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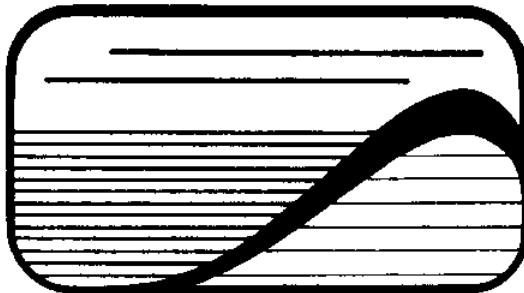
PREPUBLICATION DRAFT

LOCAL GOVERNMENT COSTS AND REVENUES ASSOCIATED
WITH IMPLEMENTING COASTAL PLAN POLICIES IN THE
HALF MOON BAY SUBREGION, CALIFORNIA.

George Goldman and David Strong

UNIVERSITY OF CALIFORNIA SEA GRANT COLLEGE PROGRAM

COASTAL ZONE MANAGEMENT RESEARCH



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LOCAL GOVERNMENT COSTS AND REVENUES ASSOCIATED WITH IMPLEMENTING
COASTAL PLAN POLICIES IN THE HALF MOON BAY SUBREGION, CALIFORNIA

APRIL 1976

UNIVERSITY OF CALIFORNIA, BERKELEY, COOPERATIVE EXTENSION

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Research funded by the University of California Sea Grant Program

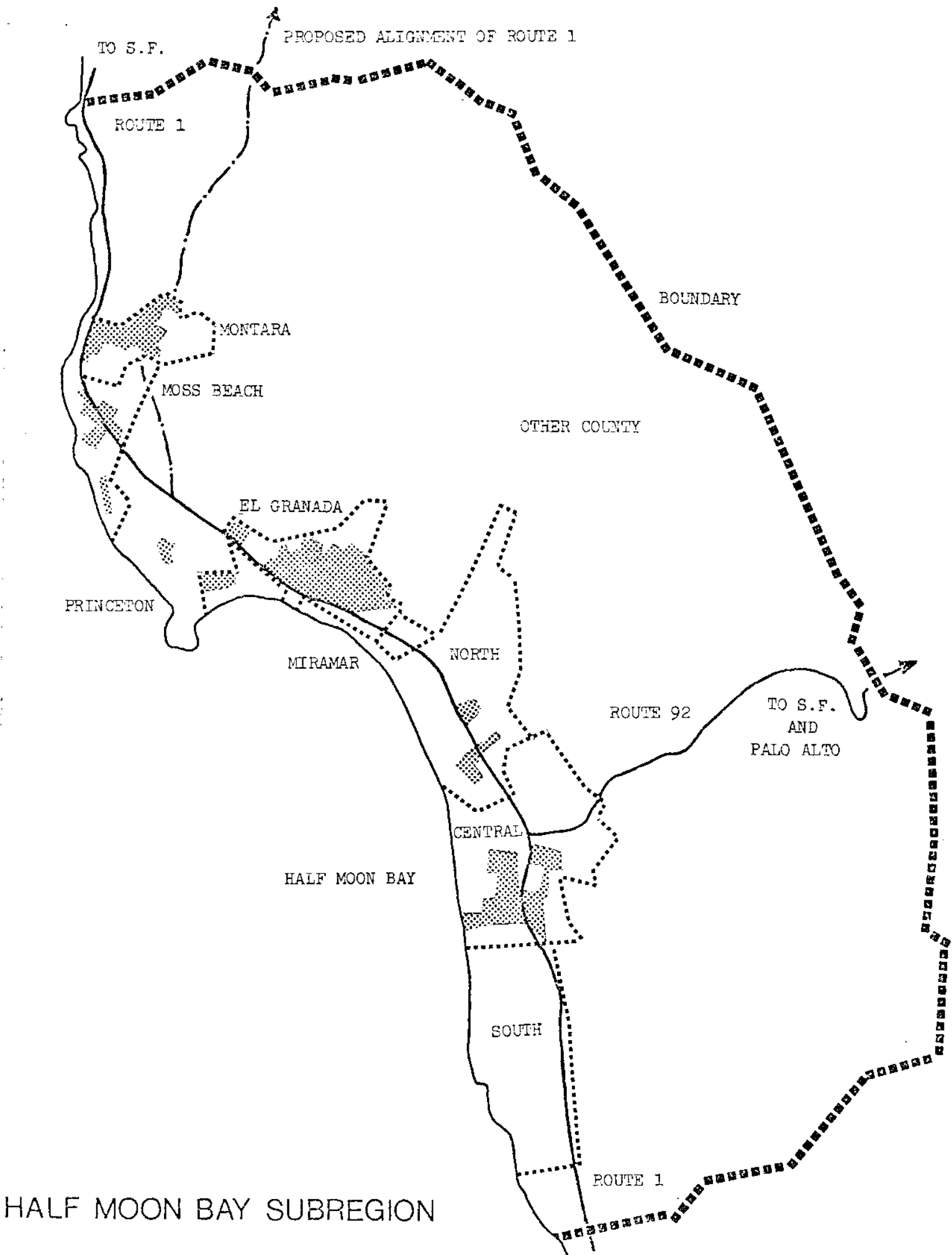
This summary report presents a condensation of the findings derived from the detailed cost/revenue analysis described in the full report. The full report is available on request from the Cooperative Extension.

Along with the environmental concerns of coastal planning have come concerns regarding economic impacts. One such concern is the fiscal effect of Coastal Plan implementation on local government units. This study evaluates these local fiscal impacts in one subregion on the coast, the Half Moon Bay area shown on the map on the following page. The Coastal Plan's effects on the private sector is the subject of another study currently underway for the Half Moon Bay subregion.¹

The 1974 population of the study area has been estimated at 13,590 which represents 2.4 percent of San Mateo County's population. The assessed valuation of 46 million dollars for the fifty-eight square mile area amounts to 2.0 percent of the county total. Key coastal issues in the subregion are maintenance of agricultural lands and increasing recreational opportunities.

The six land use alternatives chosen for study test the fiscal implications of several "growth scenarios," described in detail in the report "Land Use Development Alternatives for the Half Moon Bay Subregion" published by the Sea Grant project at the Institute of Urban and Regional Development, University of California at Berkeley. Four low and moderate growth alternatives are based upon policies of the Coastal Plan; two less restrictive alternatives represent the general plans of San Mateo County and the City of Half Moon Bay:

¹"Private Sector Impacts Associated with Implementing Coastal Plan Policies in the Half Moon Bay Subregion," U.C. Berkeley, Cooperative Extension. George Goldman and David Strong. May 1976.



| | Approximate Population Increase | Approximate Total Population |
|---------------------|------------------------------------|---------------------------------|
| Alternative 1 (1-C) | 1,400 | 15,000 |
| Alternative 2 (1-B) | 5,400 | 19,000 |
| Alternative 3 (1-A) | 10,400 | 24,000 |
| Alternative 4 (2-A) | 13,300 | 26,900 |
| Alternative 5 (4-B) | 40,500 | 54,100 |
| Alternative 6 (4-A) | 47,700 | 61,300 |

To evaluate the fiscal impacts of these alternative land use patterns, this study first identified the current revenues and expenditures associated with local agency services to property and people within the study area. The effect of population growth and land use changes on those costs and revenues were then determined. Finally, these cost and revenue factors were applied to the six alternatives. The following summarizes the information contained in the full report on this fiscal analysis.

EXISTING COSTS/REVENUES

Revenues and expenditures for governmental agencies come from or serve either property or people. Property related revenues can be further broken down by land uses: residential, commercial, agricultural, etc., with their different costs and revenues. People-related functions, such as schools, health care, welfare, police, sales taxes, etc., can be divided into three categories: non-student residents, students, and tourists.

The costs and revenues associated with recreational uses have been broken out from the normal agency costs for residents and property to try to assign costs fairly to each sector.

Although it is difficult to obtain definitive cost and revenue figures for recreational uses, based on reasonable assumptions with the available information, it appears that the costs and revenues to local governments in the study area essentially offset each other: revenues are estimated at \$65,133; expenditures at \$62,982.

After separating out the impact of tourists to the area, all of the revenues and expenditures of the various governmental agencies can be evaluated in relation to the resident or student population and property. For the nine relevant agencies, these operational revenues and expenditures are shown in the following table (Table 1).

As this table illustrates, the study area currently experiences a net loss of almost \$100,000. The net gain and loss of the two educational agencies are nearly offsetting, and, as previously noted, the revenues and expenses of the recreation sector are similarly counterbalanced. The main deficit is from the County government operation, indicating that, at the present time, the rest of the county is subsidizing the study area (2.4 percent of its population) by over \$7.00 per capita. The surplus of property tax income to pay people-related costs is not as great within the Half Moon Bay area as within the County as a whole.

FISCAL IMPACTS OF GROWTH

Both population and land use will be affected by the six alternative growth patterns being evaluated for the Half Moon Bay

Table One : Agency Revenues and Expenditures

| | Multiplier | | Estimated | | Difference |
|--|------------|-------------|--------------|--------------|--------------|
| | Revenue | Expenditure | Revenue | Expenditure | |
| San Mateo County Government 1973-74 | | | | | |
| Areas served: All | | | | | |
| A/V \$47,235,721 | \$ 2.33 | \$ 1.07 | \$ 1,100,592 | \$ 505,012 | \$ 595,580 |
| Population 13,590 | 125.21 | 176.10 | 1,701,604 | 2,393,199 | <691,595> |
| Recreation | 22,804 | 32,814 | 22,804 | 32,814 | <10,010> |
| County Total | | | \$ 2,825,000 | \$ 2,931,025 | \$ <106,025> |
| City of Half Moon Bay | | | | | |
| Fiscal year 1973-74 | | | | | |
| Areas served: HMB-North, Central, South | | | | | |
| A/V \$16,901,442 | \$ 2.29 | \$ 2.56 | \$ 387,724 | \$ 431,748 | \$ <44,024> |
| Population 5,454 | 26.81 | 20.96 | 146,195 | 114,324 | 31,871 |
| Recreation | 42,329 | 30,176 | 42,329 | 30,176 | 12,153 |
| City Total | | | \$ 576,248 | \$ 576,248 | \$ -0- |
| Cabrillo Unified School District 1973-74 | | | | | |
| Areas served: All (other County at 92% A/V) | | | | | |
| A/V \$46,458,450 | \$ 5.21 | | \$ 2,420,485 | | \$ 2,420,485 |
| ADA 3,289 | 441.11 | \$154.59 | 1,450,811 | 3,797,447 | <2,346,636> |
| School Total | | | \$ 3,871,296 | \$ 3,797,447 | \$ 73,849 |
| San Mateo Jr. College 1973-74 | | | | | |
| Areas served: All | | | | | |
| A/V \$47,235,721 | \$.665 | | \$ 314,047 | | \$ 314,047 |
| Population 13,590 | 12.43 | \$ 40.30 | 168,879 | 547,615 | <378,736> |
| Jr. College Total | | | \$ 482,926 | \$ 547,615 | \$ <64,689> |
| Half Moon Bay Fire 1973-74 | | | | | |
| Areas served: City of HMB, Princeton El Granada, Miramar, Other county (22%) | | | | | |
| A/V \$30,527,039 | \$ 1.05 | \$ 1.05 | \$ 320,534 | \$ 320,534 | -0- |
| Montara Point Fire 1973-74 | | | | | |
| Areas served: Montara, Moss Beach | | | | | |
| A/V \$8,823,707 | \$ 1.16 | \$ 1.16 | \$ 102,355 | \$ 102,355 | -0- |
| Coastside Water 1973-74 | | | | | |
| Areas served: City of HMB, Princeton El Granada, Miramar | | | | | |
| A/V \$30,484,142/\$27,390,034 | \$.354 | \$.394 | \$ 107,970 | \$ 107,970 | -0- |
| El Granada Sanitary District 1973-74 | | | | | |
| Areas served: Princeton, El Granada, Miramar, HMB, North (70%) | | | | | |
| A/V \$10,759,373/\$8,307,575 | \$ 1.15 | \$ 1.49 | \$ 123,577 | \$ 123,577 | -0- |
| Montara Sanitary District 1973-74 | | | | | |
| Areas served: Montara, Moss Beach | | | | | |
| A/V \$12,261,043/\$9,812,237 | \$.84 | \$ 1.05 | \$ 103,507 | \$ 103,507 | -0- |
| Total Area 1973-74 | | | | | |
| A/V | | | \$ 4,980,791 | \$ 1,694,703 | \$ 3,286,088 |
| Population | | | 2,016,678 | 3,055,138 | <1,038,460> |
| ADA | | | 1,450,811 | 3,797,447 | <2,346,636> |
| Recreation | | | 65,133 | 62,990 | 2,143 |
| Area Total | | | \$ 8,513,413 | \$ 8,610,278 | \$ <96,865> |

study area. For many governmental services, the costs and revenues associated with this growth will maintain the same relative proportions as at present.* It has been assumed that most of the per person and per \$100 assessed valuation costs and revenues will remain the same. The population is calculated based on the number of people and students per residential unit, based on existing proportions. The number of commercial and industrial parcels has also been assumed to maintain the same relative proportions to population as at present, except that the number of recreation-supported commercial parcels has been assumed to double for all six alternatives.

While the operating costs for both people and property-related services are assumed to maintain the same ratios, major capital expenditures would be incurred by water, waste-water treatment, and fire protection agencies, over and above their present budgets, as a result of population growth. In addition, the growth alternatives involve other marginal costs: recreation services and the fiscal effect of possible acquisitions. These additional ("marginal") costs are summarized for the six alternatives in Table 2.

New school construction would be absorbed by the State and by current operating costs. New road construction would also be involved with all but the most limited of the growth scenarios, but

* Similar to other fiscal studies, the assumptions are a major basis of the analysis. Every attempt has been made to be conservative and accurate in the formulation of assumptions based on the available data. Several sensitivity analyses were done to test alternative assumptions. These assumptions are described in detail in the full report.

Table 2
Marginal Costs, Recap by Alternative

| | Revenue \$ | Expenditure \$ | Net Excess: Revenue Exp. |
|---------------------|---------------|-------------------|--------------------------------|
| Alternative 1 (1-C) | | | |
| Recreation | 65,133 | 62,982 | 2,151 |
| Land Acquisition | | | (13,080) |
| Total | | | (10,929) |
| <hr/> | | | |
| Alternative 2 (1-B) | | | |
| Recreation | 65,133 | 62,982 | 2,151 |
| Land Acquisition | | | (2,048) |
| Total | | | 103 |
| <hr/> | | | |
| Alternative 3 (1-A) | | | |
| Recreation | 65,133 | 62,982 | 2,151 |
| Water | | 190,446 | (190,446) |
| Wastewater | | 337,544 | (337,544) |
| Total | | | (525,839) |
| <hr/> | | | |
| Alternative 4 (2-A) | | | |
| Recreation | 65,133 | 62,982 | 2,151 |
| Water | | 214,074 | (214,074) |
| Wastewater | | 408,606 | (408,606) |
| Total | | | (620,529) |
| <hr/> | | | |
| Alternative 5 (4-B) | | | |
| Recreation | 65,133 | 62,982 | 2,151 |
| Water | | 315,337 | (315,337) |
| Wastewater | | 657,323 | (657,323) |
| Total | | | (1,034,246) |
| <hr/> | | | |
| Alternative 6 (4-A) | | | |
| Recreation | 65,133 | 62,982 | 2,151 |
| Water | | 342,874 | (342,874) |
| Wastewater | | 723,944 | (723,944) |
| Fire | | 63,737 | (63,737) |
| Total | | | (1,128,404) |

it has been assumed that this cost would be borne by the State, from highway users' tax funds, and by private developers and would therefore not require local government revenues.

EVALUATION OF SIX ALTERNATIVES (OR CONCLUSIONS)

Generally the analysis indicates that the more growth there is, the more person public service costs tend to exceed government revenues. See Figure 1. The principal cause of this widening gap is the major capital cost of sewer and water improvement to serve a population exceeding 19,000 (see Figure 2). However, significant fiscal impacts can also be attributed to the land use mix of various alternatives. As a predominantly residential community, the study area experiences a deficit relative to the County. Unless the nature of the community changes substantially toward much greater commercial and industrial development or almost exclusive multi-family units discouraging children, per person costs will continue to exceed per person revenues. This net deficit could be met by increasing new development cost or by increasing property tax rates.

The study found no increase in the fiscal burden to local governments in the Half Moon Bay area as a result of applying the Coastal Plan policies. The two lower growth alternatives avoid the major expenses of sewer and water expansions. They reap a moderate benefit from increased recreation activity (especially from the businesses these support), while perhaps experiencing some losses if large-scale State acquisitions occur. There would continue to

Figure 1

NINE AGENCY AGGREGATE: REVENUES AND EXPENDITURES

Current Plus Six Growth Scenarios

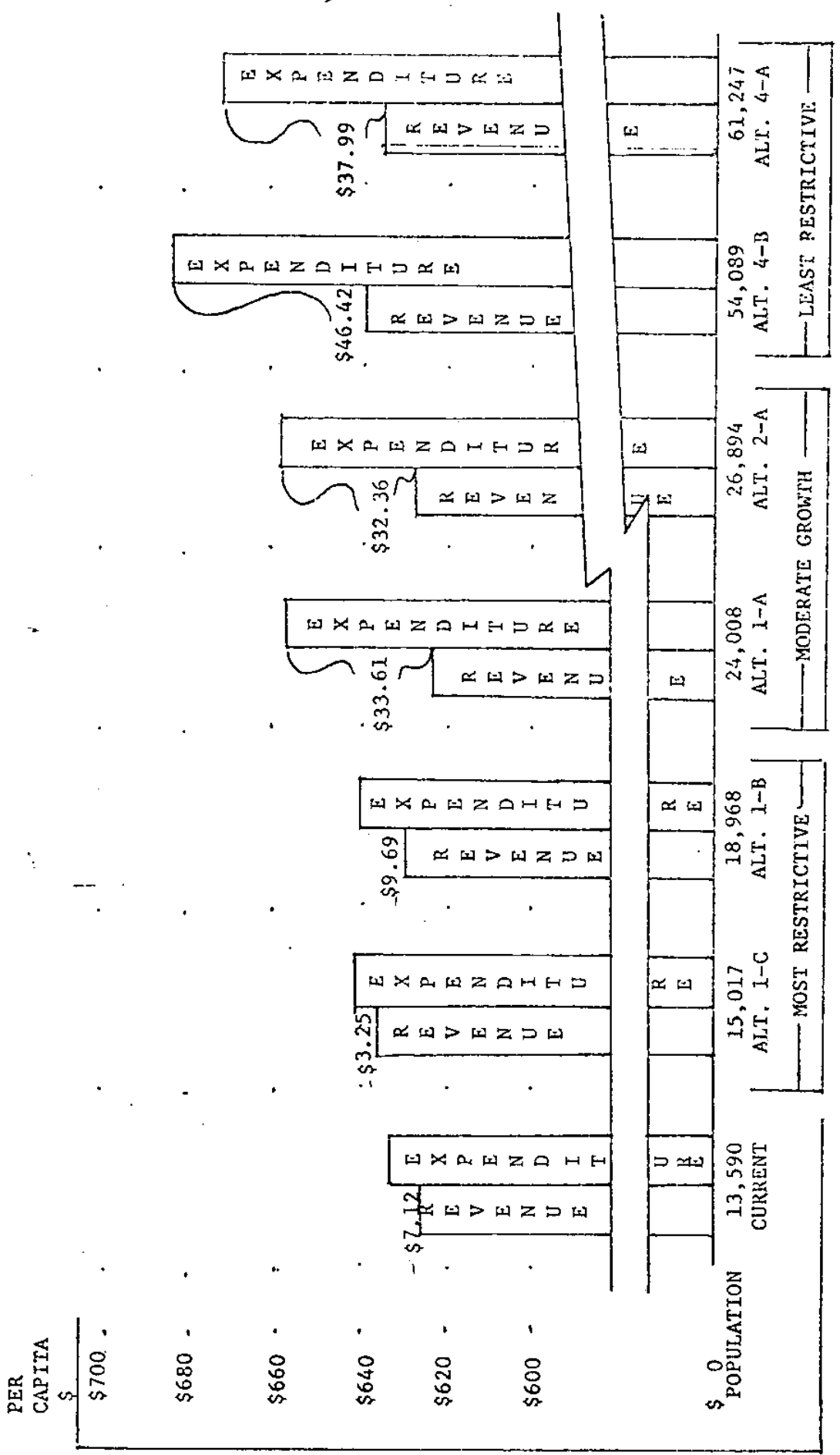
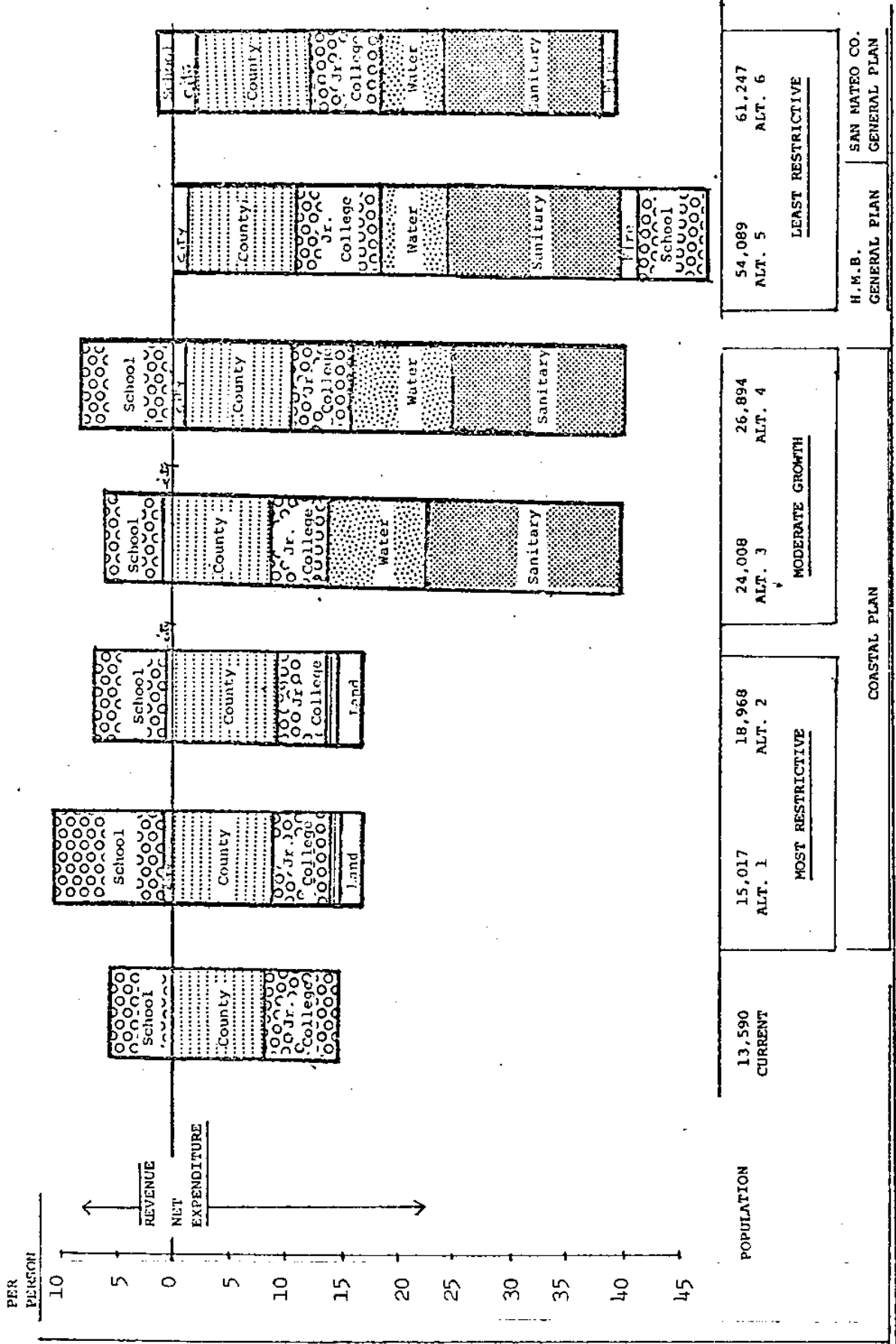


Figure 2: PER PERSON REVENUE LESS EXPENDITURE EQUALING NET: BY AGENCY

Current Plus Six Growth Scenarios



be a slight subsidy from the County at large to support a largely residential community, but the subsidy would not increase significantly. These alternatives would continue to take advantage of the fact that agricultural lands contribute to the tax base without contributing significantly to the costs of services or to student population. In contrast, considerable increase in the local fiscal burden would be experienced in any alternative exceeding 19,000 population (which allows for a 40 percent increase).

It is not known whether similar results regarding the increasing cost of serving larger population growth would hold true in other communities. It would depend on the nature of capital improvements required, as well as on the nature of the community and its land use mix. But the methodology of this study could provide a means for testing the fiscal effect of land use decisions in a variety of situations.

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