

Exhibit L – Fiscal Analysis

FISCAL ANALYSIS

Medical and Professional Office

*Located at 7819 and 7835 North Willow Avenue in Fresno, CA
(APNs 404-481-19S and 404-481-20S)*

Prepared for

Legacy Construction
5390 East Pine Avenue
Fresno, CA 93727

Prepared by

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1 EXECUTIVE SUMMARY

Precision Civil Engineering, Inc. (PCE) conducted a fiscal impact analysis for Legacy Construction to assist the City of Fresno in making informed decisions regarding the annexation of the proposed Project, including compliance with existing regulations and evaluation of potential impacts to the General Fund. This report uses information from 1) Economic and Planning Systems, Inc., *Fresno Analysis of City and County Service Costs and Tax Sharing Internal Draft Report* (2019), 2) California Constitution Proposition 13, 3) *Fresno County Assessed Value Lookup*, and 4) *County of Fresno Tax Rate Book, Fiscal Year Ended June 30, 2022*.

The Project proposed consists of future medical and professional office facilities, containing three (3) buildings ranging from 9,550 square feet (two (2) buildings) to 11,400 square feet (one (1) building) located on the southwest corner of East Nees Avenue and North Willow Avenue in Fresno, CA. A dynamic fiscal model is used examine the City's fiscal position with and without the changes brought by the annexation of the Project. The fiscal impact analysis examines long-term impact, assuming that the Project is fully built out and in a steady-state operating mode.

The impacts of the Project annexation are summarized below:

- The Project would have a net surplus to the General Fund of approximately \$21,759.
- The annexation increases the revenue base of the City and reduces the overall net deficit.

2 INTRODUCTION

2.1 Purpose of This Study

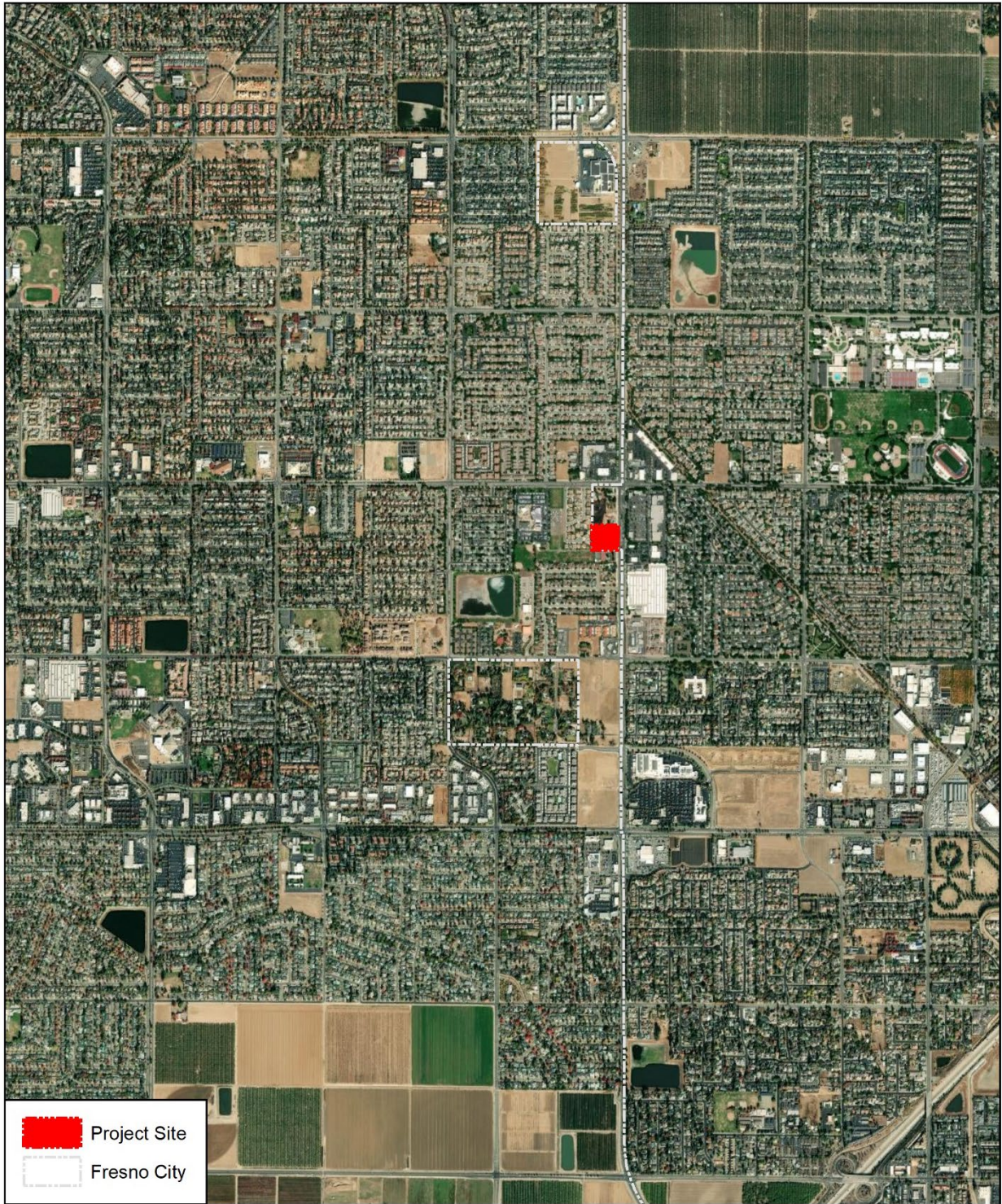
This report is prepared for Legacy Construction by Precision Civil Engineering to study fiscal impacts associated with the potential annexation of the Project area within the City of Fresno's Sphere of Influence (SOI). The purpose of this fiscal impact analysis is to provide an assessment of the potential of fiscal impacts of annexing the Project area. This Fiscal Impact Analysis analyzes cash flow, including revenue generation, operating costs, and capital costs, associated with the provision of facilities to serve the new development Project. This report is intended to assist the City of Fresno in making informed decisions regarding the annexation of the proposed Project, including compliance with existing regulations, to evaluate potential impacts of the Project to the General Fund.

2.2 Project Description

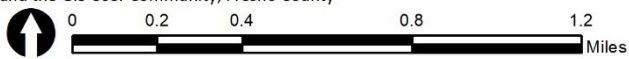
The proposed Project consists of medical and professional office facilities, containing three (3) buildings ranging from 9,550 square feet (two (2) buildings) to 11,400 square feet (one (1) building) located on the southwest corner of East Nees Avenue and North Willow Avenue in Fresno, CA (Project). The future tenant(s) of the medical and professional office facilities, United Health, may include but not be limited to medical, dental, and healthcare related businesses in addition to professional offices. Approximately 183 parking spaces are proposed. An estimated 15-20 staff and 60 customers are anticipated for each of the 3 buildings per day.

2.3 Project Location

The proposed Project is located on the southwest corner of East Nees Avenue and North Willow Avenue in Fresno, California ([Figure 2-1](#)) at 7819 and 7835 North Willow Avenue, Fresno, CA 93611. The site consists of two (2) parcels totaling approximately 3.30-acres. The site is identified as APNs 404-481-19S and 404-481-20S.



Source: Esri, Maxar, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community; Fresno County



CITY OF CLOVIS (404-481-19S AND -20S)
FISCAL ANALYSIS

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3 BACKGROUND

3.1 Tax Sharing Agreement

A Tax Sharing Agreement was implemented between the City of Fresno and County of Fresno in January 2003. The Agreement specifies the allocation formula for property tax proceeds from future (“new”) annexations of unincorporated land in the City of Fresno. In particular, the Agreement stipulates that 38 percent shall be allocated to the City and 62 percent shall be allocated to County (**Table 3-1**). Although no tax sharing agreement is currently in place, this breakdown is displayed here for reference, and was used to calculate potential tax revenues.

Table 3-1 City-County Property Tax Allocation Rates: Existing City-wide Average and New Annexations

Property Tax Allocation	Existing Baseline	New Annexation	
		Existing base	New Growth
City Share	50%	0%	38%
County Share	50%	100%	62%

Source: EPS Report, 2019

3.2 Fiscal Analysis of City and County Service Costs and Tax Sharing

In October 2019, Economic and Planning Systems, Inc. (EPS) prepared the *Fresno Analysis of City and County Service Costs and Tax Sharing Internal Draft Report* (EPS Report) to compare the allocation of property tax revenues between the City and County with their respective public service obligations in the City and associated General Fund costs. The report’s analysis focuses on the General Fund because revenues from the one (1) percent property tax levy accrues to the General Fund for both jurisdictions.

3.2.1 Off-Setting General Fund Revenues

The EPS Report quantifies the cost for the total City services (**Table 3-2**) provided to City residents or employees that are directly paid for with revenue from the General Fund. The analysis indicates both total and net costs, whereby the difference is the adjustment for dedicated revenues and state and federal funding (**Table 3-3**).

To determine the net cost of providing services, the analysis totaled the expenditures (minus the costs covered by dedicated revenues and non-operating functions) for each service area. Overall, the City’s net revenue accounts for approximately 60% of the total for these services.

Table 3-2 City of Fresno Services

Category	Services
Administration	City Council, Office of the Mayor, City Attorney, City Clerk, Finance, Personnel Services, Information Services
Public Safety	Police, Fire
Recreation	Parks and Recreation

Public Works and Transit	Public Works, Transportation (FAX)
Other Services	General City Purpose, Development and Resource Management, Convention Center Debt Service

Source: EPS Report, 2019

Table 3-3 City of Fresno General Fund Costs: Total and Net of Off-Setting Revenue

Item	FY 2018-2019 General Fund		
	Total	Net	Net as a % of Total
City General Fund Cost			
City Council	\$4,637,100	\$4,637,100	100%
Office of the Mayor	\$4,133,600	\$4,133,600	100%
City Attorney	\$6,380,900	\$6,230,900	98%
City Clerk	\$910,200	\$910,200	100%
Finance	\$7,388,500	\$5,913,100	80%
Personnel Services	\$35,989,600	\$3,215,700	9%
Information Services	\$356,400	\$356,400	100%
Police	\$180,875,300	\$154,314,000	85%
Fire	\$69,266,300	\$54,428,000	79%
Public Works	\$9,092,700	\$5,833,500	64%
Transportation (FAX)	\$9,394,200	\$9,097,200	97%
General City Purpose	\$46,088,900	\$0	0%
DARM	\$51,617,300	\$7,891,000	15%
	\$455,660,500	\$271,888,200	60%

Source: EPS Report, 2019

3.2.2 Public Service Population

The EPS Report determined the costs per unit of population served – namely, the “public service population” which covers the residents, employees/employers, visitors, and others that receive services from the jurisdiction. Based on the report’s estimate, the City of Fresno has a population of 531,580, an employment population of 197,685, and a service population of 630,422 (**Table 3-4**), where the service population is calculated by adding the total residential population and half of the employment population. Thus, per capita costs for each service area can be determined by dividing the total net expenditures by the corresponding population. As shown in **Table 3-5**, the total per capita cost for the City’s service population is \$431.28. With the addition of debt service, the per capita cost for the City’s service population increases by \$13.26 to \$444.54.

Table 3-4 City of Fresno Service Population Estimate

Components of Service Population	Total
Population	531,580
Employment	197,685
Service Population	630,422

Source: EPS Report, 2019

Table 3-5 City of Fresno General Fund, Per Capita Costs for Service Population

	Net	Per Capita Cost (Service Population)
City General Fund Cost		
City Council	\$4,637,100	\$7.36
Office of the Mayor	\$4,133,600	\$6.56
City Attorney	\$6,230,900	\$9.88
City Clerk	\$910,200	\$1.44
Finance	\$5,913,100	\$9.38
Personnel Services	\$3,215,700	\$5.10
Information Services	\$356,400	\$0.57
Police	\$154,314,000	\$244.78
Fire	\$54,428,000	\$86.34
Public Works	\$5,833,500	\$9.25
Transportation (FAX)	\$9,097,200	\$23.68
General City Purpose	\$0	\$0
DARM	\$7,891,000	\$12.52
	\$271,888,200	\$431.28

Source: EPS Report, 2019

3.3 Property Tax Allocations under Proposition 13

Proposition 13 limits the property tax collection per property to one (1) percent. This one (1) percent is then distributed to agencies and special districts including schools, cities, and counties. According to the Fresno County Schedule of Levies for Fiscal Year 2019-2020, the total property tax allocation (i.e., the one (1) percent) was \$865,138,854 and of that total, the County and City received approximately \$269,710,435 and \$108,836,154 respectively, or approximately 43.76 percent.

3.4 Additional Local Tax

In addition to the 1 percent Proposition 13 property tax, additional local taxes may be approved for local projects, bringing the tax rate higher than 1 percent in various communities. These additional property taxes are determined by voters of each tax rate area (TRA) and change annually. The TRA is a geographic area with the unique combination of taxing jurisdictions, including local agencies, school districts, special districts, etc.

4 APPROACH AND ASSUMPTIONS

Precision Civil Engineering used a dynamic fiscal model to examine the long-term fiscal impacts, i.e., the City's fiscal position with and without the changes brought by the annexation of the Project. The analysis in this report is estimated under the modeling assumptions:

- Local services, including water and sewer services, public schools, and health services, are assumed to be unaffected by the annexation because the service needed would not overload existing services and would be mitigated through impact fees.
- Only tax-supported funds are included.
- The analysis is based on the assumption that the size, location, and type of proposed use of the Project is true and fully built-out and in a steady-state operating mode after the annexation.

5 PROJECT COST ANALYSIS

The following analysis studies the costs that the City would bear once the annexation is in place and the Project is fully developed.

5.1 Estimated General Fund Costs and Debt Service

To estimate the per capita costs associated with the Project, the City's General Fund costs, service population, and per capita cost (service population) as determined by EPS were utilized. Per the EPS Report, the City's service population is 630,422 and the per capita cost (service population) is \$444.54.

The Project proposes the development of 30,500 sf. building for healthcare and office uses. Since the Project does not provide residential uses, no direct population increase is projected. However, employment is expected to be generated from the proposed medical use, thus we expect indirect population growth from the additional jobs projected from Project operations. The Project is anticipated to generate 15-20 employees per building, which is 60 employees (max). As mentioned in the section above, service population calculates half of the employment population. Consequently, we multiply the half of the generated employment population, 30, with the service population per capita cost. As a result, we expect the Project to incur \$13,336 in general fund costs and debt services.

	Population generated		per capita cost		Project Costs
Cost	30	x	\$444.54	=	\$13,336.20

Infrastructure Costs

Infrastructure costs are calculated on a per project basis since project location, size, type, intensity, and existing development, affects the need and costs of these facilities. The proposed Project is immediately adjacent to existing city limits and is located in an area with existing infrastructure, including sewer, water, electricity lines. As a result, the Project have little to no additional costs to be added.

6 PROJECT REVENUE ANALYSIS

6.1 Estimated Taxable Assessed Value

The California Constitution Proposition 13 mandates that all property is subject to taxation. **Table 6-1** shows the assessed value and tax rate area (TRA) of the subject property for the 2021-2022 tax year. The TRA is the geographic area of a unique combination of revenue districts, including city, county, special district, and school districts.

Table 6-1 Assessed Value and TRA of Project

Property APN	Assessed Value			Tax Rate Area (TRA)
	Land	Imps/TFI	Personal Property	
404-481-19S	\$1,363,986	\$0	\$0	076-066
404-481-20S	\$1,030,567	\$0	\$0	076-066

Source: Fresno County Assessed Value Lookup, Accessed December 23, 2021

6.1.1 Assessed Values

To estimate the property tax revenues to be generated by the Project, PCE determined the assessed values of comparable properties, United Health Centers, within 5-mile radius of the Project site. Assessed values (including improvements (Imps/TFI) and personal property values) were collected from the Fresno County “Assessed Value Lookup,” reflecting the assessed value as of January 1, 2021 for the 2021-2022 tax year.

The comparable sites shown in **Table 6-2** includes a recently developed (2018) United Health Center in Clovis located at 2497 Herndon Avenue with an assessed value of \$6,512,402 in total, including \$991,786 in land value, \$5,506,216 in improvements value, and \$14,400 in personal property value. This site’s APN is 564-050-58 and is 1.94 acres in size. The other two United Health Centers, APN 497-051-08 and 409-403-32, are built in 1996 and 1987, respectively. As shown in **Table 6-2**, the average assessed value of comparable properties is \$2,402,548 in improvements value and \$2,474 in personal property value per acre. This average assessed value will be utilized for comparative purposes to estimate the property tax revenues of the Project.

Table 6-2 Assessed Values of Comparable Sites

Property APN	Location	Distance from Project	Assessed Value (\$)		Acres
			Imps/TFI	Personal Property	
564-050-58	2497 E Herndon Ave, Clovis, CA 93611	3.6 miles southeast	5,506,216	14,400	1.94
497-051-08	313 W Shaw Ave, Clovis, CA 93612	2.9 miles southeast	1,924,735	0	1.1
409-403-32	1780 E Bullard Ave, Fresno, CA 93710	2.3 miles southwest	1,309,814	0	0.5
Average Assessed Value per Acreage			2,402,548	2,474	-

As shown in Table 6-3, using the per acre value of comparable cases, the assessed values per acre for improvements and personal property amounts to a total of \$10,331,125 in assessed for the Project's value.

Table 6-3 Estimated Project Assessed Value

Property APN	Assessed Value (\$)			Acres
	Land	Imps/TFI	Personal Property	
404-481-19S	1,363,986	4,516,790	4,651	1.88
404-481-20S	1,030,567	3,411,618	3,513	1.42
Project Total	2,394,553	7,928,408	8,164	3.30
	10,331,125			

6.1.2 Taxable Value

Taxable value represents the assessed value with any applicable tax exemptions. Fresno County provides exemptions that could lower the property's tax bill. Property tax exemptions include homeowners exemption, disabled veteran exemption, church exemption, religious exemption, welfare exemption, and low-income housing exemption.¹ The Project property could benefit from the Welfare Exemption, which is "available only to property, real or personal, owned by a religious, charitable, hospital, or scientific organization and used exclusively for religious, charitable, hospital, or scientific purposes." However, the property owner is required to apply for exemption with the County and current available information is not sufficient to calculate the possible exemption, so the taxable value will be equal to the assessed value.

6.1.3 Property Tax

Property tax multiplies the property's assessed value by all the tax rates that apply. The following estimates the property tax without beneficiation of any exemptions. According to the *County of Fresno Tax Rate Book*, the fiscal year 2021-2022 tax rate for tax rate area (TRA) 076-066 is

¹ Fresno County. Property Tax Exemptions. Accessed on December 23, 2021, <https://www.co.fresno.ca.us/departments/assessor/property-tax-exemptions>

1.173438.² The TRA tax rate includes taxes for local projects in addition to the 1 percent of property tax under Proposition 13. Though tax rates for the TRA differs annually, using this for calculation reflects the potential revenue generated from the property in consideration of location.

To calculate the Project's property tax revenue, tax allocation for Proposition 13, i.e., one (1) percent, is multiplied with county and city allocation as of fiscal year 2019-2020, 0.4376, and the city allocation of the tax sharing agreement, 0.38. Then the additional local tax according to the TRA, 0.173438 percent, is added. As a result, the estimated property tax of the Project is \$35,096. This equates an average of to \$10,635 per acre.

Assessed Value		Proposition 13 Allocation		County and City Allocation		Tax Sharing Agreement City Allocation
\$10,331,125	x	1 %	x	0.4376	x	0.38
Assessed Value		TRA Tax Rate - Proposition 13				Tax Amount
+ \$10,331,125	x	0.173438 %	=			\$35,096.79

6.2 Taxable Retail Sales

The proposed Project is anticipated to be developed for medical type uses. Sales of medical services, prescription medicines, and certain medical devices are exempt from California sales tax. Thus, sales tax is not included within this analysis.

7 CONCLUSION

Based on the analysis above, it is anticipated that the Project would have a net surplus to the General Fund of approximately \$21,759 when utilizing the prior property tax allocation of 0.38 percent of the Tax Sharing Agreement.

	Estimated Revenue		Estimated Cost		Surplus
FY 2018-2019 Allocation	\$35,095.79	-	\$13,336.20	=	\$21,759.59

² County of Fresno, State of California. Tax Rate Book Fiscal Year Ended June 30, 2022.