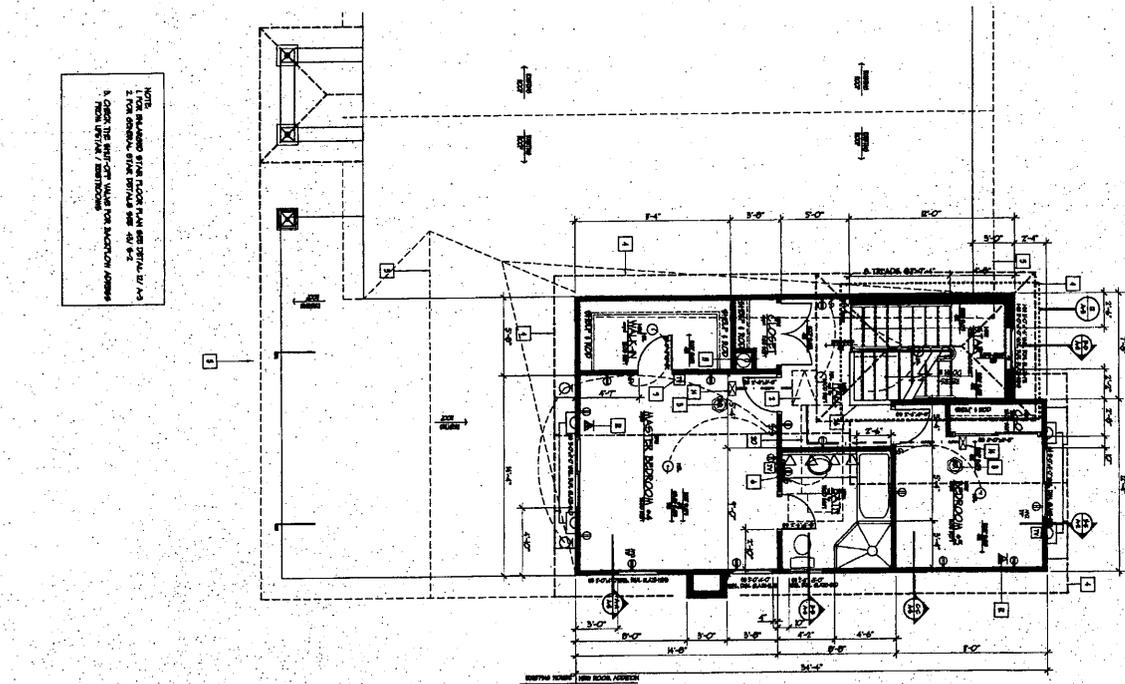
PROPOSED FIRST FLOOR

SCALE 1/8" = 1'-0"



PROPOSED SECOND FLOOR

SCALE 1/8" = 1'-0"



PROPOSED FIRST FLOOR

SCALE 1/8" = 1'-0"

WALL LEGEND

ATLANTIC VENT CALOS

HEATING FIXTURES

SYMBOLS LEGEND

HIGH-EFFICACY LUMINAIRES NOTE

NOTE: ALL HIGH-EFFICACY LUMINAIRES SHALL BE INSTALLED IN ACCORDANCE WITH THE IESNA RECOMMENDATIONS FOR LIGHTING DESIGN IN COMMERCIAL BUILDINGS (LC80-00-06) AND THE IESNA RECOMMENDATIONS FOR LIGHTING DESIGN IN RESIDENTIAL BUILDINGS (LC80-00-07).

NO.	DATE	DESCRIPTION	BY

PROJECT NAME: HERNANDEZ ROOM ADDITION
TWO STORY ROOM ADDITION & KITCHEN REMODEL

JOB ADDRESS: 4468 AMBER ST GUNDALE, CA 95424

OWNER NAME: JORGE HERNANDEZ

OWNER ADDRESS: 4468 AMBER ST GUNDALE, CA 95424

PHONE: 925-938-1200 A.P.N. E-224-004

SHEET TITLE: NEW FIRST AND SECOND FLOORS KITCHEN & LAUNDRY PLANS

DATE: 05-20-08

DRAWING SIZE: 24x36

SCALE: 1/8" = 1'-0"

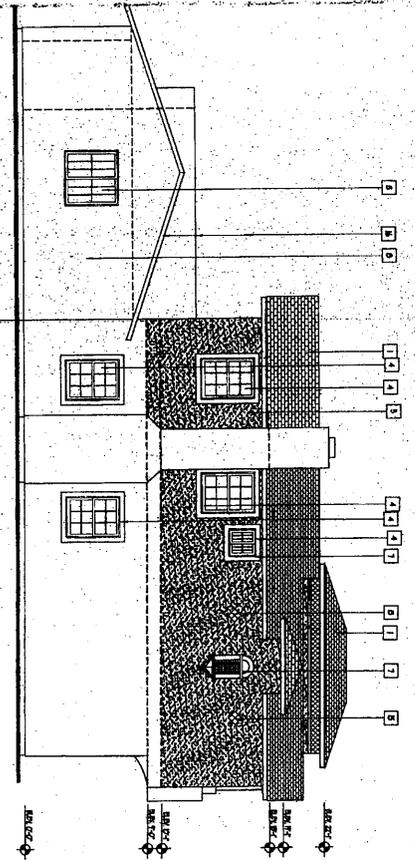
PROJECT NO: 2200-005

SHEET NO: A-2

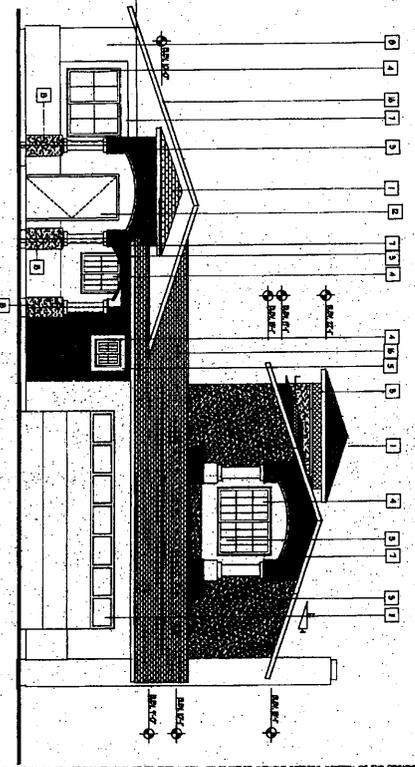
OMVICO
Cad design group

110 S. PINE ST. STE. 108
SHERMAN, CA 94308
TEL: (925) 832-4251
FAX: (925) 832-4732
EMAIL: omvico@earthlink.net

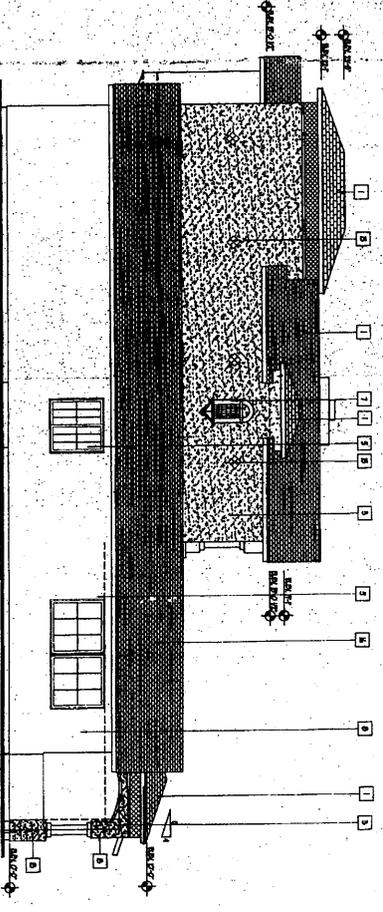
WEST ELEVATION



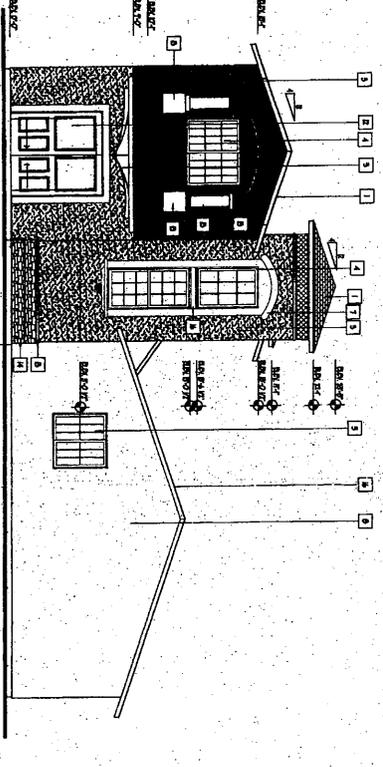
NORTH ELEVATION



EAST ELEVATION



SOUTH ELEVATION



- 1. NEW FRONT PORCH
- 2. NEW FRONT PORCH
- 3. NEW FRONT PORCH
- 4. NEW FRONT PORCH
- 5. NEW FRONT PORCH
- 6. NEW FRONT PORCH
- 7. NEW FRONT PORCH
- 8. NEW FRONT PORCH
- 9. NEW FRONT PORCH
- 10. NEW FRONT PORCH
- 11. NEW FRONT PORCH
- 12. NEW FRONT PORCH
- 13. NEW FRONT PORCH
- 14. NEW FRONT PORCH
- 15. NEW FRONT PORCH
- 16. NEW FRONT PORCH
- 17. NEW FRONT PORCH
- 18. NEW FRONT PORCH
- 19. NEW FRONT PORCH
- 20. NEW FRONT PORCH
- 21. NEW FRONT PORCH
- 22. NEW FRONT PORCH
- 23. NEW FRONT PORCH
- 24. NEW FRONT PORCH
- 25. NEW FRONT PORCH
- 26. NEW FRONT PORCH
- 27. NEW FRONT PORCH
- 28. NEW FRONT PORCH
- 29. NEW FRONT PORCH
- 30. NEW FRONT PORCH
- 31. NEW FRONT PORCH
- 32. NEW FRONT PORCH
- 33. NEW FRONT PORCH
- 34. NEW FRONT PORCH
- 35. NEW FRONT PORCH
- 36. NEW FRONT PORCH
- 37. NEW FRONT PORCH
- 38. NEW FRONT PORCH
- 39. NEW FRONT PORCH
- 40. NEW FRONT PORCH
- 41. NEW FRONT PORCH
- 42. NEW FRONT PORCH
- 43. NEW FRONT PORCH
- 44. NEW FRONT PORCH
- 45. NEW FRONT PORCH
- 46. NEW FRONT PORCH
- 47. NEW FRONT PORCH
- 48. NEW FRONT PORCH
- 49. NEW FRONT PORCH
- 50. NEW FRONT PORCH

REVISIONS			
NO.	DATE	DESCRIPTION	BY

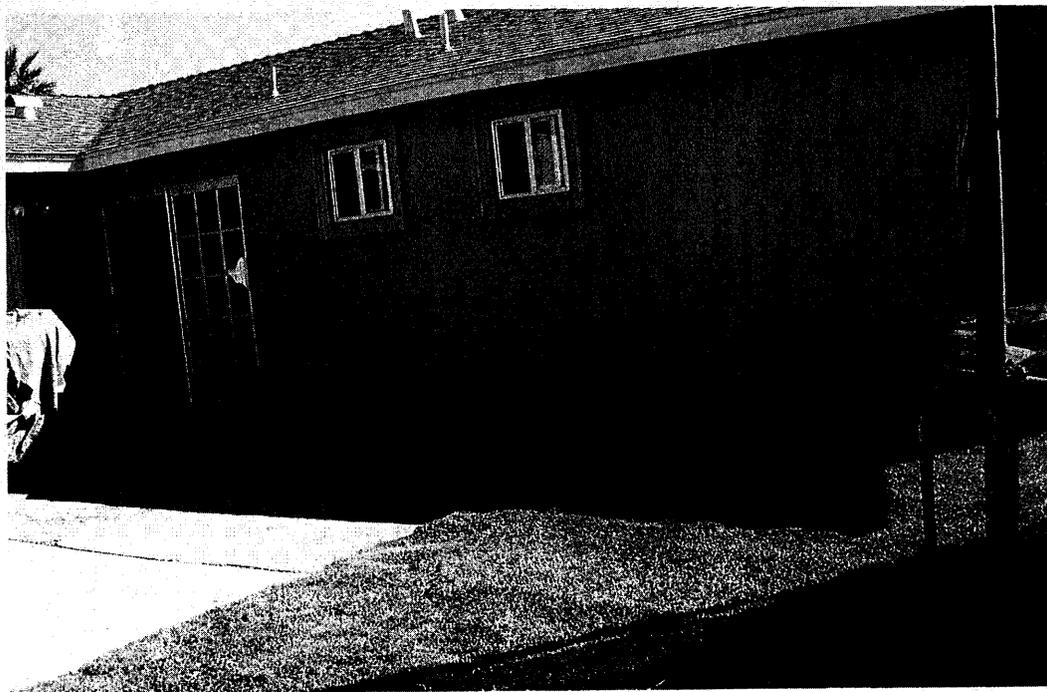
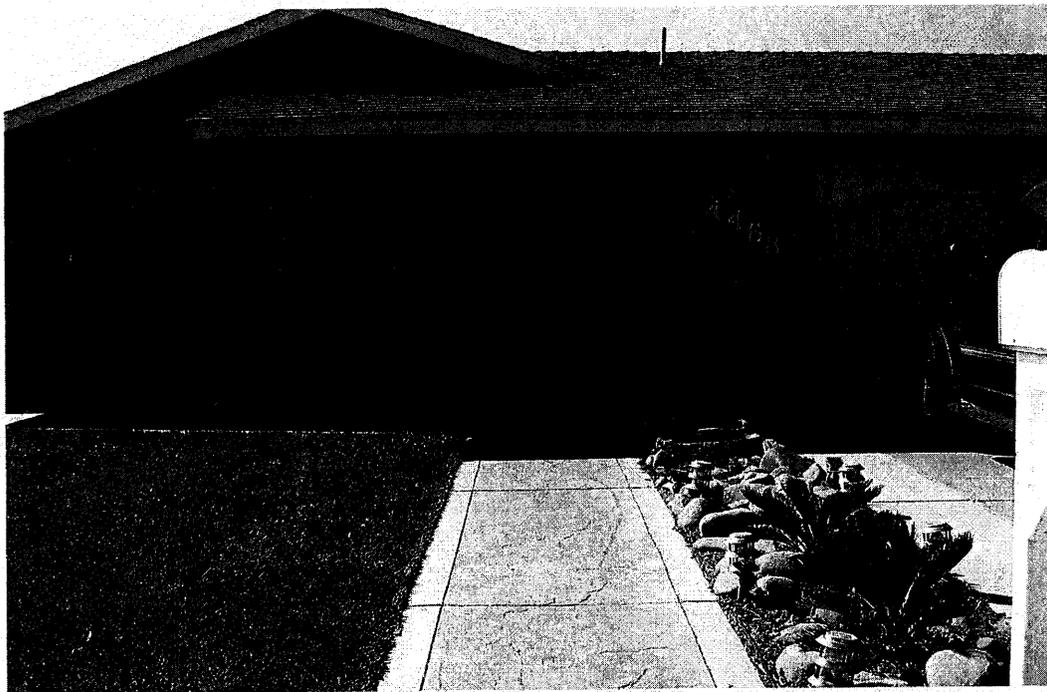
PROJECT NAME:	HERNADEZ ROOM ADDITION TWO STORY ROOM ADDITION & KITCHEN REMODEL		
JOB ADDRESS:	4460 AMBER ST	GUNDALE, CA	95041
OWNER NAME:	JORGE HERNANDEZ		
OWNER ADDRESS:	4460 AMBER ST	GUNDALE, CA	95041
PHONE:	(925)		AP.N.E-224-004
SHEET TITLE:	ELEVATIONS		
DATE:	09-14-09		
DRAWING SIZE:	24x36		
SHEET NO.:	11		
SHEET SET:	A-4		

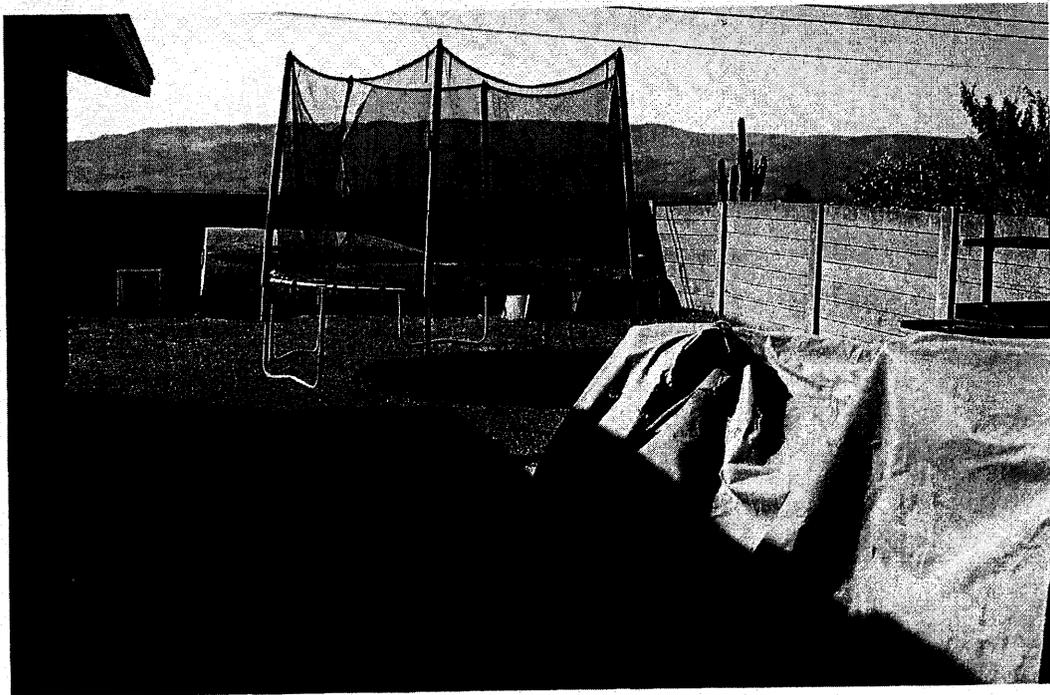
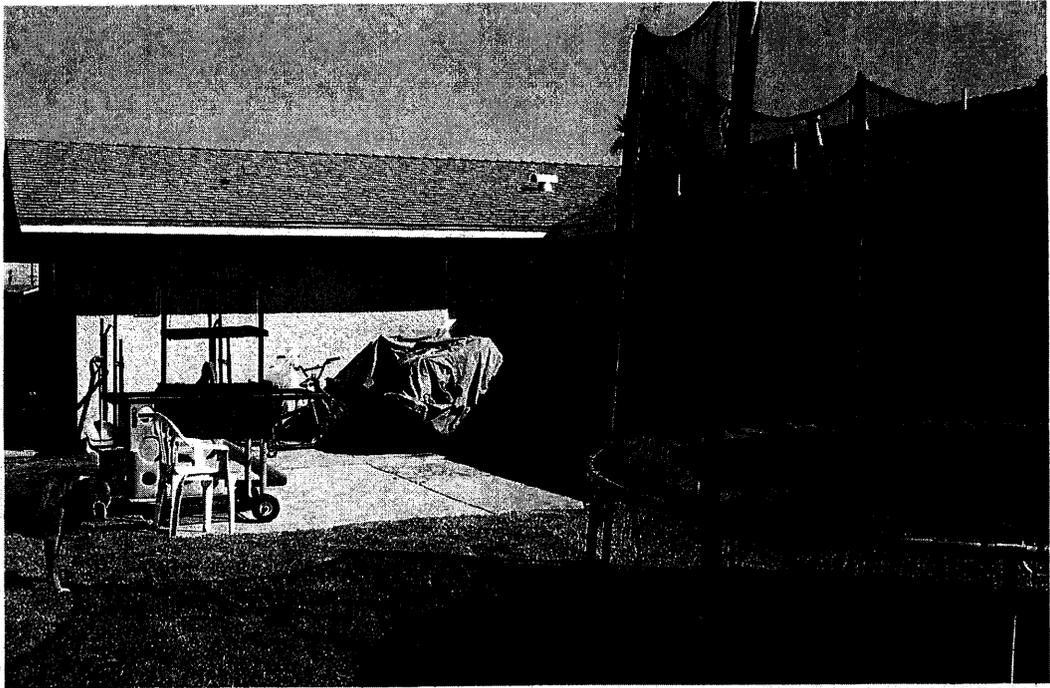
THIS DRAWING IS THE PROPERTY OF OMVICO CAD DESIGN GROUP AND IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF OMVICO CAD DESIGN GROUP.

110 S. PINE ST. STE. 106
SANTA ANA, CA 92701
PH (949) 822-4731
FAX (949) 822-4732
EMAIL: omvico@omvico.net

ATTACHMENT 2

Site Photographs





- Locally Controlled Taxes
- Locally Raised Fees
- Local Benefit Assessments
- Local Debt Financing Tools
- Accounting and Types of Funds
- Fiscal Impact Analysis

The Commission previously received copies of the Planning Commissioner's Handbook, and having these handbooks at the meeting will be helpful to follow along with the staff presentation. For the benefit of the public, Chapter 10 of the handbook is included as Attachment 1 to this staff report.

ATTACHMENTS:

- 1) Excerpt of Planning Commissioner's Handbook: Chapter 10

AGENDA ITEM:

ATTACHMENT 1

**EXCERPT OF THE PLANNING COMMISSIONERS
HANDBOOK: CHAPTER 10**



SECTION 10

Fiscal Issues

THE FISCAL-PLANNING LINK109

OVERVIEW OF THE
STATE-LOCAL FISCAL SYSTEM109

STATE-CONTROLLED REVENUES112

LOCALLY CONTROLLED TAXES113

LOCALLY RAISED FEES113

LOCAL BENEFIT ASSESSMENTS114

LOCAL DEBT
FINANCING TOOLS115

ACCOUNTING AND
TYPES OF FUNDS115

FISCAL IMPACT ANALYSIS116

SECTION 10

Fiscal Issues



THE FISCAL-PLANNING LINK

Land use planning is fundamentally linked to the cost of providing public services and infrastructure. Take, for example, a general plan goal to develop a network of greenways and bike paths. Reaching this goal typically involves adding open space dedication requirements as conditions of approval for tentative map applications or negotiating for such space in development agreements.

While a network of greenways and bike paths is an admirable goal for the land use planner, the financial analyst will ask how will the paths and greenways be managed? Who will pay for construction? How will they be policed? Where will funding for lighting, landscaping, restrooms and other facilities come from? How frequently will the paths need to be maintained?

It is not the job of a planning commissioner to conduct a detailed financial analysis of each project. Staff will often highlight these issues in the staff report. However, the relationship between local fiscal needs and overall land use planning goals is part of the decision-making calculus. But it is only part of the analysis. If you weigh fiscal goals too heavily, for example, you risk sacrificing other worthwhile goals, like air and water quality, affordable housing, and transportation mobility.

OVERVIEW OF THE STATE-LOCAL FISCAL SYSTEM

Successful local governance is closely tied to rational local finance. Unfortunately, since the adoption of Proposition 13 in 1978, California's fiscal system has not provided local agencies a great deal of control over their finances. Proposition 13 replaced local agencies' authority to raise local property taxes with a countywide one percent rate (see "Propositions That Limit Local Fiscal Options" sidebar on page 110). Later, Propositions 62 and 218 further limited local authority to impose other taxes and certain types of fees. While these measures have reduced the tax burden on homeowners, they also have made it difficult for local agencies to generate sufficient revenues to cover the cost of services.

Proposition 13 also had an unexpected (at least from the perspective of local agencies) side effect: it put the state in greater control of how local property taxes are distributed among cities, counties, special districts, and schools. The result has been that state government has redistributed property taxes to meet its own needs at



Propositions That Limit Local Fiscal Options

Since the late 1970s, a series of statewide initiatives have steadily eroded local control over tax and fee revenue, including:

- **Proposition 13.** Proposition 13 limits the maximum amount of any tax that is based on the value of real property. It also requires two-thirds voter approval for special taxes.¹
- **Proposition 62.** Proposition 62 requires majority voter approval for general taxes.² It also prohibits local transaction taxes or sales taxes on the sale of real property within a city, county, or district.³ Local agencies may collect property transfer taxes.
- **Proposition 218.** Passed in 1996, Proposition 218 moved the majority voter approval requirement for general taxes to the state constitution. It also made other changes in the law relating to taxes and property-related fees and assessments.⁴

critical times. For example, when the state faced a severe budget deficit in 1992, it met its legal obligation to fund schools by diverting specified amounts of local property taxes into an “educational revenue augmentation fund” (ERAF) in each county.⁵ In other words, the state shifted the property tax distribution to balance its own budget. Although intended as a temporary emergency measure to reduce the state’s burden for funding public schools, the tax shift remains in effect.

The problem for local agencies is that housing generally does not generate enough property tax revenue to cover the cost of the services it requires. This is due to the limitation on both the property tax rate and changes in assessed value. Moreover, greater proportions of local budgets are increasingly composed of restricted revenues that are earmarked for specific purposes by the state or local voters. Discretionary revenue—the primary source of funds for police, fire, parks, and libraries (among other services)—is harder to come by, making it difficult for local agencies to make adjustments to their budgets as circumstances change.

Currently, about two-thirds of revenues in most cities are restricted to specific purposes. For example, service charges (like water and garbage charges) pay for

EFFECTS OF PROPOSITION 13⁶

- Lowered tax burden for elderly and low-income homeowners
- Disparate treatment of similarly situated properties
- Disconnect between service costs and revenues deters balanced planning
- Local agency property tax revenues cut by 60 percent
- Tax rates and shares out of sync with service demands
- Greater reliance on state general fund for county and school spending
- Greater reliance in cities and counties on user fees and local taxes.

TRENDS IN CALIFORNIA FINANCE⁷

- Decline in predictable discretionary funding for key services
- Sales tax revenues decreasing in service-oriented economy
- Population growth increasing service demands
- Public safety and homeland security costs increasing
- Infrastructure cracking under neglect
- New technologies leading to new infrastructure demands
- Environmental degradation (air and water pollution) requiring expensive mitigation
- Continued fragmentation of local finance among overlapping agencies

¹ See Cal. Const. art. XIII A, §§ 1(a) and 4.

² See Cal. Gov't Code §§ 53720 and following.

³ See Cal. Gov't Code § 53725.

⁴ See Cal. Const. arts. XIII C and XIII B.

⁵ Proposition 98, adopted by the voters in 1988, requires an amount equal to a specified percentage of the state's general fund be transferred to K-12 schools.

⁶ Michael Coleman, *A Primer on Proposition 13, ERAF and Proposition 218*, (2002) (available at www.californiacityfinance.com).

⁷ Michael Coleman, *Financing Cities: A Status Report on California Cities and the Need for Serious Reform*, (2004) (available at www.californiacityfinance.com).

TYPICAL REVENUES AND EXPENDITURES

Chart 1. City Revenues

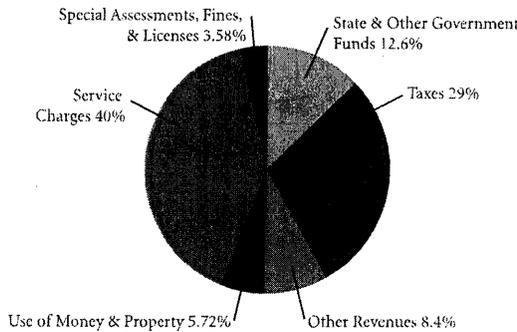


Chart 2. City Expenditures

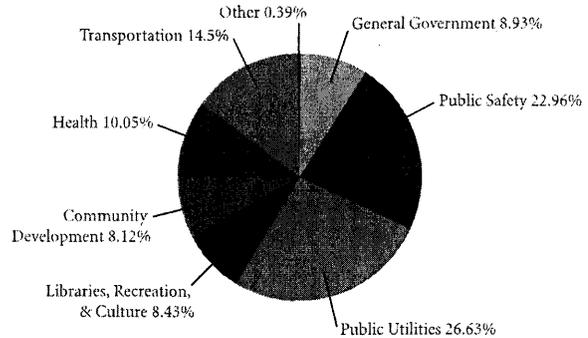


Chart 3. County Revenues

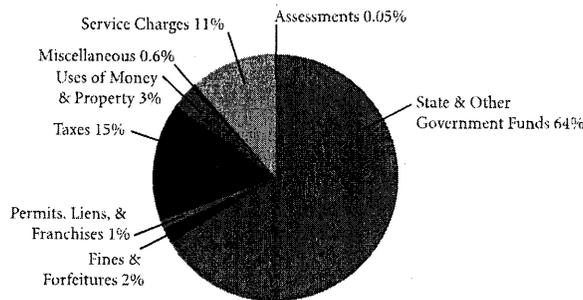
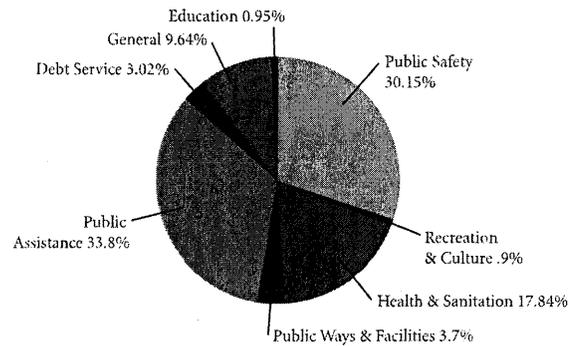


Chart 4. County Expenditures



Source: 2000-01 State Controller's Cities Annual Report

particular services. Local taxes (property, sales and use, utility user, and others) comprise most of the remaining unrestricted "general revenues" that may be used for local priorities or new programs.⁸

The result of these trends is that local agencies often do not receive sufficient revenue to meet service demands. To compensate, some local agencies have adopted development strategies that focus on attracting sales tax generators—like large retail establishments and auto malls—to increase their discretionary revenues.⁹ For example, in a 2002 survey of city finance directors, 92 percent reported that increasing sales tax revenues was a

priority for their city.¹⁰ Many observers believe that dependence on sales taxes creates an incentive for local agencies to favor retail development over housing and other land use choices. The argument is that this "fiscalization" of land use decisions forces some agencies to put revenue generation ahead of other community and regional priorities.¹¹

As important as sales tax has become, its long-term importance is in doubt. Economists predict a gradual loss of sales tax revenue resulting from the transition of consumption patterns from goods to services and growth in untaxed catalog and Internet sales.¹²

⁸ Paul G. Lewis & J. Fred Silva, *Growth Challenges and Local Government Finance: A Primer for the Sacramento Valley*, (September 2001) (available at www.ppic.org), at 5; Michael Coleman, *A Primer on California City Finance*, (November 2002), at 6.

⁹ Michael Coleman, *City Budget Impacts of Land Development: The Roots of Fiscalization*, (December 2002) (available at www.californiacityfinance.com).

¹⁰ The survey was conducted by the Institute for Local Self Government, the nonprofit research arm of the League of California Cities. For more information see the

Institute's 2003 *Fiscal Condition of California Cities Report* at www.ilsg.org.

¹¹ Lewis & Silva, at 8.

¹² Donald Bruce & William F. Fox, *Sales and Local Tax Revenue Losses from E-Commerce: Updated Estimates*, (September 2001) (see www.statestudies.org); Paul G. Lewis and Elisa Barbour, *California Cities and the Local Sales Tax*, (July 1999), at 21 (available online at www.ppic.org/content/pubs/R_799PLR.pdf).

STATE-CONTROLLED REVENUES

A large portion of most local agency budgets is derived from four taxes that are collected at the state or county level and distributed to local agencies according to state-legislated formulas:

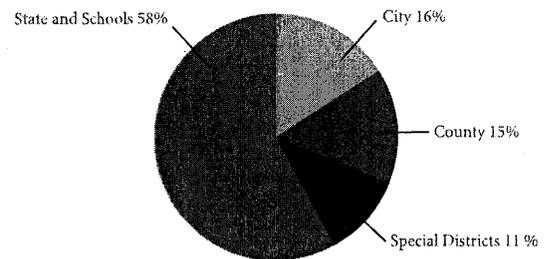
- Property Tax.** The property tax is an *ad valorem* (value-based) tax imposed on real (and tangible personal) property. The tax is capped at 1 percent of the property's assessed value during the 1975-76 baseline year and may not be raised by more than 2 percent per year. Property can be reassessed when it is sold or when improvements are made. The revenues are collected by counties and allocated among cities, counties, school districts, and special districts. The tax is allocated based upon the taxing agency's tax rate prior to the adoption of Proposition 13. Redevelopment agencies receive a large part of the incremental growth in the property tax within redevelopment areas.¹³
- Sales and Use Tax.** The sales tax is imposed on retailers for the privilege of selling tangible personal property in California. The use tax is like the sales tax except that it is imposed on the user of a product purchased out of state and delivered for use in California. Although the basic sales tax rate is 7.25 percent, the tax actually comprises state sales and use tax and a local sales and use tax. The local sales and use tax (most often 1 percent) goes to the "site" of the sale, which is the city or county in which the sale occurs. In some areas, voters have approved an extra ¼ or ½ of 1 percent for transit purposes, open space, or libraries.¹⁴
- Motor Vehicle License Fee.** The motor vehicle license fee (VLF—sometimes called the car tax) is the state's personal property tax on vehicles and is dedicated in the state constitution to cities and counties. VLF funds are an important source of general fund revenue, providing 16 percent of general revenues to the average city budget and often as much as 24 percent. The VLF is collected by the state Department of Motor Vehicles and allocated to cities and counties based on population.¹⁵

- Gas Tax.** The state imposes an 18-cent per gallon tax on gasoline for research, planning, construction, improvement and maintenance of public streets, highways, and mass transit. A portion of this amount is distributed to local agencies based on population and another portion is distributed to counties based on the number of registered vehicles. Smaller amounts are apportioned for specific purposes, like snow removal and bicycle transportation.¹⁶

In addition, counties receive a substantial amount of revenue from federal and state sources related to social services, health care, and other services that they provide.

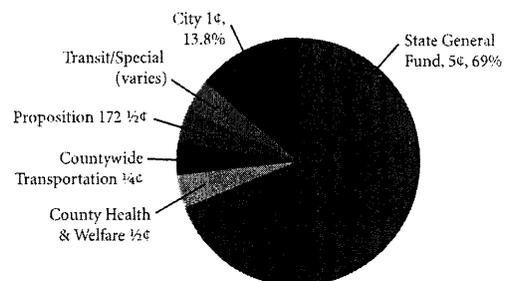
The following chart is an example of how the property tax collected on a typical property (not in a redevelopment area) in a city is distributed. The actual percentages vary widely from city to city. For example, the portion that goes to cities can vary from a low of 8 percent to a high of 25 percent.

How Property Tax Is Distributed



The following chart shows where each cent of the sales tax goes. Note that the base state sales tax rate is 7.25 percent and the Proposition 172 is dedicated to public safety.

How Sales Tax Is Distributed



Source: California State Board of Equalization.

¹³ Cal. Health & Safety Code § 33607.5.

¹⁴ California State Board of Equalization, *California City and County Sales and Use Tax Rates*, (October 2003) (available at www.boe.ca.gov).

¹⁵ Michael Coleman, *VLF Facts: A Primer on the Motor Vehicle In-Lieu Tax, the Car Tax Cut and Backfill*, (March 2004) (available at www.californiacityfinance.com).

¹⁶ Cal. Sts. & High. Code §§ 2106, 2107.

LOCALLY CONTROLLED TAXES

Local agencies may impose additional taxes that are subject to the voter approval requirements included in Proposition 218. Such taxes are classified as either “general” or “special.” A “general tax” may be used for any public purpose—the funds are fully discretionary and may be deposited into the general fund. A majority vote of the electorate is required to impose, increase, or extend a general tax.

On the other hand, a “special tax” is a tax imposed for a specific purpose. For example, many county transportation authorities impose an additional half of one percent to the local sales tax rate that is specifically designated for transportation projects. A two-thirds majority of voters is required to add, increase, or extend a tax for a specific purpose.

There are a variety of commonly imposed local taxes, including:

- **Parcel Tax.** A special non-*ad valorem* (non-value based) tax on parcels of property generally based on either a flat per-parcel rate or a variable rate depending on the size, use, or number of units on the parcel. Parcel taxes require two-thirds voter approval and are imposed for any number of purposes, including funding police and fire services, neighborhood improvement and revitalization, and open space protection.¹⁷
- **Sales Tax.** Additional transaction and use taxes may be imposed by a city or countywide special district with voter approval (majority for general purposes, two-thirds for specific purposes) up to a maximum set by state law. These measures typically add a certain amount—like a cent or a fraction of a cent—to the sales tax rate. They may be imposed as a general tax, but are often imposed for a specific purpose—like to fund transportation, health care, education, or open space programs.¹⁸ There is a special sales tax for public safety that is distributed to cities through the county.¹⁹
- **Business License Tax.** A fee charged on the issuance of a business license, usually levied as a general tax. The amount of the tax is often based on the number of employees or gross sales.



For More Information

League publications on Proposition 218 and the Municipal Revenue Sources Handbook are available on the League of California Cities website at www.cacities.org/store or by calling (916) 658-8257.

- **Transient Occupancy Tax (TOT).** A tax charged on the rental of a room for less than 30 days in a hotel, inn, or other lodging facility. Rates range from 4 to 15 percent of the cost of the lodging. In nearly all cases, these are adopted as general taxes. Some agencies, however, make a point of budgeting the funds for tourism or business development-related programs. In those cities with a TOT, it provides 7 percent of general revenues on average and often as much as 17 percent.
- **Utility User Tax (UUT).** A tax levied on the users of various utilities, like telephones, electricity, gas, water, or cable television. Utility user rates vary from 1 to 11 percent. For those jurisdictions that impose the UUT, it provides an average of 15 percent of general revenue and often as much as 22 percent.
- **Document Transfer Tax.** An excise tax on the transfer of interests in real estate. Counties are authorized to tax at a rate of 55 cents per \$500 of the property value. Cities may impose the tax at one half of this amount, which is credited to the payment of the county tax.

LOCALLY RAISED FEES

A fee is a charge imposed for a service or facility provided directly to an individual or to mitigate the impacts of an activity on the community. Fees fall into four general categories:

- User fees charged for using a city service.
- Development fees charged to mitigate against the impacts of development (discussed in Section 4).
- Regulatory fees charged to support the regulation of specific activities or industries. Examples include fees charged to alcoholic beverage sale licensees to address

¹⁷ See Cal. Const. art. XIII, § 3.

¹⁸ See for example Cal. Rev. & Tax. Code §§ 7285, 7288.1.

¹⁹ See Michael Coleman, *Proposition 172 Facts: A Primer on the Public Safety Augmentation Fund*, (December 2003) (available at www.californiacityfinance.com).



public nuisances associated with those sales, or landfill assessments to reduce illegal waste disposal.

- Property-related fees.

Fee revenues must be deposited into a specific fund that is dedicated to the purpose for which the fee is imposed. A fee may not exceed the estimated cost (including overhead or administration costs) of providing the service. For example, when a local agency provides water and sewer service, the rate that it may charge must be based on a calculation of the actual costs of providing the service to residents.

Proposition 218 created a special subset of fees called “property-related fees.” These are fees that are imposed as an “incident of property ownership.” In other words, the mere ownership of property is the basis for imposing the fee. Proposition 218 procedural requirements apply to all property-related fees, making them more difficult to enact. To impose a property-related fee, the agency must first hold a public hearing. At the hearing, a majority of affected owners can stop the fee by filing written protests. If no protest is filed, the agency must still conduct an election unless the fee is imposed for sewer, water, or refuse collection services. Otherwise, a majority vote of the property owners of the property subject to the fee, or at the option of the agency, a two-thirds vote of the general electorate, is required to impose the fee.

LOCAL BENEFIT ASSESSMENTS

Benefit assessments are charges for public improvements or services that provide a specific benefit to property within a predetermined area. Each parcel or business in the area is charged according to the benefit received from the improvement. California has a number of laws that permit the establishment of benefit assessment districts. Some allow for bond financing; others levy assessments.

A property can only be subject to a benefit assessment if it is specially benefited by the improvements to be financed. Properties that are generally benefited may not be charged. For example, if the purpose of the assessment is to landscape a center median, only those properties likely to benefit by fronting the street with the center median could be included in the assessment district. Claiming that all properties in a community would benefit based upon beautification of the community would merely be evidence of a general benefit.

An engineer’s report must be prepared to determine which properties will be specially benefited by improvements. The engineer’s report includes a description of the improvements to be financed, cost estimates of the improvements, and an assessment diagram mapping the district’s boundaries, zones, and parcels. The report identifies the method of allocating the annual assessments to each parcel and the proposed maximum annual assessment per parcel to pay administration or registration costs. Different classes of properties pay different assessment amounts, calculated in proportion to the special benefit received.²⁰

A new assessment requires the approval of a majority of the property owners who return mailed ballots through an assessment ballot proceeding. Voting is weighed in accordance with the amount of the assessment.²¹ Local agencies implementing new assessments in pre-existing neighborhoods have to conduct a great deal of community outreach. Creating assessments in new developments is often easier when the developer of a large tract agrees to create the assessment district before subdividing the property. Once created, the assessment applies to all new lots and homes built or created within the assessment district.

²⁰ Cal. Const. art. XIII D, § 2.

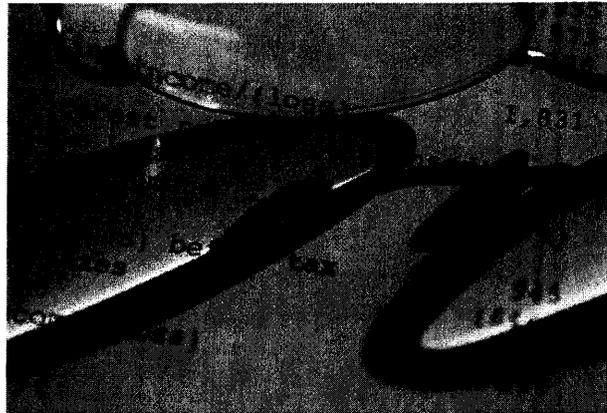
²¹ A list of cities that have conducted assessment ballot proceedings is available online at www.cacities.org (search keyword “Proposition 218”). The ballots are

weighted according to the dollar value of their proposed assessments (the equivalent of one vote per dollar). Thus, the vote of a landowner whose lot has an assessed value of \$50,000 counts twice as much as the vote of a landowner with a \$25,000 lot.

LOCAL DEBT FINANCING TOOLS

Local agencies may issue bonds and other debt instruments to finance improvements and services. Debt financing enables costs to be spread over time and is needed when the cost of a project exceeds revenues available during the acquisition or construction period. Terms of repayment vary but usually do not exceed the life of the project. A variety of debt financing tools are available:

- **Community Facility Taxes.** The Mello-Roos Community Facilities Act²² authorizes local agencies to impose a special tax to finance public facilities, infrastructure, and public services. The tax must be authorized by a two-thirds vote of the registered voters living within the district. If fewer than 12 voters live within the district, approval requires a two-thirds vote of the district's landowners. The difficulty of meeting the two-thirds vote requirement generally limits the availability of Mello-Roos to large undeveloped parcels with less than 12 registered voters.
- **Infrastructure Financing Districts (IFDs).** This mechanism²³ allows cities and counties to finance infrastructure improvements that are consistent with their general plan. Infrastructure financing resembles redevelopment tax increment financing in that an increase in tax revenues beyond a base level goes to the IFD, which itself requires a fairly complex procedure for establishment, including approval by two-thirds of the district electorate. An IFD differs from a redevelopment district in that any competing agencies that receive tax funds must agree to the passing over of the tax increment to the IFD and the IFD does not have the power of eminent domain. There is also no blight requirement to establish an IFD. Once established, an IFD can issue bonds backed by the tax increment revenue.
- **General Obligation Bonds.** General obligation bonds are essentially IOUs issued by public entities to finance large projects. General obligation bonds are backed by property tax revenue, which is used to repay the bond over a twenty- to thirty-year period. Increasing the property tax to repay the debt requires two-thirds



voter approval and may only be done to acquire or improve real property.²⁴ Since investors perceive property taxes as being less risky than the security for other types of indebtedness, general obligation bonds may be issued at relatively low interest rates. Bonds provide a means for getting money up front to fund a project. They also distribute the cost over time. On the other hand, interest costs raise the overall amount that the agency will pay.

- **Lease-Purchase Agreements.** Lease-purchase agreements work when local agencies might otherwise be prevented from incurring debt to purchase an asset.²⁵ Under a lease-purchase agreement, the agency leases the asset for a period of years with the option to purchase the land or improvement at the end of the lease.²⁶ The amount of the lease is equivalent to the principal and interest that would be paid if the transaction were financed as a loan. Certificates of participation (COPs) are a variation of this tool. These enable a group of investors, or a publicly created financing authority, to acquire an asset and lease it to a public agency. The investors then transfer the right to receive payments to a trustee, who redistributes the lease payments on a proportional basis.

ACCOUNTING AND TYPES OF FUNDS

Most local agencies have developed detailed accounting procedures in order to assure that funds are spent according to their intended purpose. Where the money comes from often determines how it may be spent. For example, a local agency cannot use funds raised to

²² Cal. Gov't Code §§ 53311 and following.

²³ Cal. Gov't Code §§ 53395-53397.11.

²⁴ Cal. Const. art. XIII A, § 1(b).

²⁵ See Cal. Const. art. XVI, § 18. Local agencies are constitutionally prohibited from

borrowing an amount of money in excess of the amount that can be repaid in a year's time. Lease purchase, certificates of participation and other special funding mechanisms are exceptions to this rule.

²⁶ See *City of Los Angeles v. Offner*, 19 Cal. 2d 483 (1942); *Dean v. Kuchel*, 35 Cal. 2d 444 (1950).

provide affordable housing to build a library. To keep these different sources of funds straight, local agencies typically use accounting methods that designate different funds. There are five general classifications:

- **General Funds.** Funds that are not required to be accounted for in any other fund. The funds are fully discretionary, meaning the governing body can spend them as it sees fit.
- **Enterprise Funds.** Funds from self-supporting activities that provide services on a user-charge basis. Examples include water, wastewater treatment, garbage collection, parking, golf courses, and marinas.
- **Special Revenue Funds.** Funds designated for specific sources or that have specific limitations on use according to law. Examples include affordable housing mitigation fees and special purpose parcel taxes.
- **Internal Service Funds.** Funds used to account for services—like accounting or vehicle maintenance—that are provided internally from department to department. The use of such funds is a budgeting tool to help track and balance costs across various budget categories.
- **Reserve Funds.** General or special purpose funds that are set aside for future use or harder economic times.

Keeping track of where local agency revenues come from and how they can be used is helpful to understanding the overall fiscal picture of the community. Over time, discretionary revenue as a percentage of the entire budget for California cities and counties has decreased. This sometimes creates a situation where there may be surplus funds in one account at the same time that another fund is in serious deficit. However, if the funds in the account with the surplus are dedicated, they may not be transferred to cover the shortfall.

FISCAL IMPACT ANALYSIS

The long-term fiscal consequences are often part of the consideration when deciding to approve large projects. New development brings in new residents, employees, and uses that will demand local services, such as law enforcement, fire protection, parks, libraries, and sewer and water service. Anticipating and evaluating the

associated fiscal impacts of new development helps local agencies ensure that they do not extend infrastructure in a way that becomes too much of an economic burden for their community to bear. In addition, such analysis helps formulate new funding strategies for facilities and infrastructure and revitalization.

A fiscal impact analysis can also be used to compare the fiscal costs of alternative approaches to a development. If a project is not fiscally sustainable but meets community planning goals, the analysis may suggest the need for additional revenues—like development fees or special benefit assessments—to cover costs related to the development, such as for water service, transportation, and public safety.

A typical fiscal impact analysis includes a number of assumptions about how your community will grow, how property values will change, and how much tax revenue will be generated by the development. It also requires an estimate of a baseline scenario or an assumed future without the development to allow for a comparison of fiscal conditions with and without development.

Here is a simplified version of how the numbers in a fiscal impact analysis are derived:

- **The Increased Demand for Services Is Quantified.** The changes that will be caused by the proposal are quantified by measurable units, like jobs created, housing units built, or square footage of retail.
- **The General Cost of Services is Estimated.** The type and amount of services is identified. An estimate of the cost of providing this amount of service is made. Estimating the cost, however, is often difficult given the “lumpy” nature of services—like sewer—that may have little or no incremental cost until capacity is reached. To provide another example, the police may have sufficient capacity to handle one development, but may be forced to hire additional staff if the same development were proposed again. Staff will often make estimates to take these difficulties into account.
- **The Cost of Serving the New Development Is Calculated.** This can be expressed as either a per unit cost or a total cost for the development.

- **New Revenues Generated by the Project Are Estimated.** The likely per unit revenues to be derived from the project, like property taxes, development fees, license fees, and other revenues is calculated.
- **Projected Costs and Revenues are Compared.** The estimated revenues and costs and determine net fiscal impact is compared. A positive number suggests that the projected revenues are sufficient to cover costs.

It is worth repeating that a fiscal impact analysis provides a rough estimate at best. As noted above, the analysis is built on a number of assumptions. Another major limitation is that the analysis does not capture the interactions among land uses. For example, a retail development may show a net positive in terms of comparing probable revenues with the cost of services for that property, but it may also unexpectedly reduce sales tax revenues from neighboring businesses.

A further weakness is that the analysis only considers the impacts for the deciding agency. The development may

have impacts on neighboring jurisdictions that are not included. Finally, the analysis often does not account for cumulative impacts. For example, where a single development may only have a slight negative effect on a particular service, a series of similar developments may change the nature of the community and significantly impact revenues or expenditures.

Accordingly, a fiscal impact analysis is just a planning tool. It helps project the budgetary consequences and responsibilities of developing the community. As a planning commissioner, you should use the tool with the proverbial grain of salt and remember to balance the fiscal analysis with other community goals, like affordable housing and environmental protection. In the long run, a community needs a balance of uses—housing, retail, commercial, educational, parks, and open space—to be healthy, and seeking only revenue-maximizing projects will not help achieve this balance.

THINKING FISCALLY

The following questions are designed to help you determine what the fiscal impact of a project may be:

- Will service quality—like police or fire response time—be affected?
- Will new sources of revenue need to be identified to sustain the project?
- Are the costs that are being generated one-time costs or will they be ongoing?
- Do regulatory fees cover the ongoing costs?
- To what extent will development affect the budgets of other local agencies—like schools or special districts?
- Does the intended use of the new development (like number of workers or residents per household) match the underlying numbers used in the model?
- For businesses, will new employees be relocating to the community or commuting?
- Will new services be necessary?
- Will additional staff be required?
- Do the estimates reflect a typical year or do they need to be adjusted?
- Is there sufficient capacity to serve the development? What about the next development?

