

DRAFT ECONOMIC ANALYSIS OF THE PROPOSED RINCON DEL RIO SENIOR HOUSING PROJECT IN NEVADA COUNTY, CALIFORNIA

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EXECUTIVE SUMMARY

PROJECT DESCRIPTION

Jim and Carol Young are proposing to build a Senior Living Retirement Community that will provide aging-in-place accommodations that emphasize choice, control, and continuity of life-long connections and activities while being situated in a rural environment. As such, the development will be an age-restricted senior development on a four parcel site totaling approximately 215 acres. Approximately 100 acres of the site will be reserved for open space recreational activities. The proposed project site is located east of Highway 49 along the Bear River and bounded by Connie Court to the west. The Bear River serves as the border between the southern portion of Nevada County and the northern portion of Placer County. The proposed project will contain a variety of housing types ranging from detached cottages, attached garden unit apartments, condominiums, and attached rental units and is projected to house 350 to 450 persons. The facilities and units are designed to provide a range of care levels from independent living, skilled nursing, assisted living and dementia care

This report provides an economic effect analysis addressing the effect of the proposed project on the County's jobs/housing balance, fiscal health, and income levels.

The current zoning for the site is Residential Agricultural (RA-3-PD), while the General Plan designation is Estate (EST) with a PD overlay, which implements Policy 1.5¹ to provide for developments where mixed uses are desirable. Under the density allowed by the General Plan, the zoning would permit up to 72 single family detached (SFD) low density homes on the site. This report provides a comparison of the fiscal effects of the two distinct development scenarios.

JOBS TO HOUSING BALANCE

When evaluating the effect of the proposed project on the jobs/housing balance, it is important to consider the underlying goal of providing employment opportunities for the local labor force. The project will create about 46 jobs for about 330-350 housing units (including group facility bedrooms), for a project ratio of 0.13 for every housing unit. However, because the proposed project is oriented to senior citizens, with a minimum age requirement of 55 years for housing residents (projected average age of 74), there will likely be no additional labor force added to western Nevada County as a result of the project. The project residents will likely be retired or will have a negligible effect on the local and regional workforce. The 46 jobs created on-site to service the senior facilities will be available for existing workers in the area. This would result in a marginal improvement in the ratio of jobs to employed residents in Western Nevada County.

¹ Nevada County General Plan 1996, Policy 1.5, Chapter 1, Page 21. Preparation assisted by Harland Bartholomew & Associates, Inc.

This beneficial effect of the project is further enhanced by the fact that as many as 60 to 70 percent of the project residents are already residents of Western Nevada County. Market demand for senior housing far exceeds supply in this area, so the project will not increase population nearly as much as a project that would primarily draw residents from outside the County.

Conversely, based on the average employees per household of 1.07² in Nevada County, the entitled 72 single family detached units will generate an additional demand for 77 regional jobs that will not be created on-site as a result of the single family housing units. In essence, the senior housing units generate additional housing on-site without adding to the demand for regional jobs, while the single family detached units generate additional demand for jobs regionally without creating additional jobs locally.

RETAIL SPENDING ANALYSIS

It is estimated that the residents of the project will annually spend \$4.6 million in a variety of commercial stores and businesses. Of the \$4.6 million, households will spend \$4.1 million (89 percent) at retail stores, with the balance of \$519,000 (11 percent) spent at select service businesses. Spending will also annually generate \$33,000 in gross retail sales tax and support about 12,900 square feet of building space.

Of the \$4.6 million in annual household spending at retail and select services stores, Grass Valley and Combie Road will capture \$852,000 and \$1.4 million respectively, or approximately 49 percent of total household spending. Auburn and Roseville will capture 38 percent and 13 percent of total spending. With respect to specific store types, Nevada County captures a greater share of spending in a number of instances. For example, of the \$771,000 in total food store spending by households, Grass Valley and Combie Road combined will capture \$470,000, or 61 percent of total food store spending. Similarly for household spending at eating and drinking places, Combie Road\Grass Valley will capture \$267,000 out of \$455,000 in total spending, or 59 percent. Sixty-nine percent of drug store spending will take place at Combie Road\Grass Valley. The analysis concludes that of the \$33,000 in annual gross retail sales tax generated by spending by the senior households, 45 percent (\$14,660) will accrue to jurisdictions in Nevada County, with nearly \$8,000 to the County General Fund and \$6,700 to the City of Grass Valley.

FISCAL EFFECT ANALYSIS

The fiscal effect of the potential 72 single family detached units under existing zoning is a net fiscal surplus, subsequent to the completion of the project, of approximately \$476,000 annually. Conversely, the Rincon del Rio project will generate a net fiscal surplus of approximately \$1.7 million annually. The major revenue generation category related to the developments, for both the single family lots and the senior housing units, comes from the

² U.S. Census 2006 American Community Survey workforce as a percentage of 2006 California Department of Finance housing units count.

property tax generated from the development. The county service costs relate to a number of County Departments ranging from criminal justice and public protection to roads and sanitation. The Rincon del Rio project plans to employ onsite security personnel and to maintain its own internal roads, as well as provide onsite health care. Therefore, its effect on these County services would be lower than a typical residential subdivision.

ECONOMIC MULTIPLIER ANALYSIS

This economic effects analysis considers that Rincon Del Rio's benefits are not limited to the activity that occurs on-site. Supplier relationships with other businesses that support facility operations, in addition to local household spending by residents and employees, create economic benefits for other businesses throughout Nevada County. The proposed Rincon Del Rio senior housing operation will directly account for approximately \$2.7 million of new economic activity annually. The annualized employment at the facility is equivalent to 46 full-time jobs, and these positions have an annual payroll of \$1.7 million. After accounting for the multiplier effects, Rincon Del Rio's overall benefit for the local economy totals \$4.7 million.

In addition to operational activities at the proposed Rincon Del Rio development, economic effects will also result during the construction phase. On an annualized basis, the construction phase (assumed to be two years) for this project will create about \$72 million in economic activity with 538 full-time jobs and a labor income of about \$31 million. Multiplier effects for the construction phase increase the annualized value of the economic activity to about \$113 million. These multipliers increase the employment creation to 966 jobs, with \$47 million of employee income.

JOBS TO HOUSING BALANCE

INTRODUCTION

A continued jobs to housing balance is essential to a socially, economically, and environmentally healthy environment. Achieving a better balance of incomes and home ownership opportunities is an important stated goal in Nevada County Policy 2.6 of the county's General Plan states:

“The County shall require an economic analysis as an integral part of all General Plan amendments, addressing the effect on the County Economic Policy and its supporting policies and programs. The analysis shall particularly address effects on the short-term and long-term jobs/housing balance including the land use designations of the General Plan intended to achieve a jobs/housing balance.”³

The State of California's goal is for every community to achieve a 1.5 jobs to housing ratio relationship, which is based on the statewide estimate that there is an average of 1.5 workers in every household. Theoretically, this ratio means that each resident in a community should be able to find a job in the community in which they reside, thereby reducing commuting and air quality effects and other environmental degradation as a result of residential and commercial sprawl. It is implied that communities with a jobs to housing ratio of less than 1.5 should try to attract more jobs, and communities with a jobs to housing ratio of greater than 1.5 should be developing more housing units. At this time the State's jobs to housing ratio goals are not mandates. Obvious distinctions between California communities indicates that the state jobs to housing ratio of 1.5 may or may not be attainable, and therefore should be viewed primarily as a benchmark for comparison.

SETTING

As this project site is located in the western portion of the county, and there are distinctive differences in the northeastern portion of the county, the analysis of population, housing, and jobs that are factored into the jobs to housing balance of the proposed project are focused on the five zip codes that comprise the primarily western Nevada county sub-areas shown Figure 1 below⁴.

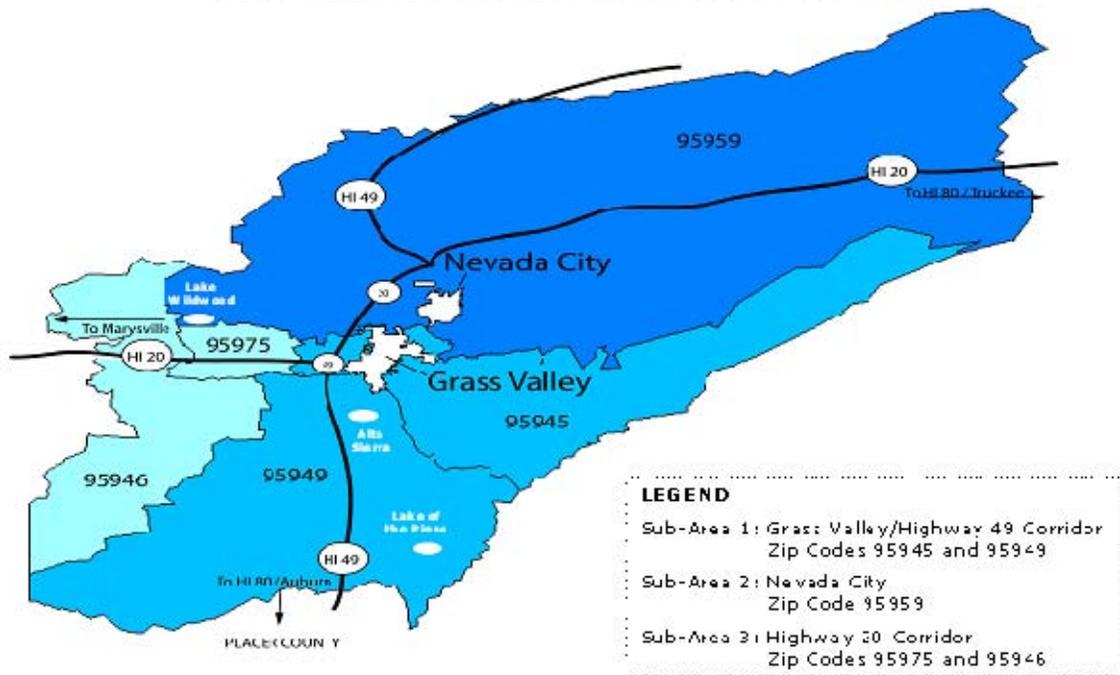
There are approximately 81,896 residents in the western Nevada County region, which represents approximately 82 percent of the County's total population of 99,186⁵ residents. Table 1 below indicates the estimated population growth for the western Nevada County sub-

⁴ In addition to the Lake of the Pines subdivision, this project site will be given the zip code designation of 95602. For analytical purposes the zip codes used in this analysis represent land located within the Nevada County boundaries, more so than the 95602 zip code which is primarily located in Placer County's jurisdiction, which represent a more appropriate comparison of the jobs and housing concentration in western Nevada County.

⁵ California Department of Finance, Table 2: E-5 City/County Population and Housing Estimates 1/1/2008.

areas shown in Figure 1 from 1990 to 2006. The greatest estimated annual population percentage growth from 1990 to 2006 occurred in the zip codes that contain the City of Grass Valley and the unincorporated growth areas in the County. The greatest net increase in residents came from the zip code areas where the Grass Valley/Highway 49 corridor sub-area resides, and grew by an estimated 8,900 new residents from 1990 to 2006. The western Nevada County area population grew by an estimated 13,100 new residents, or 1.2 percent, between 1990 and 2006.

**FIGURE 1
GRASS VALLEY AND WESTERN NEVADA COUNTY SUB-AREAS**



Source: ADE, Inc.

**TABLE 1
POPULATION GROWTH TRENDS WITHIN NEVADA COUNTY, 1990 - 2006**

	Population 1990	Population 2000	Population 2006	Population Change 1990-2006	Annual Growth Rate 1990-2006
Western Nevada County	68,432	76,412	81,596	13,164	1.2%
Grass Valley/Highway 49 Corridor Sub-Area [1]	42,131	47,743	51,039	8,908	1.3%
Grass Valley (City)	9,048	11,476	12,388	3,340	2.3%
Sub-Area Remainder	33,083	36,267	38,651	5,568	1.1%
Nevada City Sub Area [2]	16,856	18,279	19,452	2,596	1.0%
Nevada City (City)	2,855	3,001	3,186	331	0.7%
Sub-Area Remainder	14,001	15,278	16,266	2,265	1.0%
Highway 20 Corridor Sub-Area [3]	9,445	10,390	11,105	1,660	1.1%

Source: Applied Development Economics based on data from US Census, CA Department of Finance, and ADE zip code based estimates

Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

The growth in population likely resulted from an increase in job and residential development growth during the 1990 to 2006 period. With an annual growth rate of 1.9 percent, the greatest annual percentage increase in housing units came from the City of Grass Valley. The Grass Valley/Highway 49 corridor sub-area housing units increased by 6,721 units, or 1.3 percent, from 1990 to 2006, which represents the largest net increase in housing units of the areas examined. Table 2 below indicates the housing growth in the region from 1990 to 2006.

**TABLE 2
HOUSING GROWTH TRENDS WITHIN NEVADA COUNTY, 1990 - 2006**

	Housing Units 1990	Housing Units 2000	Housing Units 2006	Housing Unit Change 1990-2006	Annual Growth Rate 1990-2006
Western Nevada County	29,191	33,234	35,912	6,721	1.3%
Grass Valley/Highway 49 Corridor Sub-Area [1]	17,991	20,549	22,205	4,214	1.3%
Grass Valley (City)	4,385	5,266	6,000	1,615	1.9%
Sub-Area Remainder	13,606	15,283	16,320	2,714	1.1%
Nevada City Sub-Area [2]	7,061	8,093	8,797	1,736	1.3%
Nevada City (City)	1,399	1,415	1,432	33	0.1%
Sub-Area Remainder	5,662	6,678	7,345	1,683	1.6%
Highway 20 Corridor Sub-Area [3]	4,139	4,592	4,875	736	1.0%

Source: Applied Development Economics based on data from US Census, CA Department of Finance

Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Employment growth in the region varied slightly from the growth in population and housing. Table 3 below indicates the greatest average annual growth in employment occurred in the Highway 20 corridor sub-area. Given the relatively small number of jobs in that region, the large percentage job growth is likely the result of a significant one-time change at one facility or in one industry in that area during the 1997 to 2006 period. The largest increase in net employment came from the Grass Valley/Highway 49 corridor sub-area, likely the result of employment growth of 2,676 jobs in the City of Grass Valley.

**TABLE 3
EMPLOYMENT GROWTH TRENDS WITHIN WESTERN NEVADA COUNTY, 1997-2006**

	1997	2006	Change 1997-2006	Annual Growth Rate 1997-2006
Western Nevada County	19,936	24,562	4,626	2.6%
Grass Valley/Highway 49 Corridor Sub-Area [1]	12,635	16,510	3,875	3.4%
Grass Valley (City)	7,924	10,600	2,676	3.8%
Nevada City Sub-Area [2]	6,598	7,093	495	0.8%
Nevada City (City)	4,362	4,762	430	1.1%
Highway 20 Corridor Sub-area	703	959	256	4.0%

Source: Applied Development Economics; derived from U.S. Census and LMID.

Note: [1] includes zip code 95945, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Despite its policy to encourage a higher figure, the State of California has an estimated jobs to housing ratio of 1.3. Comparatively, with 24,516 jobs and 35,912 housing units, western Nevada County has a jobs to housing ratio of 0.7. Nearly 87 percent of the jobs are in the two

cities, but the cities have only 21 percent of the housing units. Grass Valley has a jobs to housing ratio of 1.8 and Nevada City has a jobs to housing ratio of 3.3. The low jobs to housing ratio for western Nevada County indicates that additional jobs should be created in the sub-areas of that region. In Grass Valley and Nevada City, the current ratio indicates that there are ample jobs for the housing units in those areas; therefore, there is a need for additional employment opportunities in the unincorporated area.

TABLE 4
JOBS-HOUSING BALANCE DATA IN GRASS VALLEY AND SURROUNDING REGION 2006

California Total	Jobs	Housing Units	Current Ratio	State HCD Goal
California Total	17,138,400	13,140,161	1.3	1.5
Nevada County Jurisdictions				
Western Nevada County	24,516	35,912	0.7	1.5
Grass Valley (City)	10,600	6,000	1.8	1.5
Nevada City	4,762	1,432	3.3	1.5

Source: Applied Development Economics; derived from U.S. Census and LMID.

Note: [1] includes zip code 95945, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

PROJECT EFFECTS

When evaluating the effect of the proposed project on the jobs/housing balance, it is important to consider the underlying goal of providing employment opportunities for the local labor force. The project will create about 46 jobs for 330 to 350 housing units, for a project ratio of about 0.13 for every housing unit. However, because the proposed project is oriented to senior citizens, with a minimum age requirement of 55 years and a projected average of about 74 years, there will likely be no additional labor force added to western Nevada County as a result of the project. The project residents will likely be retired or will have a negligible effect on the local and regional workforce. The 46 jobs created on-site to service the senior facilities will be available for existing workers in the area. This would result in a marginal improvement in the ratio of jobs to employed residents in Western Nevada County. As discussed in the next chapter, the indirect multiplier effects of the project would further improve the jobs housing balance in the area.

Further bolstering this beneficial effect of the project, market research indicates that as many as 60 to 70 percent of the project residents will be drawn from Western Nevada County. That is, the project is intended to serve existing Nevada County seniors who are interested in a long term housing and care facility bear their current residence. This further reduces the population growth effect of the project, although some backfilling of residents will occur in the existing units vacated by the seniors.

Conversely, based on the average employees per household of 1.07⁶ in Nevada County, the entitled 72 single family detached units will generate an additional demand for 77 regional jobs that will not be created on-site as a result of the single family housing units. In essence, the senior housing units generate additional housing on-site without adding to the demand for regional jobs, while the single family detached units generate additional demand for jobs regionally without creating additional jobs locally.

⁶ U.S. Census 2006 American Community Survey workforce as a percentage of 2006 California Department of Finance housing units count.

ECONOMIC MULTIPLIER ANALYSIS

DEFINITIONS

This economic effects analysis considers that Rincon Del Rio's benefits are not limited to the activity that occurs on-site. In order to operate, Rincon Del Rio needs to initiate supplier relationships with other businesses. In addition, the workers will create economic activity through household spending. A fuller documentation of how a business economically affects a geographic area needs to account for how these supplier relationships and household spending by estimating their economic multipliers.

The economic effects in the analysis are divided into include two distinct phases:

- Ongoing economic effects represent all of the economic activities that will be generated annually by the Rincon Del Rio business operations. These effects also account for economic activity generated through buyer-supplier relationships with other Nevada County businesses, and the household spending generated through new employment.
- Construction phase effects represent all of the economic activity that is generated while the Rincon Del Rio development is under construction. These effects also account for supplier relationships with other Nevada County businesses, and spending by the workers employed during the construction phase.

The analysis calculated the multiplier effects based on three economic measures – employment, industry output, and employee compensation. These measures are defined as follows:

- Employment indicates the number of jobs created at Rincon Del Rio, and elsewhere in Nevada County as a result of the development's ongoing operations.
- Industry output represents the value of all economic activity generated by Rincon Del Rio. This activity includes all commodity inputs, labor income, property income, and other value added components. Output also includes the value of commodities produced by supplier businesses and demand created by local workers.
- Employee compensation represents the income generated through payroll.

The multiplier effects for these measures come from the Type II multipliers. These multipliers include the direct, indirect, and induced effects. These multiplier descriptions are as summarized below.

- Direct effects represent the jobs and other economic effects that are directly generated through Rincon Del Rio's business operations.

- Indirect effects represent the jobs and other economic effects that would be generated elsewhere in Nevada County as a result of supplier. Suppliers would include any vendor of consumables and durable goods, and service providers.
- Induced effects represent the economic effects that will be generated through household purchases made in Nevada County as a result of employee spending. These induced effects most typically occur in retail and other local-serving industry categories such as personal services, education, and health care.

SUMMARY OF RINCON DEL RIO OPERATIONAL EFFECTS

The proposed Rincon Del Rio senior housing operation will directly account for approximately \$2.7 million of direct economic activity annually. This industry output represents the combined value of the development’s commodity purchases, employee payroll, proprietor income, property income, profit margins, and taxes.

The annualized employment at the facility is equivalent to 46 full-time jobs, and these positions have an annual payroll of \$1.7 million. After accounting for the multiplier effects, Rincon Del Rio’s overall effect on the local economy totals \$4.7 million.

**TABLE 5
SUMMARY OF ANNUAL ECONOMIC EFFECTS FROM RINCON DEL RIO
DEVELOPMENT**

Economic Effect	Direct Effects	Indirect Effects	Induced Effects	Total
Industry Output	\$2,728,509	\$607,171	\$1,358,739	\$4,694,420
Employment	46	7	14	67
Employee Compensation	\$1,740,342	\$202,922	\$541,049	\$2,484,313

Source: ADE, Inc., data from IMPLAN input-output model

Notes: Direct effects result from the proposed Rincon Del Rio senior housing operation. Indirect effects result from supplier purchases made through other Nevada County businesses to support facility operations. Induced effects result from increased demand for local-serving retail and services in Nevada County by the new employees.

The industry output reflects the sum of the estimated commodity inputs that business operations by companies included in the analysis would require on an annual basis and the value added (includes labor income, property income, and indirect business taxes).

Employment represents one full-time equivalent position.

Employee compensation includes wage and salary income, as well as self-employment income.

The indirect economic activity resulting from supplier purchases with various supplier businesses and service providers totals over \$607,000 annually. This indirect industry output represents the estimated economic benefit to other businesses throughout Nevada County. Any supplier relationships that cannot be accommodated through other businesses in Nevada County would need to be imported from outside of the region. The other indirect economic effects include 7 jobs with nearly \$203,000 million in labor income.

Among these indirect economic effects, as shown in Table 6 the individual industries supported most prominently by Rincon Del Rio’s potential operational expenses are administrative support services, food service, real estate, professional services, public services, and construction. Rincon Del Rio creates over \$20,000 in demand for each of these industries in Nevada County. In administrative support services alone, business relationships with Rincon Del Rio support 2.0 off-site jobs with a payroll of nearly \$46,000.

**TABLE 6
INDIRECT ECONOMIC EFFECTS OF RINCON DEL RIO DEVELOPMENT**

Industry by NAICS Code	Industry Output	Employment	Employee Compensation
561 Admin Support Services	\$95,197	2.0	\$45,989
722 Food Service	\$72,162	1.4	\$25,028
531 Real Estate	\$142,207	0.9	\$23,352
541 Professional & Technical Services	\$59,490	0.5	\$25,409
92 Public Sector	\$25,398	0.2	\$9,995
230 Construction	\$20,048	0.2	\$8,358
541 Legal Services	\$17,603	0.2	\$8,946
523 Securities & Other Financial	\$14,004	0.1	\$6,439
42 Wholesale Trade	\$13,630	0.1	\$5,147
721 Accommodations	\$7,681	0.1	\$2,569
491 Postal Service	\$5,414	0.1	\$4,020
812 Personal Services	\$5,265	0.1	\$1,097
711 Entertainment	\$4,747	0.1	\$1,908
485 Transit & Ground Transportation	\$3,957	0.1	\$1,607
All Other Industries	\$120,366	0.6	\$33,057
TOTAL	\$607,171	6.7	\$202,922

Source: ADE, Inc., data from IMPLAN input-output model.

Notes: Indirect effects result from supplier purchases made through other Nevada County businesses to support facility operations.

The industry output reflects the sum of the estimated commodity inputs that business operations by companies included in the analysis would require on an annual basis and the value added (includes labor income, property income, and indirect business taxes).

Employment represents one full-time equivalent position.

Employee compensation includes wage and salary income, as well as self-employment income.

Employees will also make purchases of household goods and services. These induced effects contribute an economic value of about \$1.4 million to the Nevada County economy. This equals about 14 jobs and \$541,000 in labor income for the local-serving business sectors in the county. Much of the value in the induced economic effects is with health care, public services (including public K-12 schools), food service, admin support services, real estate, and various retail and local-serving service categories (See Table 7).

**TABLE 7
INDUCED ECONOMIC EFFECTS OF RINCON DEL RIO DEVELOPMENT**

Industry by NAICS Code	Industry Output	Employment	Employee Compensation
62 Health Care	\$196,612	1.8	\$111,928
92 Public Sector	\$243,003	1.6	\$95,631
722 Food Service	\$80,115	1.5	\$27,786
561 Admin Support Services	\$28,849	0.6	\$13,936
531 Real Estate	\$82,607	0.5	\$13,565
711 Entertainment	\$29,581	0.5	\$11,890
541 Professional & Technical Services	\$54,186	0.5	\$23,143
62 Nursing and residential care	\$27,038	0.5	\$17,245
445 Food Stores	\$31,427	0.4	\$14,476
454 Non-Store Retailers	\$22,358	0.4	\$4,632
624 Social assistance, except day care	\$13,469	0.4	\$8,017
82 Non-Profit Organizations	\$24,048	0.4	\$10,602
611 Educational Services	\$13,275	0.4	\$6,903
812 Personal Services	\$24,955	0.4	\$5,202
814 Private households	\$4,544	0.4	\$5,261
453 Misc Retailers	\$9,906	0.3	\$5,334
524 Insurance Carriers	\$48,178	0.3	\$17,879
All Other Industries	\$424,591	3.6	\$147,617
TOTAL	\$1,358,739	14.5	\$541,049

Source: ADE, Inc., data from IMPLAN input-output model

Notes: Induced effects result from increased demand for local-serving retail and services in Nevada County by the new employees.

The industry output reflects the sum of the estimated commodity inputs that business operations by companies included in the analysis would require on an annual basis and the value added (includes labor income, property income, and indirect business taxes).

Employment represents one full-time equivalent position.

Employee compensation includes wage and salary income, as well as self-employment income.

SUMMARY OF CONSTRUCTION PHASE EFFECTS

In addition to operational activities at the proposed Rincon Del Rio development, effects will also result during the construction phase. Assuming a two-year construction period, this phase will have an estimated annual budget of \$72 million. On an annualized basis, the construction phase for this project will create about 538 full-time jobs, with a labor income of about \$31 million (See Table 8). Multiplier effects for the construction phase effects increase the annualized value of the economic activity to about \$113 million. These multipliers increase the employment effect to 966 jobs, with \$47 million of employee income.

**TABLE 8
SUMMARY OF ANNUAL ECONOMIC EFFECTS FROM RINCON DEL RIO
DEVELOPMENT CONSTRUCTION PHASE**

Economic Effect	Direct Effects	Indirect Effects	Induced Effects	Total
Industry Output	\$72,000,000	\$15,387,791	\$25,868,759	\$113,256,551
Employment	538	152	275	966
Employee Compensation	\$31,271,317	\$5,726,070	\$10,300,919	\$47,298,307

Source: ADE, Inc., data from IMPLAN input-output model

Notes: Effect calculations assume that the construction phase will last two years.

Direct effects result from the construction of the proposed Rincon Del Rio development. Indirect effects result from supplier purchases made through other Nevada County businesses to support construction operations. Induced effects result from increased demand for local-serving retail and services in Nevada County by the new employees.

The industry output reflects the sum of the estimated commodity inputs that business operations by companies included in the analysis would require on an annual basis and the value added (includes labor income, property income, and indirect business taxes).

Employment represents one full-time equivalent position.

Employee compensation includes wage and salary income, as well as self-employment income.

Among the detailed indirect economic effects, as shown in Table 9, the individual supplier industries most prominently supported by construction activity at Rincon Del Rio are professional services, administrative support services, retail stores, real estate, wood products, and wholesale trade.

**TABLE 9
INDIRECT ANNUAL ECONOMIC EFFECTS OF RINCON DEL RIO DEVELOPMENT CONSTRUCTION PHASE**

Industry by NAICS Code	Industry Output	Employment	Employee Compensation
541 Professional & Technical Services	\$4,797,322	43.2	\$2,048,983
561 Admin Support Services	\$1,179,220	25.2	\$569,671
454 Non-Store Retailers	\$378,801	6.5	\$78,480
445 Food Stores	\$458,293	6.1	\$211,097
453 Misc Retailers	\$144,259	5.0	\$77,686
531 Real Estate	\$753,464	5.0	\$123,725
321 Wood Products	\$824,206	4.0	\$223,789
441 Motor Vehicle & Parts Dealers	\$442,066	4.0	\$206,960
42 Wholesale Trade	\$622,453	3.8	\$235,076
444 Building Materials and Garden Supplies	\$381,992	3.6	\$152,174
484 Truck Transportation	\$386,080	3.4	\$124,421
446 Health & Personal Care Stores	\$216,306	3.2	\$101,338
448 Clothing Stores	\$196,571	2.7	\$63,459
452 General Merchandise Stores	\$145,525	2.7	\$61,367
451 Sporting Goods, Hobbies, Books & Music Stores	\$103,727	2.5	\$42,408
532 Rental & Leasing Services	\$181,391	2.3	\$53,770
524 Insurance Carriers	\$332,665	2.2	\$123,455
82 Non-Profit Organizations	\$113,450	2.0	\$50,017
All Other Industries	\$3,730,003	25.4	\$1,178,195
TOTAL	\$15,387,791	152.5	\$5,726,070

Source: ADE, Inc., data from IMPLAN input-output model.

Notes: Indirect effects result from supplier purchases made through other Nevada County businesses to support construction operations.

The industry output reflects the sum of the estimated commodity inputs that business operations by companies included in the analysis would require on an annual basis and the value added (includes labor income, property income, and indirect business taxes).

Employment represents one full-time equivalent position.

Employee compensation includes wage and salary income, as well as self-employment income.

Effect calculations assume that the construction phase will last two years.

With the detailed induced effect categories, the most prominent local-serving industries supplied locally within Nevada County include health care, public services, food service, admin support services, entertainment, real estate, and professional services. As with the induced effects from ongoing operations, the induced effects from the construction phase generally include those types of business sectors with significant activity within Nevada County, and include a high local purchase component.

TABLE 10
INDUCED ANNUAL ECONOMIC EFFECTS OF RINCON DEL RIO DEVELOPMENT
CONSTRUCTION PHASE

Industry by NAICS Code	Industry Output	Employment	Employee Compensation
62 Health Care	\$3,743,249	34.6	\$2,130,966
92 Public Sector	\$4,626,493	29.9	\$1,820,704
722 Food Service	\$1,525,291	29.0	\$529,013
561 Admin Support Services	\$549,245	11.7	\$265,336
711 Entertainment	\$563,184	10.6	\$226,372
531 Real Estate	\$1,572,736	10.4	\$258,257
541 Professional & Technical Services	\$1,031,630	9.4	\$440,620
62 Nursing and residential care	\$514,760	8.6	\$328,333
445 Food Stores	\$598,327	7.9	\$275,600
82 Non-Profit Organizations	\$457,839	7.7	\$201,847
454 Non-Store Retailers	\$425,671	7.2	\$88,191
611 Educational Services	\$252,727	7.2	\$131,425
624 Social assistance- except child care	\$256,432	7.2	\$152,640
814 Private households	\$86,503	7.2	\$100,157
812 Personal Services	\$475,123	7.0	\$99,036
453 Misc Retailers	\$188,599	6.7	\$101,565
524 Insurance Carriers	\$917,253	6.1	\$340,402
441 Motor Vehicle & Parts Dealers	\$581,940	5.0	\$272,446
523 Securities & Other Financial	\$538,862	4.1	\$247,774
42 Wholesale Trade	\$651,242	4.0	\$245,948
444 Building Materials and Garden Supplies	\$422,368	4.0	\$168,259
811 Auto Services	\$320,953	4.0	\$120,247
448 Clothing Stores	\$276,570	3.8	\$89,285
721 Accommodations	\$298,672	3.8	\$99,891
All Other Industries	\$4,993,085	38.0	\$1,566,612
TOTAL	\$25,868,759	275.2	\$10,300,919

Source: ADE, Inc., data from IMPLAN input-output model

Notes: Induced effects result from increased demand for local-serving retail and services in Nevada County by the new employees.

The industry output reflects the sum of the estimated commodity inputs that business operations by companies included in the analysis would require on an annual basis and the value added (includes labor income, property income, and indirect business taxes).

Employment represents one full-time equivalent position.

Employee compensation includes wage and salary income, as well as self-employment income.

Effect calculations assume that the construction phase will last two years.

RETAIL SPENDING ANALYSIS

INTRODUCTION

This section of the report analyzes potential spending by households who will live in the project at build-out. The discussion begins with an overview of households who will live in the project. Following this, we report on households' gross spending by retail store types, including analyses on gross potential sales taxes and gross supportable square feet. We include data on spending at a number of professional, personal, recreational, and other services. Finally, this section analyzes how much spending will occur in Nevada County as opposed to places outside of the County.

The results of the analysis indicate that the project would add several million dollars in revenues to local retail and service businesses in Nevada County, also increasing sales tax revenues for County government.

OVERVIEW OF HOUSEHOLDS

On a preliminary basis, project proponents indicate that the average income of households living in the project will be \$50,000. About 30 percent of the project residents will live in group care facilities and will likely have minimal outside spending for retail items. In order to determine the income distribution for the remaining residents, we examined income characteristics for active-senior communities in Roseville, California and Sun City West, Arizona. Table 11 below distributes the 240 active senior households who will live in independent units in the project by income brackets. On average, these households will earn \$50,300 in income. Of the 240, 19 households (eight percent) will have incomes above \$100,000, 71 households (30 percent) will have incomes between \$50,000 and \$99,999, with the remaining 150 households below \$50,000.

TABLE 11
PROJECT HOUSEHOLDS BY INCOME GROUP

	Number	Percentage	Average Income
Under \$20,000	39	16%	\$13,979
\$20,000 to \$29,999	33	14%	\$25,060
\$30,000 to \$39,999	37	15%	\$35,108
\$40,000 to \$49,999	41	17%	\$45,049
\$50,000 to \$69,999	38	16%	\$59,246
\$70,000 to \$99,999	33	14%	\$83,750
\$100,000 to \$119,999	7	3%	\$110,000
\$120,000 to \$149,999	7	3%	\$133,913
\$150,000 and Over	5	2%	\$184,000
Total Households	240	100%	\$50,300

Source: U.S. Census

RETAIL\SELECT SERVICES SPENDING, GROSS POTENTIAL SALES TAXES, AND SUPPORTABLE SQUARE FEET

Table 12 below identifies household spending in 32 retail and select services store categories. In analyzing potential spending, the analysis utilizes the United States Bureau of Labor Statistics' (US BLS) consumer spending data for seniors because this age group exhibits different spending characteristics for a number of retail goods relative to young and middle-age adults. The report also segregates consumer spending data by income, on the grounds that seniors in one income bracket will exhibit different spending characteristics relative to seniors in other income brackets. As Table 12 shows, the 240 households will annually spend an estimated \$4.6 million in commercial stores and service businesses. Of the \$4.6 million, households will spend \$4.1 million (89 percent) at retail stores, with the balance of \$519,000 (11 percent) spent at selected service businesses. Spending will also annually generate about \$33,000 in gross sales tax and support 12,900 square feet of retail and services building space in existing or new commercial centers off-site.

CONSUMER SPENDING AND SALES TAX IN NEVADA COUNTY

Since the project lies in close proximity to the City of Auburn (Placer County) to the south, there is a possibility that households living in the project will purchase goods and services outside of Nevada County, resulting in a loss of sales taxes to Nevada County. This section analyzes potential spending and sales tax that will remain in Nevada County. We begin by describing nearby retail centers, such as Auburn and two other areas in Nevada County, Combie Road, and Grass Valley. Then, we distribute spending to these three areas, as well as to areas outside of the region such as Roseville.

We describe the retail conditions at Combie Road, Grass Valley, and Auburn on the grounds that, all things being equal, households tend to shop at sites that are closest to them, and the greater the amount and quality of shops, the greater the probability that households will shop at sites closest to them. With data such as the distance between the proposed project site and existing retail centers and amount of sales generated by retail centers, we can calculate probabilities that project households will shop in various locations.

Combie Road is very near the project site, only 1.75 miles away. In addition to a number of professional and medical services, Combie Road has a grocery store (Holiday Market), a new Longs Drugs Store, an ACE Hardware Store, several gas stations, and eating places such as Round Table Pizza, Northridge Restaurant, Hunan Restaurant, and a Starbucks coffee shop, to name just a few. Combie Road boasts a number of neighborhood shopping centers, including a well-designed center that is relatively new, which is also in close proximity to a relatively new office complex. The various retail centers at Combine Road generate an estimated \$31.9 million in sales.

Auburn is eight miles to the south of the project, and retailers there in aggregate generate \$486.9 million in sales. Fourteen miles to the north, Grass Valley annually generates \$487.4 million in sales. Table 13 summarizes the existing conditions in the three retail centers. We

use data in the table to generate probabilities as to where project area households will shop and spend their money.

**TABLE 12
PROJECT RETAIL AND SELECT SERVICES SPENDING, INCLUDING POTENTIAL GROSS SALES
TAXES AND GROSS SUPPORTABLE SQUARE FEET**

		Gross Demand	Gross Sales Tax	Gross Supportable Square Feet
Total (Retail and Select Services)		\$4,660,928	\$32,998	12,366
	<i>Retail</i>	<i>\$4,141,888</i>	<i>\$32,929</i>	<i>7,456</i>
	<i>Select Services</i>	<i>\$519,040</i>	<i>\$68</i>	<i>4,909</i>
1	Apparel Store Group	\$140,880	\$1,409	390
	General Merchandise Group	\$825,920	\$6,278	1,760
2	Department Stores/Other General Merch.	\$564,560	\$5,301	1,350
3	Drug & Proprietary Stores	\$261,360	\$978	410
4	Specialty Retail Group	\$259,840	\$2,598	857
	Food, Eating & Drinking Group	\$1,282,528	\$6,512	3,365
	Grocery Stores	\$780,072	\$2,150	2,030
5	Supermarkets	\$751,280	\$1,983	1,944
6	Convenience Stores	\$28,792	\$167	86
7	Specialty Food Stores	\$20,280	\$117	48
8	Liquor Stores	\$27,256	\$268	0
	Eating Places	\$454,920	\$4,094	1,336
9	Full-Service Restaurants	\$292,800	\$2,635	914
10	Other Eating Places	\$150,160	\$1,351	396
11	Drinking Places	\$11,960	\$108	25
	Building Materials & Home Furnishings Group	\$426,304	\$4,258	554
12	Furniture & Home Furnishings	\$112,080	\$1,118	427
13	Household Appliances & Electronics	\$60,544	\$605	127
14	Home Centers & Hardware Stores	\$253,680	\$2,534	0
	Automotive Group	\$1,206,416	\$11,756	531
15	New Cars & RVs	\$756,000	\$7,560	0
16	Gasoline Service Stations	\$406,080	\$3,753	329
17	Auto Parts & Accessories	\$44,336	\$443	202
	Professional Services Group	\$33,752	\$0	122
18	Legal Services	\$20,352	\$0	60
19	Accounting Services	\$13,400	\$0	62
	Medical Services Group	\$130,296	\$0	445
20	Physician Services	\$51,168	\$0	149
21	Dental Services	\$56,288	\$0	174
22	Eyecare & Other Medical Services	\$22,840	\$0	122
	Personal Services Group	\$110,568	\$0	452
23	Personal Care Services	\$68,984	\$0	362
24	Dry Cleaning\Coin-Op Laundry	\$15,264	\$0	0
25	Pet Care	\$26,320	\$0	90
	Select Entertainment & Recreation	\$62,800	\$0	574
26	Recreational\Exercise\Memberships	\$33,216	\$0	415
27	Video Rental	\$2,880	\$0	29
28	Movie\Live Arts	\$22,544	\$0	131
29	Sporting Events	\$4,160	\$0	0
30	Mail & Delivery Services	\$34,176	\$68	2,136
	Select Repair Services	\$147,448	\$0	1,179
31	Auto Repair\Auto Body Repair	\$134,320	\$0	1,074
32	Appliance \ Electric Repair	\$13,128	\$0	105

Source: ADE, Inc.

Of the \$4.6 million in annual household spending at retail and select services stores we estimate that Grass Valley and Combie Road will capture \$852,000 and \$1.4 million, respectively, or approximately 49 percent of total household spending. We estimate that Auburn and Roseville will capture 38 percent and 13 percent of total spending, respectively. When examining the results by specific store types, Nevada County captures a greater share of spending in a number of instances.

TABLE 13
RETAIL CENTERS: GRASS VALLEY, COMBIE ROAD, AND AUBURN

	Grass Valley (14 mi.)	Combie Road (1.75 mi.)	Auburn (8 mi.)
Apparel	\$9,100,000	\$0	\$3,300,000
General Merchandise	\$82,000,000	\$7,300,000	\$87,000,000
General Merchandise	\$49,000,000	\$0	\$50,000,000
Drug Stores	\$33,000,000	\$7,300,000	\$37,000,000
Food Stores	\$81,500,000	\$8,150,000	\$78,500,000
Food stores	\$77,000,000	\$7,400,000	\$71,000,000
Convenience stores	\$4,500,000	\$750,000	\$7,500,000
Eating & Drinking Places	\$42,170,000	\$2,100,000	\$25,460,000
Home Furnishings & Appliances	\$17,890,000	\$0	\$5,700,000
Building Materials	\$60,180,000	\$7,800,000	\$13,900,000
Motor Vehicles & parts	\$86,690,000	\$0	\$41,060,000
Service stations	\$39,450,000	\$4,300,000	\$33,720,000
Other retail stores	\$68,460,000	\$2,200,000	\$198,200,000
RETAIL	\$487,440,000	\$31,850,000	\$486,840,000

Source: ADE, Inc. and BOE.

For example, of the \$771,000 in total food store spending by households, Grass Valley and Combie Road combined will capture \$470,000, or 61 percent of total food store spending. Similarly for household spending at eating and drinking places, Combie Road\Grass Valley will capture \$267,000 out of \$455,000 in total spending, or 59 percent. Sixty-nine percent of drug store spending will take place at Combie Road\Grass Valley.

The analysis concludes that of the \$33,000 in annual gross retail sales tax generated by spending by the senior households, 45 percent (\$14,660) will accrue to jurisdictions in Nevada County, with nearly \$8,000 to the County General Fund and \$6,700 to the City of Grass Valley. Table 15 breaks down sales taxes by specific store types as well.

**TABLE 14
PROJECT AREA SPENDING: GRASS VALLEY, COMBIE ROAD, AND AUBURN**

	Gross Project Area Spending	Outside Region: Roseville and Beyond (15%)	Grass Valley (14 mi.)	Combie Road (1.75 mi.)	Auburn (8 mi.)	Nevada County Capture
Total Retail and Services	\$4,660,928	\$621,392	\$851,963	\$1,421,115	\$1,766,567	49%

Spending By Retail Store Types	Gross Project Area Spending	Outside Region: Roseville and Beyond (15%)	Grass Valley (14 mi.)	Combie Road (1.75 mi.)	Auburn (8 mi.)	Nevada County Capture
Apparel	\$140,880	\$21,136	\$56,919	\$0	\$62,829	40%
General Merchandise	\$825,920	\$123,928	\$128,346	\$168,898	\$404,789	36%
General Merchandise	\$564,560	\$84,720	\$116,334	\$0	\$363,542	21%
Drug Stores	\$261,360	\$39,208	\$12,012	\$168,898	\$41,246	69%
Food Stores	\$800,352	\$120,080	\$67,327	\$419,522	\$193,451	61%
Food stores	\$771,560	\$115,760	\$65,867	\$403,961	\$185,998	61%
Convenience stores	\$28,792	\$4,320	\$1,460	\$15,561	\$7,452	59%
Eating & Drinking Places	\$454,920	\$68,240	\$64,823	\$202,007	\$119,852	59%
Home Furnishings & Appliances	\$172,624	\$25,896	\$74,467	\$0	\$72,263	43%
Building Materials	\$253,680	\$38,056	\$21,669	\$178,629	\$15,329	79%
Motor Vehicles & parts	\$800,336	\$120,080	\$277,594	\$0	\$402,691	35%
Service stations	\$406,080	\$60,912	\$32,602	\$227,220	\$85,346	64%
Other retail stores	\$287,096	\$43,064	\$20,530	\$41,452	\$182,050	22%
RETAIL	\$4,141,888	\$621,392	\$744,276	\$1,237,728	\$1,538,601	48%

Spending by Services Store Types	Gross Project Area Spending	Outside Region: Roseville and Beyond (15%)	Grass Valley (14 mi.)	Combie Road (1.75 mi.)	Auburn (8 mi.)	Nevada County Capture
Professional Services Group	\$33,752	\$0	\$7,003	\$11,925	\$14,824	56%
Medical Services Group	\$130,296	\$0	\$27,033	\$46,036	\$57,227	56%
Personal Services Group	\$110,568	\$0	\$22,940	\$39,066	\$48,562	56%
Select Entertainment & Recreation	\$62,800	\$0	\$13,029	\$22,188	\$27,582	56%
Mail and Delivery Services	\$34,176	\$0	\$7,091	\$12,075	\$15,010	56%
Select Repair Services	\$147,448	\$0	\$30,592	\$52,096	\$64,760	56%
SERVICES	\$519,040	\$0	\$107,687	\$183,387	\$227,966	

Source: ADE, Inc.

**TABLE 15
PROJECT AREA SALES TAXES: GRASS VALLEY, COMBIE ROAD, AND AUBURN**

	Gross Project Area Potential Sales Taxes	Outside Region: Roseville and Beyond (15%)	Grass Valley (14 mi.)	Combie Road (1.75 mi.)	Auburn (8 mi.)	Nevada County Capture
Apparel	\$1,409	\$211	\$569	\$0	\$628	40%
General Merchandise	\$6,278	\$942	\$1,137	\$632	\$3,568	28%
General Merchandise	\$5,301	\$795	\$1,092	\$0	\$3,413	21%
Drug Stores	\$977	\$147	\$45	\$632	\$154	69%
Food Stores	\$2,267	\$340	\$188	\$1,190	\$550	61%
Food stores	\$2,101	\$315	\$179	\$1,100	\$506	61%
Convenience stores	\$167	\$25	\$8	\$90	\$43	59%
Eating & Drinking Places	\$4,094	\$614	\$583	\$1,818	\$1,079	59%
Home Furnishings & Appliances	\$1,724	\$259	\$744	\$0	\$722	43%
Building Materials	\$2,534	\$380	\$216	\$1,785	\$153	79%
Motor Vehicles & parts	\$8,004	\$1,201	\$2,776	\$0	\$4,027	35%
Service stations	\$3,753	\$563	\$301	\$2,100	\$789	64%
Other retail stores	\$2,867	\$430	\$205	\$414	\$1,818	22%
RETAIL	\$32,930	\$4,939	\$6,720	\$7,938	\$13,333	45%

	Gross Project Area Potential Sales Taxes	Outside Region: Roseville and Beyond (15%)	Grass Valley (14 mi.)	Combie Road (1.75 mi.)	Auburn (8 mi.)	Nevada County Capture
Professional Services Group						
Medical Services Group						
Personal Services Group						
Select Entertainment & Recreation						
Mail & Delivery Services	\$68	\$0	\$14	\$24	\$30	56%
Select Repair Services	\$0	\$0	\$0	\$0	\$0	
SERVICES	\$68	\$0	\$14	\$24	\$30	

Source: ADE, Inc.

FISCAL ANALYSIS

The purpose of this section is to estimate the fiscal effect to Nevada County's operating budget as a result of the proposed Rincon del Rio senior housing project compared to the potential 72 single family detached housing units under current zoning. The County's adopted FY 08-09 budget is used in ADE's fiscal effect model, in conjunction with specific information pertaining to the proposed project, to calculate the net fiscal effect to determine if the projects will have an estimated net revenue surplus or expenditure deficit effect to the County's operating budget.

Nevada County's FY 08-09 indicates County has adopted an operating budget of \$181.1 million in revenues against \$190.9 million in expenditures. Excluding \$11.1 million in planned use of fund balances in the road and solid waste fund for one-time capital expenditures, the County's revenues exceed expenditures, which reflect not only a balanced budget, but also a revenue surplus that can be used for funding reserves or for additional expenditures.

According to the FY 08-09 Message from the County Executive Officer, Richard A. Haffey,

"The rate of property tax growth has declined once again to an estimated 5.5 percent. Sales taxes are estimated to decline in 2007-08 year and remain flat at these reduced levels in 2008-09.

Under the policies of the Board of Supervisors property tax revenues received in excess of historical levels have been saved, building reserves for times when these revenues dip. As a result the County's reserves have grown over the past four years. The proposed 2008-09 budget does not dip into these reserves, but adds \$1.16 million to reserves. Since the 2003-2004 fiscal year these balances have grown as stronger than average property tax revenues have been set aside to provide a buffer (which hasn't been used yet) against a downturn in property taxes.

An overall reduction in the workforce is proposed from 986 to 976 reflecting adjustments made in the current year in the Building Department and a continued evaluation and use of viable alternative service providers such as a new one-stop employment services contractor. The proposed budget sustains the addition of 13 new front-line public safety positions added in last years budget."

The major fiscal effects that are anticipated as a result of these proposed projects come primarily from property and sales tax revenue; property taxes the result of the additional housing units, and sales tax as a result of the new retail spending as a result of an estimated new residents to the County. Additional revenues come from ancillary County fees and revenues as a result of the additional commercial activities, licenses, permits, franchise fees, fines, penalties, and charges for services as a result of new residents and employees in the development.

In addition to the potential increase in revenues as a result of increased residents and employees, the proposed project will likely result in additional costs to the County for providing services to the projects residents. The additional costs will be attributable mainly to the increase in County public service costs such as Sheriff patrol, finance and government

administration, and transportation infrastructure, all of which will be needed to service the additional residents and employees created as a result of the projects.

PROPERTY TAX ALLOCATION

The initial fiscal effect of development of the parcels of the subject property within the County’s jurisdiction would be additional property tax revenues to the taxing entities which the projects would be located. The four parcels that comprise the total project site are located within the same Tax Rate Area (TRA) 072-036. Including the County, the total 1.0223 percent property tax rate is then allocated among 11 various taxing entities in whose jurisdiction the site resides. Table 16 compares the estimated property tax revenue to the 11 taxing entities as a result of the proposed Rincon del Rio senior housing and the 72 single-family detached unit developments.

**TABLE 16
PROPERTY TAX ALLOCATIONS-FY 07/08
TAX RATE AREA (TRA) 072-036**

TRA 072-036	% of Property Tax Allocation	Estimated Property Tax Revenue for Entitled 72 SFD Units	Estimated Property Tax Revenue for Rincon del Rio Senior Units
County General Fund	26.68%	\$132,556	\$423,622
Pleasant Ridge Union Elementary School District	21.54%	\$107,019	\$342,010
Nevada Union High School District	19.91%	\$98,920	\$316,129
Nevada Joint Irrigation District	12.44%	\$61,807	\$197,521
Sierra Joint Community College District	9.33%	\$46,355	\$148,141
Nevada Joint Irrigation District	7.36%	\$36,567	\$116,861
Nevada County School Service Fund	0.95%	\$4,720	\$15,084
Regional Occupation Fund	0.94%	\$4,670	\$14,925
Nevada County Cemetery District	0.59%	\$2,931	\$9,368
Nevada County Resource Conservation District	0.18%	\$894	\$2,858
Bear River Park and Recreation District	0.08%	\$373	\$1,191
Total	100.00%	\$496,813	\$1,587,710

Source: Applied Development Economics, Inc. and the Nevada County Auditor's Office

Note: Reflects the current property tax rate of 1.0223% for Tax Rate Area (TRA) 072-036. Property tax revenue shown may not equal that shown in Table X below due to rounding of the property tax allocation rates shown above.

OTHER REVENUE SOURCES

Revenue sources such as sales tax, licenses, permits, charges for services, use of money and property, and others will also be realized either from the project directly or as a result of the additional commercial activities generated by household spending from the proposed development. Generally, for categories other than sales tax, residential development accounts for a greater percentage of County revenues than does commercial/industrial development. The methodology used to ascribe an estimated revenue effect as a result of the proposed development, for revenue categories other than property and sales taxes, is the per capita method.

The revenue effect analysis, however, excludes the intergovernmental revenue sources such as federal, state, and other governmental agencies. The analysis is intended to focus on the net

county cost of providing services that must be funded from local revenue sources and not on state and federal subventions that are often subject to fluctuation and external intergovernmental actions.

COUNTY SERVICE EXPENDITURES

The County service expenditures in Table 17 below are estimated using the per capita method, in which residential uses are ascribed a greater percentage of the proportional County service costs. Generally, residential development generates a greater number of residents, and for a greater duration, who place a greater service demand on local services than commercial/industrial development. (This is a reflection of the fact that the standard workday for businesses is eight hours a day versus 16-24 hours a day for resident demand).

The operating budget expenditure divisions shown in Table 17: General Government, Public Protection, Public Ways and Facilities, Health and Sanitation, Public Assistance, Education, Recreation and Cultural Services, Enterprises, and Internal Services, are used to determine the per capita service costs for the development of the senior residential housing facility compared to the development of 72 single family detached units.

The cost analysis represents a modified “average cost” approach to estimating fiscal effect, which essentially assumes the project will require the same level of service expenditures the County currently provides for existing development in unincorporated portions of the County. However, since the project plans to employ private security personnel and to maintain the internal roads privately, it will have much less effect on County services for police protection and road maintenance. In addition, the project will likely not affect County health services to any significant degree.

In reality, the County’s budget policy would likely not permit increases in General Fund positions unless there were dedicated funding sources to offset the cost. In this fiscal environment, the estimated expenditures in Table 17 may be viewed as the “imputed cost” of the service burden for the additional residents and employees in the County.

NET FISCAL COUNTY EFFECT

Each of the residential land uses shown in Table 17 below results in a net positive fiscal effect to the County. The greatest revenue effect is a result of the additional property tax generated from either the senior housing or the entitled 72 single family detached units. The senior housing is 228 units greater than the 72 single family detached units which results in the \$1.1 million in estimated property tax compared to the \$.33 million the 72 single family detached units. Given that there would likely be little to no retail activity on-site, both projects would produce only negligible sales tax revenue. As indicated in the retail spending analysis section of this analysis, sales tax generation would be a result of the consumer spending of residents of the housing units, and not commercial activity associated with the primarily housing oriented development. Other revenues generated as a result of the two proposed projects are estimated on a per-capita basis using the County’s existing FY 08-09 budget. Total estimated revenue as a

result of the senior housing project is \$2.2 million and an estimated \$684,000 for the scenario with 72 single family detached units.

County service cost effects as a result of the proposed projects are shown in Table 17 below. The greatest service costs as a result of the projects come from the provision of countywide public protection, general services, health and sanitation, and enterprise services such as solid waste and transportation. In total, the estimated cost for providing services to the senior housing project total \$474,000, and an estimated \$208,000 for the 72 single family detached units.

Table 17 indicates that the senior housing project would generate a net positive fiscal effect of about \$1.7 million annually to the County's Operating Budget while the single family detached units would generate a net positive fiscal effect of nearly \$476,000 annually. In short, the analysis indicates that revenues generated from the project and its residents appears to pay for the services levels given the County's existing service levels and costs under the Adopted FY 08-09 Operating Budget.

**TABLE 17
PROJECT EFFECT BY LAND USE**

	Residential-Senior Housing	Residential Low Density- 72 SFD Units
REVENUES		
Property Taxes	\$1,587,790	\$496,838
Sales/Use & TOT Tax	\$7,940	\$1,985
Taxes-Other	\$19,517	\$4,191
Licenses, Permits & Franchises	\$4,889	\$1,356
Fines, Forfeitures & Penalties	\$12,182	\$4,447
Use of Money and Property	\$153,828	\$47,976
Charges for Services	\$131,728	\$40,988
Miscellaneous Revenue	\$8,466	\$3,014
Other Financing Sources (Transfers)	\$267,987	\$83,581
REVENUE TOTAL	\$2,194,327	\$684,376
EXPENDITURES		
General	\$101,835	\$34,040
Public Protection	\$115,327	\$60,487
<i>Sheriff</i>	<i>\$87,490</i>	<i>\$53,323</i>
<i>Criminal Justice</i>	<i>\$9,994</i>	<i>\$1,835</i>
<i>Community Development</i>	<i>\$13,633</i>	<i>\$5,203</i>
<i>Other Public Protection</i>	<i>\$4,209</i>	<i>\$127</i>
Public Ways & Facilities	\$25,279	\$19,414
Health & Sanitation	\$72,429	\$27,813
Public Assistance	\$10,779	\$4,139
Library and Recreation Services	\$155	\$5,064
Enterprises	\$98,016	\$37,638
Internal Services	\$50,368	\$19,341
EXPENDITURE TOTAL	\$474,188	\$207,937
NET (COST)/REVENUE	\$1,720,139	\$476,439

Source: ADE, Inc.

APPENDIX A: MULTIPLIER ANALYSIS METHODOLOGY

ECONOMIC MULTIPLIER EFFECT ANALYSIS

The application used to interpret the data and generate the effect calculations is IMPLAN Impro Professional 2.0. This application calculates effects and buyer-supplier relationships for 509 individual industry and commodity categories. The industry classification system used in the IMPLAN model roughly approximates, but still differs significantly from the commonly used Standard Industry Classification (SIC) and North American Industry Classification System (NAICS).

The input-output matrices that form the main database come from the 2006 Bureau of Labor Statistics dataset, and the analysis used an individual county-specific dataset for Nevada County. These matrices contain the assumptions regarding economic output per employee, the amount of commodity input that is purchased locally, and the production functions, which define the inputs and supplier services for each industry category.

The economic effects estimated by the model fall into one of three categories -- direct, indirect, and induced. These effects are calculated on the basis of annual effects. In this analysis, direct effects represent the estimated jobs, labor income, and industry output that result directly from the proposed project activities. Indirect effects represent the estimated effects that result from demand for commodities and services provided by suppliers. Examples of supplier industries include business services, food products, and other equipment. Induced effects represent the potential effects resulting from household spending at local businesses by the workers. These effects generally affect retail businesses, health services, public services, and personal services providers.

The input-output model data file for Nevada County contains default assumptions regarding the economic relationships between different industries. In particular, the default data contains an estimate for the average industry output and labor income per employee in Nevada County.

For purposes of this analysis, ADE assigned the Rincon Del Rio operation to the residential care facility industry category (IMPLAN category 468). The default values for the average income per employee in the IMPLAN model were adjusted based on the payroll per employee ratios for the proposed Rincon Del Rio development. This data included descriptions and payroll data for the 46 full-time equivalent positions at Rincon Del Rio. Separate scenarios were created for the senior housing operations and the construction phase effects. The construction phase effects were calculated based on the default model data, and assigned to the multifamily housing construction category (IMPLAN category 34). In addition, the multiplier effect calculations are based on the degree to which the economic relationships with supplier businesses occur in Nevada County. For this analysis, ADE used the default model data for supplier purchases and the local purchase component.