



Los Angeles County Department of Regional Planning

Planning for the Challenges Ahead



Richard J. Bruckner
Director

September 25, 2014

TO: Esther L. Valadez, Chair
Laura Shell, Vice Chair
David Louie, Commissioner
Curt Pedersen, Commissioner
Pat Modugno, Commissioner

FROM: Connie Chung, AICP, Supervising Regional Planner
General Plan Development and Housing Section

**SUBJECT: October 8, 2014 – AGENDA ITEM #7
Project No.02-305-(1-5)
Permit RADV 201400006
GENERAL PLAN UPDATE FISCAL IMPACT ANALYSIS
DISCUSSION ITEM**

At your meeting on October 8, 2014, staff will provide you with an overview of a fiscal impact analysis prepared for the General Plan Update. No action is being requested.

I. BACKGROUND

The Los Angeles County General Plan Update (Plan) provides the policy framework for how and where the unincorporated areas of Los Angeles County will grow. The Plan represents a comprehensive effort to update the County's 1980 General Plan.

As part of the outreach effort for the Plan, Department of Regional Planning (DRP) has met with multiple stakeholders to solicit feedback. These stakeholders include business organizations, property owners and developers that support an analysis of the potential fiscal impacts of the Plan. In 2013, DRP retained the Los Angeles County Economic Development Corporation, which is an independent, non-profit research organization with expertise in the Los Angeles County economy, to conduct this analysis.

The General Plan Update Fiscal Impact Analysis (FIA) is an important tool to evaluate the costs and benefits of the growth accommodated by land use policies in the Plan. It is not itself a component of the Plan.

II. OVERVIEW

Context of the FIA

The Plan provides the policy framework for how and where the unincorporated areas will accommodate new housing and jobs in anticipation of projected population growth. Major Plan

initiatives include: 1) Transit Oriented Districts (TODs), which are areas within a 1/2 mile radius from a major transit stop that are prioritized for design standards and incentives to facilitate transit-oriented development; 2) updates to the Significant Ecological Areas (SEA) boundaries and implementing ordinance, which are designed to promote conservation through good development design; and 3) expansion of land use categories and digitized parcel mapping of all unincorporated areas, which allows the updating of land use maps to more accurately reflect existing on-the-ground development, zoning, etc.

The scope of the FIA largely reflects the scope of the land use changes proposed by the Plan. Just as the Plan does not propose land use changes in areas already covered by an adopted area or community plan, the FIA does not analyze any land use changes in such areas. An exception to this is a sensitivity analysis for the Antelope Valley (which is currently undergoing an area plan update) to examine the fiscal impact of alternative land use scenarios.

FIA Summary

The FIA compares projected General Fund expenditures and revenues associated with providing services in the unincorporated areas under: 1) 2013 existing conditions; and 2) full build-out under proposed land uses in the Plan. Inputs include, but are not limited to: population; employment and housing projections used in the Plan; County budget and actual County revenue and expenditure data; and estimated property values. Complete descriptions of assumptions and methodology are provided throughout the FIA.

The FIA includes the following:

- A comparison of existing and projected recurring General Fund revenues and service expenditures by the 11 Planning Areas described¹ in the Plan;
- A sensitivity analysis of projected revenues and service expenditures in the Antelope Valley under the Plan and under an alternative low-density land use scenario;
- A comparison of service expenditures in SEAs under existing conditions and under the Plan;
- A sensitivity analysis of service expenditures in the Antelope Valley SEAs under existing conditions and under an alternative low-density land use scenario; and
- A comparison of service expenditures in the TODs² under existing conditions and under the Plan.

Analysis

The Plan covers a 20-year planning horizon for an area of 2,600 square miles. Because of the long range duration and broad area covered by the Plan, it is difficult to estimate with certainty what the fiscal impacts of the Plan will be 20 years into the future. Specific property uses (as opposed to what land use categories allow), future market conditions, regulations, demographic trends and housing stock turnover will influence property assessments and General Fund revenues and expenditures in ways that cannot be predicted. The FIA represents a partial snapshot of the current fiscal situation of the unincorporated areas, extrapolated to the future using growth assumptions in the Plan.

¹ http://planning.lacounty.gov/assets/upl/project/gp_2035_2014-FIG_5-1_planning_areas.pdf

² http://planning.lacounty.gov/assets/upl/project/gp_2035_2014-FIG_6-4_TOD_Policy.pdf

Even if future growth factors were known, the true fiscal impact of growth is difficult to assess without data on infrastructure expenditures. The FIA includes expenditures funded by the General Fund, not by bonds or special funds, which generally provide financing for infrastructure. Data needed to include infrastructure expenditures include: current and projected capacity analysis; geographic distribution of projected infrastructure needs; funding mechanisms; and a timeline of projected infrastructure needs.

Nevertheless, the FIA finds that service expenditures in the unincorporated areas exceed revenues by \$721 million under existing conditions. The shortfall is projected to increase to \$1.8 billion under the Plan. However, the per-capita shortfall increases less dramatically, from \$700 under existing conditions to \$750 under the Plan.

Most revenues and service expenditures are population-based, and are therefore expected to grow along with the population growth accommodated by the Plan. However, the property tax revenues generated by the unincorporated areas are not sufficient to offset growth in expenditures.

The Antelope Valley sensitivity analysis shows that under the Plan, which maintains land uses adopted with the 1986 Antelope Valley Area Plan, there is a projected shortfall between revenues and service expenditures of over \$1 billion. Under an alternative low-density land use scenario, the Antelope Valley produces a surplus of \$128 million. The FIA suggests that lowering densities in the Antelope Valley could reduce revenues, but that the corresponding reduction in expenditures may produce a surplus.

The SEA analysis projects that service expenditures in SEAs will increase from \$49 million under existing conditions to \$348 million under the Plan, which maintains land uses in adopted Area and Community Plans. The increase reflects both population growth as well as the expansion of SEA boundaries. For the Antelope Valley SEAs, a lower-density alternative from what is permitted in the Plan reduces expenditures from \$257 million to \$193 million in 2035. However, since infrastructure expenditures and future property values in SEAs are not estimated, the FIA does not provide a net fiscal impact of development in SEAs.

Service expenditures are projected to grow in the TODs, from \$109 million under existing conditions to \$185 million under the Plan. The increase reflects population growth in TODs, as well as an increase in the TOD radius from ¼ mile under existing conditions to ½ mile in the Plan. However, since infrastructure expenditures and future property values in TODs are not estimated, the FIA does not provide a net fiscal impact of the Plan's TOD policy. The report notes that TODs may require increased infrastructure to accommodate density, but does not measure efficiencies in providing services and infrastructure in infill areas.

III. NEXT STEPS

The FIA will be available to the public for the remainder of the public hearing process before your Commission and before the Board of Supervisors at http://planning.lacounty.gov/assets/upl/project/gp_2035_gp_fiscal-impact-analysis.pdf. The FIA will also be provided to the Board of Supervisors as part of their hearing packets. Should you

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General Plan Update Fiscal Impact Analysis: Discussion
October 8, 2014

have any questions about the FIA, please contact Ayala Ben-Yehuda at (213) 974-6417 or aben-yehuda@planning.lacounty.gov.

MC:CC:ABY