



CHINO EEAA AND PSIC ANNEXATION: PLAN FOR SERVICE AND FISCAL ANALYSIS

APPROVED

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Executive Summary

This report presents the plan for service and fiscal analysis of the proposed annexation of the East End Annexation Area (EEAA), including the 3.2-acre Philadelphia Street Industrial Center (PSIC) development, into the City of Chino. Whereas a specific development project is currently proposed for the PSIC, potential development within other portions of the EEAA is unknown at this time. However, since the City will require annexation of the overall EEAA as a single “project” for LAFCo purposes, this analysis evaluates the potential fiscal impacts of the specific land uses proposed for the PSIC and an assumed land use mix for the balance of the EEAA. In this regard, the analysis does not assume full buildout of the EEAA but considers estimated development within the 5-year forecast horizon required for LAFCo fiscal studies. Chapter 2 details the study’s land use assumptions.

In keeping with the LAFCo guidelines for reports of this type, the cost and revenue categories included reflect those associated with municipal revenues and functions that would be absorbed by the City upon annexation of the Project. For the City’s budget, this includes the categories listed below.

General Fund and Relevant Other Accounts, Annual Recurring Revenues

- Property Taxes
- VLF-Property Tax in Lieu
- Property Transfer Tax
- Off-Site Retail Sales and Use Tax
- Proposition 172 Half Cent Sales Tax
- Measure I 2010-2040 Half Cent Sales Tax
- Franchise Fees
- Transfers In: State Gas Tax
- Transfers In: From Other City Funds

General Fund and Relevant Other Accounts, Annual Recurring Costs

- General Government
- Police Protection
- Community Services
- Community Development
- Public Works: Street Maintenance
- Public Works: Other Costs

Property Tax Scenarios Considered in this Analysis

Consistent with the City’s current discussions with LAFCo, this analysis considers two scenarios regarding the share of the 1% property tax levy that would accrue to the City’s General Fund:

- **“Half Share” Property Tax Scenario** – assumes 5.4% of the 1% property tax levy accrues to City’s General Fund
- **“Full Share” Property Tax Scenario** – assumes 10.8% of the 1% property tax levy accrues to City’s General Fund

CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC) DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS

The Natelson Dale Group Inc.

Summary Conclusion

A summation of the annexation area's projected annual recurring revenues and costs, for the categories listed above, is shown on Table E-1 below. Based on the conservative revenue assumptions used in this analysis (as described further below), the annexation area would:

- Generate a small fiscal deficit (\$2,200 per year) to the City under the “half share” property tax scenario; and
- Generate a fiscal surplus of \$22,600 per year under the “full share” property tax scenario.

Under more favorable revenue assumptions (see discussion of potential sales tax revenues below), the annexation area would potentially generate a significantly larger annual surplus for the City (even under the “half share” property tax scenario).

TABLE E-1. SUMMARY OF ANNUAL FISCAL IMPACTS AT BUILDOUT

Annual Impact at Buildout	Property Tax Scenario	
	Half Share	Full Share
Total Recurring Revenues	\$46,842	\$71,665
Total Recurring Costs	\$49,024	\$49,024
Annual Recurring Surplus/Deficit	-\$2,183	\$22,641

Source: Table 5-3a and Table 5-3b.

Whereas most revenue sources associated with the project are reasonably predictable based on standard development assumptions, one key revenue item – sales tax – can vary widely for industrial buildings based on the specific tenant type(s) occupying the space. Some industrial businesses generate substantial sales tax revenue (due to “point of sale” business activities) while some industrial tenants generate little or no sales tax. Based on available data, The Natelson Dale Group, Inc. (TNDG) estimates that existing industrial space in the combined Chino/Chino Hills area generates average taxable sales of \$32.20 per square foot of building area.¹

Given that specific tenants are not currently known for the PSIC or the overall EEAA, it is reasonable to expect that the tenant mix (and therefore the level of sales tax generation) for project would mirror the overall makeup of Chino's industrial market. However, in order to remain analytically conservative (per direction from City staff), the fiscal analysis assumes that no sales tax revenue would be generated by the proposed project.

Based on estimated industrial sales tax generation in other Inland Empire cities, TNDG believes that it is highly likely that the proposed project would generate significant taxable sales. TNDG estimates industrial

¹ This factor was derived from two sources: 1) total taxable sales during Calendar Year 2021 in the “All Other Outlets” (i.e., non-retail) sales category as reported by the California Department of Tax and Fee Administration and 2) total square feet of industrial buildings in Chino/Chino Hills as reported by Kidder Matthews (Q2 2022 industrial “Market Trends” report for the Inland Empire). Specifically, total taxable sales of \$1,758,858,921 divided by a total industrial inventory of 54,627,425 square feet equals average taxable sales of \$32.20 per square foot.

taxable sales PSF in other key Inland Empire sub-markets as follows²: Corona (\$53.24), Fontana (\$14.19), Jurupa Valley (\$20.33), Moreno Valley (\$8.83), Ontario (\$32.38), Perris (\$9.12), Rancho Cucamonga (\$21.51), Redlands (\$7.08), Rialto (\$40.77), Riverside (\$32.55), and San Bernardino (\$16.86). The weighted average for these 12 sub-markets is \$25.11 per square foot.

As indicated by the above data, the potential exists for the project to substantially outperform the conservative “no sales tax” assumption used in this analysis. For example, if the project achieved taxable sales equivalent to the existing average for the 12 sub-markets noted above (\$25.11 PSF), the project would generate a net fiscal surplus for the City of \$41,600 per year under the half-share property tax scenario and \$66,400 per year under the full-share property tax scenario. If the project achieved taxable sales equivalent to the existing average for the Chino/Chino Hills area (\$32.20 PSF), the project would generate a net fiscal surplus for the City of \$53,900 per year under the half-share property tax scenario and \$78,800 per year under the full-share property tax scenario. Table E-2 below compares the net fiscal impact of the project under the various property and sales tax scenarios considered in this analysis.

**TABLE E-2. COMPARISON OF NET FISCAL IMPACTS AT BUILDOUT
BY SALES TAX AND PROPERTY TAX SCENARIO**

Taxable Sales Assumptions	Property Tax Scenario	
	Half Share	Full Share
No Taxable Sales	-\$2,183	\$22,641
Taxable Sales @ \$25.11/square foot	\$41,573	\$66,397
Taxable Sales @ \$32.20/square foot	\$53,928	\$78,752

Source: The Natelson Dale Group, Inc. (TNDG).

² These estimates were derived using the same data sources used for Chino (as described in the previous footnote).

Chapter 1: Introduction

This report presents the plan for service and fiscal analysis of the proposed annexation of the East End Annexation Area (EEAA), including the Philadelphia Street Industrial Center (PSIC) development, into the City of Chino. The overall EEAA totals approximately 46.48 acres in the County of San Bernardino unincorporated area, adjacent to the city of Chino boundary and within the city's sphere of influence. The PSIC site totals 3.2 acres and is a part of the larger EEAA. The PSIC property consists of mostly vacant land with an existing single-family residential structure (see Figure 1). The Project developer for the PSIC proposes to construct 60,000 square feet of industrial space on the property.

Purpose of the study

The Local Agency Formation Commission (LAFCo) for San Bernardino County requires a Plan For Service and Fiscal Impact Analysis (Analysis) be prepared when a jurisdiction is affected by a proposed change such as the annexation proposed for this Project. According to the San Bernardino *LAFCO Policy and Procedure Manual* (2020), the Analysis needs to address:

- A. A description of the level and range of each service to be provided to the affected territory.
- B. An indication of when the service can be feasibly extended to the affected territory.
- C. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.
- D. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.
- E. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district [does not apply to this analysis].
- F. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

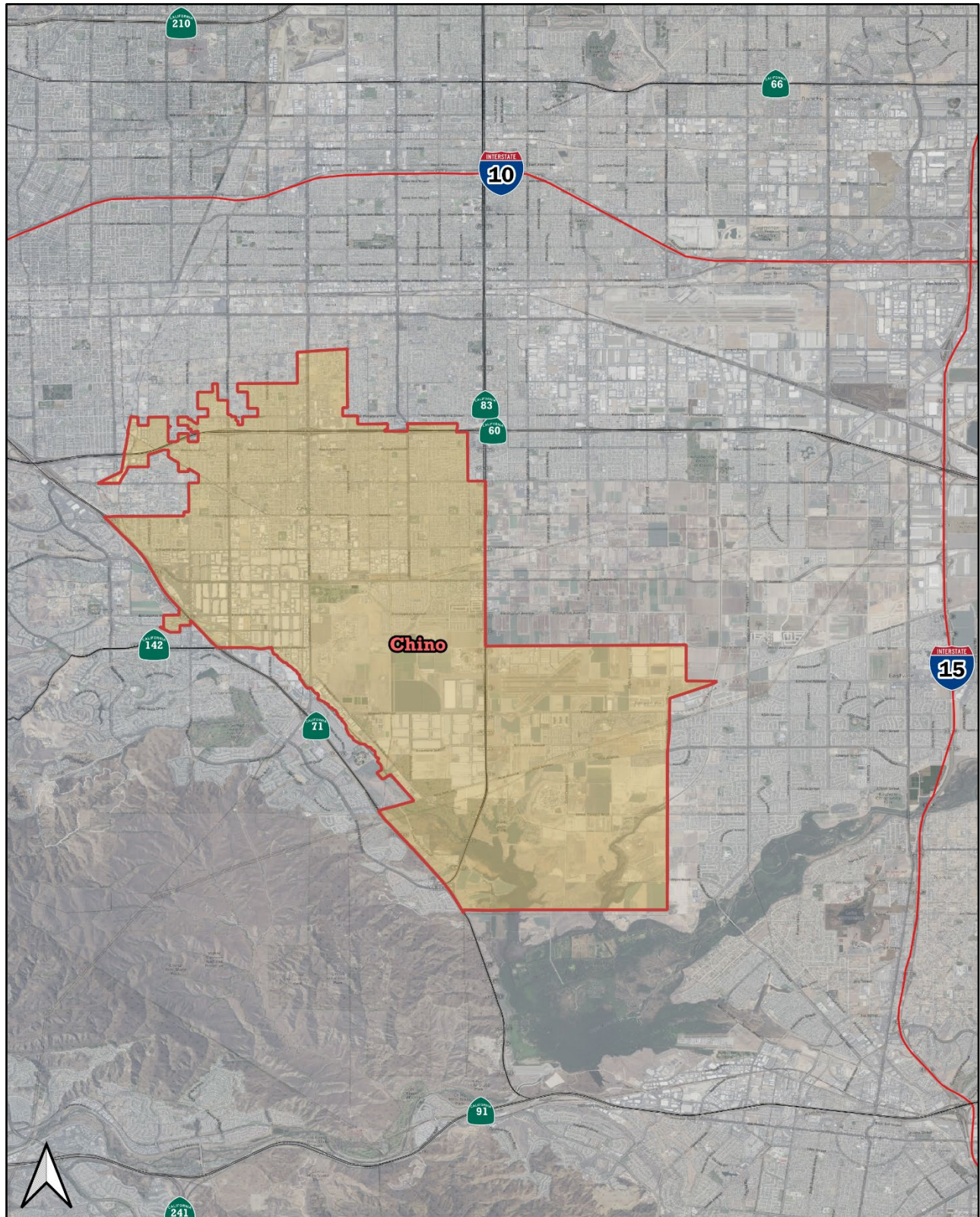
In keeping with the LAFCo guidelines, the cost and revenue categories included in this report reflect costs and revenues associated with municipal functions that would be absorbed by the City upon annexation of the Project. Within the City's budget, this includes amounts for a broad range of General Fund-related activities plus specific functions associated with, primarily, the Public Works Department. The intent is to align cost categories with corresponding revenue sources, tabulating the effects on each due to the annexation. Additional discussion pertaining to the conceptual basis for the figures used in the analysis is provided in table footnotes.

Figures 1-1 and 1-2 below show Chino and the annexation area, respectively.

CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC) DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS

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FIGURE 1-1. REGIONAL LOCATION

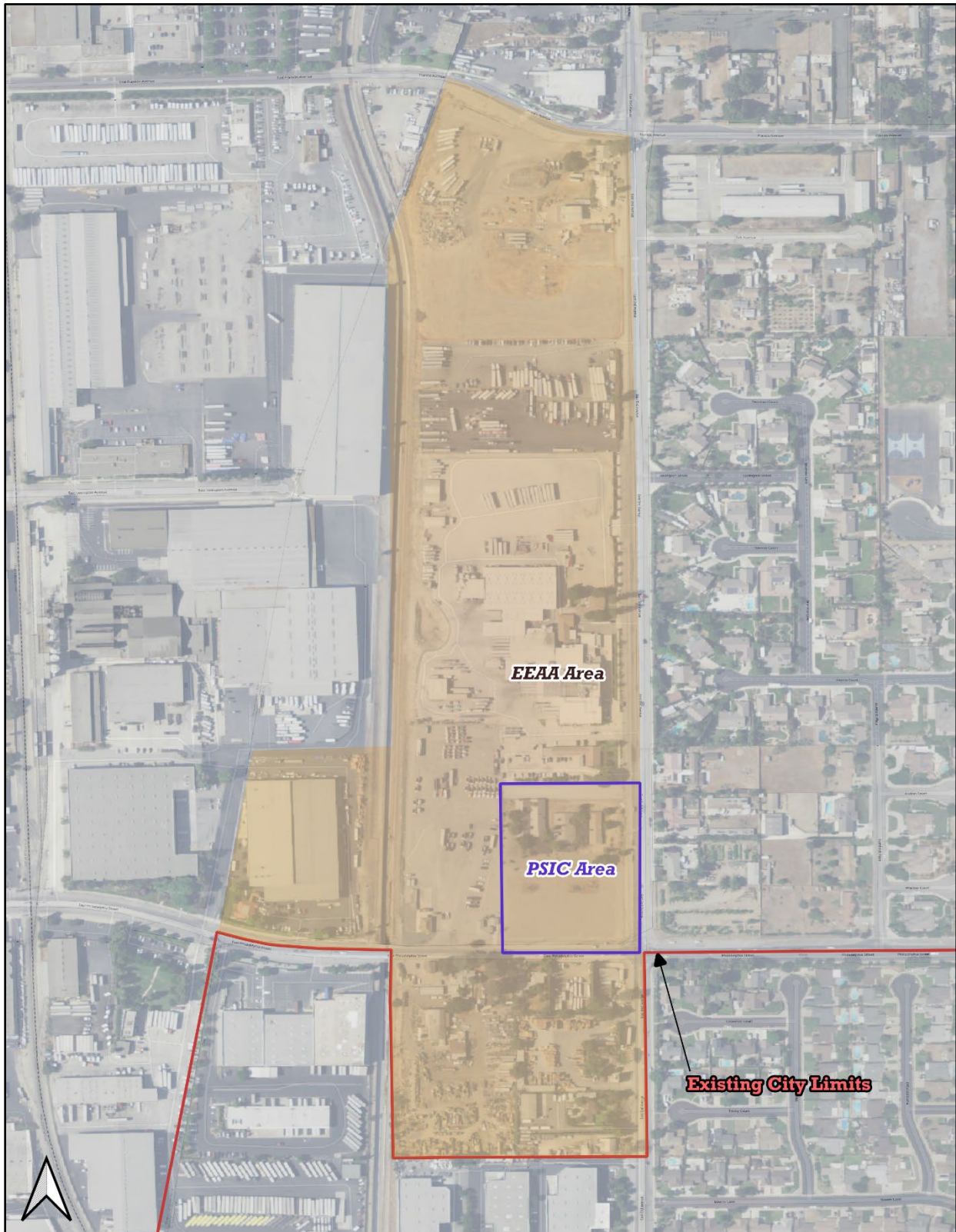


Sources: The Natelson Dale Group, Inc.; US Census; Open Street Map CC By 4.0

**CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC)
DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS**

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FIGURE 1-2. EEAA ANNEXATION AREA



Sources: The Natelson Dale Group, Inc.; US Census; Open Street Map CC By 4.0; San Bernardino County GIS
CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC)
DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS

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Organization of the Report

Chapter 2 includes a description of the Project's planned improvements and information pertaining to property taxes associated with the Project. Chapter 3 addresses conditions pertaining to public facilities/services before and after the proposed annexation. Chapter 4 derives cost and revenue projection factors from the City's budget, for purposes of the fiscal impact forecasts. Chapter 5 summarizes the fiscal impacts related to the proposed annexation area. Chapter 6 presents the one-time fees and charges that would be paid to the City by the Project. Supporting fiscal documentation is shown in Appendix A.

Chapter 2: Project Description

Planned Improvements

Within the PSIC portion of the EEAA, the Developer proposes to construct 60,000 square feet of industrial space on a 3.2-acre site. Whereas a specific development project is currently proposed for the PSIC, potential development for the balance of the EEAA is unknown at this time. However, since the City will require annexation of the overall EEAA as a single “project” for LAFCo purposes, this analysis evaluates the potential fiscal impacts of the specific land uses proposed for the PSIC and an assumed land use mix for the balance of the EEAA. In this regard, the analysis assumes that an additional 100,000 square feet of industrial space (i.e., over and above the PSIC Project) would be developed within the 5-year forecast horizon required by LAFCo. Thus, the analysis considers total EEAA development (including the PSIC) of 160,000 square feet of industrial space. See Table 2-1 for the assumed phasing of this development.

TABLE 2-1. PROJECT DESCRIPTION
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS

Phasing of future development (5 years):	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Industrial Buildings (square feet)						
PSIC (Building 1)	25,000	0	0	0	0	25,000
PSIC (Building 2)	19,500	0	0	0	0	19,500
PSIC (Building 3)	15,500	0	0	0	0	15,500
EEAA	0	25,000	25,000	25,000	25,000	100,000
Total	60,000	25,000	25,000	25,000	25,000	160,000
Cumulative	60,000	85,000	110,000	135,000	160,000	
Acres Absorbed During Year						
	3.20	1.33	1.33	1.33	1.33	
Cumulative acres absorbed						
	3.20	4.53	5.87	7.20	8.53	
Total Dwelling Units (beginning of year)						
	3	2	2	2	2	
Dwelling Units Demolished During Year						
	1	0	0	0	0	
Total Dwelling Units (end of year)						
	2	2	2	2	2	
Cumulative Population by Year						
	7	7	7	7	7	
New Employees per Year						
	40	17	17	17	17	
Cumulative Employees per Year						
	40	57	73	90	107	
Total Service Population by Year						
	27	35	44	52	60	

Sources: The Natelson Dale Group, Inc.; Developer

The indicated numbers of employees reflect an assumed employment density of one job per 1,500 square feet of industrial space. The “service population” numbers assume that on “daytime” employee is equivalent to 50% of a full-time City resident in terms of demand on public services.

CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC) DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS

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Table 2-2 below provides a summary of the public streets that would become the City's maintenance responsibility upon annexation of the EEAA. The City-maintained streets would include existing streets currently maintained by the County, as well some additional lanes that would be developed at some future date. Per City staff, the new lanes would mostly likely be developed *after* the five-year timeframe for this analysis. However, in order to fully account for this potential cost, the analysis assumes that the new lanes would be operational by Year 5. The analysis assumes that any new *internal* streets (i.e., developed within individual business parks) would be privately maintained.

**TABLE 2-2. PUBLICLY MAINTAINED INFRASTRUCTURE
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Off-Site Roads to be Maintained by City						
Street Segment	Length	Existing Lanes to be Annexed		Future Lanes to be Developed		
East End Avenue – from 660' South of Philadelphia Street to Philadelphia Street, west half	660'	1 lane (0.125 lane miles)		1 lane (0.125 lane miles)		
East End Avenue – from Philadelphia Street to Francis Avenue, west half (existing)	1,000'	2 lanes (0.379 land miles)				
East End Avenue – from Philadelphia Street to Francis Avenue, west half (future widening)	1,660'	1 lane (0.314 lane miles)		1 lane (0.314 lane miles)		
Philadelphia Street – county line to channel, north half	460'	1 lane (0.087 lane miles)		1 lane (0.087 lane miles)		
Philadelphia Street – channel to East End Avenue, full width	680'	2 lanes (0.258 lane miles)		2 lanes (0.258 lane miles)		
Francis Avenue – county line to East End Avenue, south half	525'	1 lane (0.099 lane miles)		1 lane (0.099 lane miles)		
Totals	4,985'	1.262 lane miles		0.883 lane miles		
5-Year Projection		Year 1	Year 2	Year 3	Year 4	Year 5
New Publicly Maintained Road Lineal Miles¹						
On-Site: New Internal Roads		0.00	0.00	0.00	0.00	0.00
Off-Site: Subdivision's Share of New Off-Site Roads, Lane-miles		1.56	0.00	0.00	0.00	0.00
Total New Road Lineal Lane-Miles		1.56	0.00	0.00	0.00	0.00
Cumulative lane miles		1.56	1.56	1.56	1.56	1.56

Source: The Natelson Dale Group, Inc.; Developer

Assessed Valuation and Property Tax

Table 2-3 shows the projected assessed valuation of the Project, and various property tax implications. The assessed valuation is based on a projected development value (including land and improvements) of \$180 per square foot of industrial building area.

**TABLE 2-3. PROJECTED ASSESSED VALUATION AND PROPERTY TAX
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Industrial Buildings (square feet)						
PSIC	60,000	0	0	0	0	60,000
EEAA	0	25,000	25,000	25,000	25,000	100,000
Total	60,000	25,000	25,000	25,000	25,000	160,000
Cumulative	60,000	85,000	110,000	135,000	160,000	
Assessed Valuation						
Assessed Value of Undeveloped Land (beginning of year)	\$21,073,673	\$19,609,906	\$19,000,003	\$18,390,100	\$17,780,197	
Assessed Value of New Development	\$10,800,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	
Adjustment for Previous AV of Developed Land	(\$1,463,767)	(\$609,903)	(\$609,903)	(\$609,903)	(\$609,903)	
Net Annual Change in Assessed Valuation	\$9,336,233	\$3,890,097	\$3,890,097	\$3,890,097	\$3,890,097	
Cumulative New Valuation (for Property Tax calculations)	\$30,409,906	\$34,300,003	\$38,190,100	\$42,080,197	\$45,970,294	
Projected Property Tax						
Cumulative 1 Percent Tax Levy	\$304,099	\$343,000	\$381,901	\$420,802	\$459,703	
City (half-share scenario)	\$16,421	\$18,522	\$20,623	\$22,723	\$24,824	
City (full-share scenario)	\$32,843	\$37,044	\$41,245	\$45,447	\$49,648	
Projected VLF-Property Tax In Lieu						
Total Valuation for Purposes of VLF-Property Tax In Lieu ¹	\$9,336,233	\$13,226,330	\$17,116,427	\$21,006,524	\$24,896,621	
Total Annual VLF-Property Tax In Lieu ²	\$6,478	\$9,177	\$11,875	\$14,574	\$17,273	
Chino Valley Fire District Payment (cost to City's General Fund)						
City "make whole" payment to Fire District ³	\$1,192	\$1,345	\$1,497	\$1,650	\$1,802	

Notes:

1. See Table 4-2.

2. See Table 4-2.

3. Fire protection for the project area is currently provided by the Chino Valley Fire District, and the District will continue to serve the project area after annexation. Upon annexation, the City will be required to make the Fire District whole to 15.071154% of the 1% property tax. The Fire District's existing share in this Tax Rate Area is 14.679153%. The difference (0.392001%) is reflected in this analysis as an added General Fund cost to the City.

Source: The Natelson Dale Group, Inc.; Developer; San Bernardino County Assessor, Property Information Management System (PIMS), Year 2022 TaxRoll.

CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC) DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS

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Table 2-4 shows the assessed valuation of the Project site as it currently exists (as of Year 2022 Tax Roll).

**TABLE 2-4. ESTIMATED EXISTING ASSESSED VALUATION OF ANNEXATION AREA
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Parcel Information Category	Values		
	EEA	PSIC	Total
2022 Assessed Valuation:			
Land	\$9,830,471	\$2,165,840	\$11,996,311
Improvement	\$9,091,362	\$191,891	\$9,091,362
Exemptions			
Homeowner	\$14,000	\$0	\$14,000
Special	\$0	\$0	\$0
Net Value	\$18,907,833	\$2,357,731	\$21,073,673
Acres (per Parcel Map)	43.28	3.20	46.48
Tax Rate Area(s)	61101, 61105, 61102	61102	

Chapter 3: Public Facilities/Services Before and After Annexation

Current and anticipated providers of government services related to annexation of the EEAA are shown on Table 3-1 on the next page. The primary service categories in which the provider will change with annexation are: General Government Services, Community Development, Police, and Health and Welfare.

**TABLE 3-1. CURRENT AND ANTICIPATED PROJECT SERVICE PROVIDERS
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Service	Current Service Provider	Anticipated Service Provider
General Government Services:		
Finance	San Bernardino County	City of Chino
Human resources	San Bernardino County	City of Chino
Business registration	San Bernardino County	City of Chino
Community Development:		
Planning	San Bernardino County	City of Chino
Building & safety	San Bernardino County	City of Chino
Code compliance	San Bernardino County	City of Chino
Fire and Paramedic	Chino Valley Fire District	Chino Valley Fire District
Sheriff/Police	San Bernardino County Sheriff	City of Chino Police Department
Library	San Bernardino County Library	San Bernardino County Library
Parks and Recreation:		
Local facilities	City of Chino	City of Chino
Regional facilities	San Bernardino County	San Bernardino County
Animal Control	IVHS service area	IVHS contract
Street Lighting and Traffic Signals	San Bernardino County	City of Chino
Landscape Maintenance	N/A	N/A
Water:		
Domestic water	Monte Vista Water District	Monte Vista Water District
Recycled water	N/A	N/A
Irrigation water	N/A	N/A
Water quality	San Bernardino County	City of Chino, Public Works, Environmental Division
Sewer	Septic	City of Chino
Transportation:		
Freeways and interchanges	Cal Trans	Cal Trans
Arterials and collectors	City of Chino (south half of Philadelphia/east half of East End); County	City / County (centerline of Philadelphia/East End); City of Chino (south half of Francis)
Local roads	N/A - no existing local roads	City of Chino
Transit	Omnitrans	Omnitrans
Flood Control and Drainage:		
Local facilities	San Bernardino County Flood Control District	San Bernardino County Flood Control District
Regional facilities	San Bernardino County Flood Control District	San Bernardino County Flood Control District
Utilities:		
Cable/internet/telephone	Time Warner Cable	Time Warner Cable
Power	SCE	SCE
Natural gas	So Cal Gas	So Cal Gas
Schools	Chino Valley Unified	Chino Valley Unified
Solid Waste Management	Waste Management (individual accounts)	City of Chino Contract with Waste Management
Health and Welfare	San Bernardino County Department of Public Health	San Bernardino County Department of Public Health

Sources: The Natelson Dale Group, Inc.; Various Websites

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DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS**

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Chapter 4: City of Chino Fiscal Analysis Assumptions

The general approach to conducting the fiscal impact assessment includes the following steps:

1. Establishing baseline population, employment, and similar conditions that apply to the annexing city, including a determination of appropriate city “service populations,” in this case a combination of residents and workers.
2. Compiling data on costs and revenues for relevant categories of city services from budget documents.
3. Determining and applying methods for projecting these costs and revenues within a process appropriate for the analysis of the Project-specific fiscal impacts.

The application of these three steps to this analysis is addressed in the rest of this chapter.

Baseline Population and Employment

Population and employment figures applied to this analysis are shown on Table 4-1. Notes accompanying the table describe the data sources and rationale applied to deriving the relevant figures.

TABLE 4-1. CITY POPULATION, HOUSING AND EMPLOYMENT ASSUMPTIONS
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS

Variable Description	Applied values
Population and Housing¹	
Total population	91,998
Household Population	87,854
Single Family Units	21,337
Multi-Family Units	6,266
Other Units	634
Total Housing Units	28,237
Occupied Housing Units	27,101
Average Citywide Household Size	3.24
Employment	
Total Employment in the City ²	41,165
Estimated Service Population³	
Total Population	87,854
Estimated Effective Employment (at 50 percent of workers)	20,583
Estimated Daily Total Service Population	108,437

Notes:

1. Source is California Department of Finance (DOF), Table 2: E-5 City/County Population and Housing Estimates, 1/1/2022.

2. The total City employment is from the "2022 City of Chino Spatial and Statistical Summary" published by the Southern California Association of Governments (SCAG).

3. The service population consists of the estimated resident population plus 50 percent of workers, to account for the estimated less frequent use of City services by this group.

Sources: The Natelson Dale Group, Inc.; State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, January 1, 2020-2022, Sacramento, California, May 2022; Southern California Association of Governments (SCAG).

City Revenue Data

Table 4-2 shows revenues for relevant line items in the City of Chino Budget, along with the factors that are derived for projecting the annexation area's potential effects on these revenues.

**TABLE 4-2. GENERAL FUND AND OTHER RELEVANT ACCOUNTS, RECURRING REVENUE FACTORS AND PROJECTION FACTORS
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Revenue Source	Chino Budget	Projection Basis ¹		Annual Projection Factors: Figures and Units	
Property Taxes	\$12,769,537	Half share scenario		5.40%	of City share of 1% levy
Property Taxes	\$12,769,537	Full share scenario		10.80%	of City share of 1% levy
VLF - Property Tax In Lieu ²	\$12,019,000	Case Study		\$694	per \$1,000,000 assessed valuation
Property Transfer Tax	\$750,000	Property Turnover and Valuation Assumptions		0.0%	X \$0.55 per \$1,000 assessed valuation
Sales and Use Tax	\$33,389,000	Taxable Sales		\$0.00	per square foot
		City sales tax revenue		1.0%	of sales tax
Use Tax	\$4,101,128	Use Tax as Percent of Sales Tax		12.3%	of sales tax
Proposition 172 (Half-Cent Sales Tax) ⁴	\$1,100,000	Total City Sales and Use Tax =	\$37,490,128	\$29.34	per \$1,000 of City sales and use tax
Measure I 2010-2040 (Half-Cent Sales Tax) ⁵	\$2,240,422			\$59.76	per \$1,000 of City sales and use tax
Franchise Fees	\$3,342,245	Service Population =	108,437	\$30.82	per capita, service population
Charges for Services	\$415,534	Service Population =	108,437	\$3.83	per capita, service population
Fines and Forfeitures	\$716,580	Service Population =	108,437	\$6.61	per capita, service population
Transfers In:					
Gas Tax Fund	\$0	Population =	91,998	\$0.00	per capita
General Fund: Transfers in from Other Funds	\$4,052,245	Service Population =	108,437	\$37.37	per capita, service population

Notes:

- See Table 4-1 for explanation of service population.
- See table below for calculation of estimate.

Citywide A.V. FY 2021-2022	\$17,323,282,962
VLF In-lieu FY 2021-2022	\$12,019,000
VLF per \$1 million in new AV:	\$693.81

- See table below for calculation of estimate.

Citywide Sales & Use Tax FY 2021-2022	\$37,490,128
Proposition 172 Tax	\$1,100,000
Proposition 172 Tax per \$1,000 Sales and Use Tax:	\$29.34

- See table below for calculation of estimate.

Citywide Sales & Use Tax FY 2019-2020	\$37,490,128
Measure I Revenues for 2021-2022	\$2,240,422
Measure I 2010-2040 Tax per \$1,000 of Sales and Use Tax:	\$59.76

Sources: The Natelson Dale Group, Inc.; City of Chino Projected Budget for Fiscal Year 2021-2022.

CHINO EAST END ANNEXATION AREA (EEAA) AND PHILADELPHIA STREET INDUSTRIAL CENTER (PSIC) DEVELOPMENT: PLAN FOR SERVICE AND FISCAL ANALYSIS

The Natelson Dale Group Inc.

City Cost Data

Table 4-3 shows costs for relevant line items in the City of Chino Budget, along with the factors that are derived for projecting the annexation area's potential effects on these costs, for use in a subsequent table.

**TABLE 4-3. GENERAL FUND AND OTHER RELEVANT ACCOUNTS, RECURRING COST FACTORS AND PROJECTION FACTORS
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Cost Category	Chino Budget	Net Cost ¹	Projection Basis ²	Annual Projection Factors: Figures and Units	
General Government ³	\$51,184,891	\$38,388,668	See Table 4-4	17.5%	of direct line costs
Police Protection	\$42,984,745	\$40,927,380	Service population = 108,437	\$377.43	per service population
Community Services	\$8,279,109	\$8,279,109	Service population = 87,854	\$94.24	per capita
Development Services ⁴	\$12,085,926	\$208,838	Service population = 108,437	\$1.93	per service population
Public Works:					
Street Maintenance ⁵	\$5,151,976	n/a	Lane-Miles of Streets = 670	\$7,690	per lane-mile
Public Works Administration	\$294,496	\$294,496	Service population = 108,437	\$2.72	per service population

Notes:

1. Generally, assumed to be the difference between general tax-based funds and funds from other sources.
2. Estimated service population is described in notes on Table 4-1
3. The general government overhead rate is estimated on Table 4-4.
4. Net Development Services costs include reductions for projected one-time revenues. See Appendix Table A-1.
5. Includes Budget figures for Asphalt Maintenance, Residential Street Overlay, ROW maintenance, and Street Sweeping.

Sources: The Natelson Dale Group, Inc.; City of Chino, Fiscal Year 2021-2022 Projected Budget

Table 4-4 (on the next page) shows the derivation of the estimate of the general government overhead rate, used to calculate the estimate of the General Government cost factor on Tables 5-3a and 5-3b.

**TABLE 4-4. CALCULATION OF CITY GENERAL GOVERNMENT OVERHEAD RATE
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Funds	Projected FY 2021-2022 Expenditures	General Government	Non-General Government
General Government			
<u>Administration, General Fund Expenditures</u>			
Legislative	\$696,536	\$696,536	
City Attorney	\$45,000	\$45,000	
City Manager	\$886,559	\$886,559	
City Clerk	\$522,407	\$522,407	
Community Promotion	\$316,646	\$316,646	
State of the City	\$52,217	\$52,217	
Community Services Corps	\$7,100	\$7,100	
Finance Dept. (less payments to Fire District)	\$5,381,425	\$5,381,425	
Human Resources Department	\$77,560	\$77,560	
<u>Internal Service Funds (Non-General Funds)</u>			
610 - Central Services	\$3,327,339	\$3,327,339	
630 - Liability Insurance	\$3,635,079	\$3,635,079	
640 - Employee Benefits	\$26,332,109	\$26,332,109	
650 - Building Management	\$4,815,231	\$4,815,231	
660 - Equipment Management	\$5,089,683	\$5,089,683	
General Government Total	\$51,184,891	\$51,184,891	
<u>All Funds Total</u>	\$271,143,133		
Non-General Government			\$219,958,242
Current General Government Overhead Rate			23.3%
Adjusted Overhead Rate, at % of total =	75%		17.5%
Overhead Amount			\$38,388,668

Notes:

1. General government costs for the Project are not expected to increase on a one-to-one basis. Therefore, an overhead rate adjustment is used, set at 75 percent.

Sources: The Natelson Dale Group, Inc.; City of Chino Projected Budget for Fiscal Year 2021-2022.

Chapter 5: Fiscal Impacts of Annexation Area

A summation of the annexation area’s projected annual recurring revenues and costs, for the categories listed above, is shown on Table 5-1 below. Based on the conservative revenue assumptions used in this analysis (as described further below), the annexation area would:

- Generate a small fiscal deficit (\$2,200 per year) to the City under the “half share” property tax scenario; and
- Generate a fiscal surplus of \$22,600 per year under the “full share” property tax scenario.

Under more favorable revenue assumptions (see discussion of potential sales tax revenues below), the annexation area would potentially generate a significantly larger annual surplus for the City (even under the “half share” property tax scenario).

TABLE 5-1. SUMMARY OF ANNUAL FISCAL IMPACTS AT BUILDOUT

Annual Impact at Buildout	Property Tax Scenario	
	Half Share	Full Share
Total Recurring Revenues	\$46,842	\$71,665
Total Recurring Costs	\$49,024	\$49,024
Annual Recurring Surplus/Deficit	-\$2,183	\$22,641

Source: Table 5-3a and Table 5-3b.

Whereas most revenue sources associated with the project are reasonably predictable based on standard development assumptions, one key revenue item – sales tax – can vary widely for industrial buildings based on the specific tenant type(s) occupying the space. Some industrial businesses generate substantial sales tax revenue (due to “point of sale” business activities) while some industrial tenants generate little or no sales tax. Based on available data, The Natelson Dale Group, Inc. (TNDG) estimates that existing industrial space in the combined Chino/Chino Hills area generates average taxable sales of \$32.20 per square foot of building area.³

Given that specific tenants are not currently known for the PSIC or the overall EEAA, it is reasonable to expect that the tenant mix (and therefore the level of sales tax generation) for project would mirror the overall makeup of Chino’s industrial market. However, in order to remain analytically conservative (per direction from City staff), the fiscal analysis assumes that no sales tax revenue would be generated by the proposed project.

Based on estimated industrial sales tax generation in other Inland Empire cities, TNDG believes that it is highly likely that the proposed project would generate significant taxable sales. TNDG estimates industrial

³ This factor was derived from two sources: 1) total taxable sales during Calendar Year 2021 in the “All Other Outlets” (i.e., non-retail) sales category as reported by the California Department of Tax and Fee Administration and 2) total square feet of industrial buildings in Chino/Chino Hills as reported by Kidder Matthews (Q2 2022 industrial “Market Trends” report for the Inland Empire). Specifically, total taxable sales of \$1,758,858,921 divided by a total industrial inventory of 54,627,425 square feet equals average taxable sales of \$32.20 per square foot.

taxable sales PSF in other key Inland Empire sub-markets as follows⁴: Corona (\$53.24), Fontana (\$14.19), Jurupa Valley (\$20.33), Moreno Valley (\$8.83), Ontario (\$32.38), Perris (\$9.12), Rancho Cucamonga (\$21.51), Redlands (\$7.08), Rialto (\$40.77), Riverside (\$32.55), and San Bernardino (\$16.86). The weighted average for these 12 sub-markets is \$25.11 per square foot.

As indicated by the above data, the potential exists for the project to substantially outperform the conservative “no sales tax” assumption used in this analysis. For example, if the project achieved taxable sales equivalent to the existing average for the 12 sub-markets noted above (\$25.11 PSF), the project would generate a net fiscal surplus for the City of \$41,600 per year under the half-share property tax scenario and \$66,400 per year under the full-share property tax scenario. If the project achieved taxable sales equivalent to the existing average for the Chino/Chino Hills area (\$32.20 PSF), the project would generate a net fiscal surplus for the City of \$53,900 per year under the half-share property tax scenario and \$78,800 per year under the full-share property tax scenario. Table E-2 below compares the net fiscal impact of the project under the various property and sales tax scenarios considered in this analysis.

**TABLE 5-2. COMPARISON OF NET FISCAL IMPACTS AT BUILDOUT
BY SALES TAX AND PROPERTY TAX SCENARIO**

Taxable Sales Assumptions	Property Tax Scenario	
	Half Share	Full Share
No Taxable Sales	-\$2,183	\$22,641
Taxable Sales @ \$25.11/square foot	\$41,573	\$66,397
Taxable Sales @ \$32.20/square foot	\$53,928	\$78,752

Source: The Natelson Dale Group, Inc. (TNDG).

⁴ These estimates were derived using the same data sources used for Chino (as described in the previous footnote).

TABLE 5-3A. DETAILED PROJECTED RECURRING FISCAL IMPACTS
“HALF SHARE” PROPERTY TAX SCENARIO
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS

Category	Annexation Area					
	Year 1	Year 2	Year 3	Year 4	Year 5	% of Total (Yr. 5)
General Fund and Relevant Other Accounts, Annual Recurring Revenues						
Property Taxes	\$16,421	\$18,522	\$20,623	\$22,723	\$24,824	53.0%
VLF-Property Tax in Lieu	\$6,478	\$9,177	\$11,875	\$14,574	\$17,273	36.9%
Property Transfer Tax	\$0	\$0	\$0	\$0	\$0	0.0%
On-Site Sales and Use Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Proposition 172 Half Cent Sales Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Measure I 2010-2040 Half Cent Sales Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Franchise Fees	\$832	\$1,089	\$1,346	\$1,603	\$1,860	4.0%
Charges for Services	\$103	\$135	\$167	\$199	\$231	0.5%
Fines	\$178	\$233	\$289	\$344	\$399	0.9%
Transfers In: State Gas Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Transfers In: From Other City Funds	\$1,009	\$1,320	\$1,632	\$1,943	\$2,255	4.8%
Total Recurring Revenues	\$25,022	\$30,477	\$35,932	\$41,387	\$46,842	100.0%
General Fund and Relevant Other Accounts, Annual Recurring Costs						
General Government	\$3,609	\$4,165	\$4,721	\$5,276	\$7,017	14.3%
Police Protection	\$10,191	\$13,336	\$16,481	\$19,626	\$22,772	46.4%
Community Services	\$660	\$660	\$660	\$660	\$660	1.3%
Community Development	\$52	\$68	\$84	\$100	\$116	0.2%
Public Works: Street Maintenance	\$9,704	\$9,704	\$9,704	\$9,704	\$16,494	33.6%
Public Works: Other Costs	\$73	\$96	\$119	\$141	\$164	0.3%
Chino Valley Fire District (tax adjustment)	\$1,192	\$1,345	\$1,497	\$1,650	\$1,802	3.7%
Total Recurring Costs	\$25,481	\$29,373	\$33,265	\$37,157	\$49,024	100.0%
Annual Recurring Surplus/Deficit	-\$459	\$1,104	\$2,666	\$4,229	-\$2,183	
Revenue/Cost Ratio	0.98	1.04	1.08	1.11	0.96	

Sources: Tables 4-1, 4-2 and 4-3.

TABLE 5-3B. DETAILED PROJECTED RECURRING FISCAL IMPACTS
“FULL SHARE” PROPERTY TAX SCENARIO
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS

Category	Annexation Area					
	Year 1	Year 2	Year 3	Year 4	Year 5	% of Total (Yr. 5)
General Fund and Relevant Other Accounts, Annual Recurring Revenues						
Property Taxes	\$32,843	\$37,044	\$41,245	\$45,447	\$49,648	69.3%
VLF-Property Tax in Lieu	\$6,478	\$9,177	\$11,875	\$14,574	\$17,273	24.1%
Property Transfer Tax	\$0	\$0	\$0	\$0	\$0	0.0%
On-Site Sales and Use Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Proposition 172 Half Cent Sales Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Measure I 2010-2040 Half Cent Sales Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Franchise Fees	\$832	\$1,089	\$1,346	\$1,603	\$1,860	2.6%
Charges for Services	\$103	\$135	\$167	\$199	\$231	0.3%
Fines	\$178	\$233	\$289	\$344	\$399	0.6%
Transfers In: State Gas Tax	\$0	\$0	\$0	\$0	\$0	0.0%
Transfers In: From Other City Funds	\$1,009	\$1,320	\$1,632	\$1,943	\$2,255	3.1%
Total Recurring Revenues	\$41,443	\$48,999	\$56,554	\$64,110	\$71,665	100.0%
General Fund and Relevant Other Accounts, Annual Recurring Costs						
General Government	\$3,609	\$4,165	\$4,721	\$5,276	\$7,017	14.3%
Police Protection	\$10,191	\$13,336	\$16,481	\$19,626	\$22,772	46.4%
Community Services	\$660	\$660	\$660	\$660	\$660	1.3%
Community Development	\$52	\$68	\$84	\$100	\$116	0.2%
Public Works: Street Maintenance	\$9,704	\$9,704	\$9,704	\$9,704	\$16,494	33.6%
Public Works: Other Costs	\$73	\$96	\$119	\$141	\$164	0.3%
Chino Valley Fire District (tax adjustment)	\$1,192	\$1,345	\$1,497	\$1,650	\$1,802	3.7%
Total Recurring Costs	\$25,481	\$29,373	\$33,265	\$37,157	\$49,024	100.0%
Annual Recurring Surplus/Deficit	\$15,962	\$19,626	\$23,289	\$26,953	\$22,641	
Revenue/Cost Ratio	1.63	1.67	1.70	1.73	1.46	

Sources: Tables 4-1, 4-2 and 4-3.

Chapter 6: Project One-Time Fees and Charges

Table 6-1 below provides a preliminary estimate of one-time development impact fees that the EEAA annexation would generate for the City of Chino and the Chino Valley Unified School District.

**TABLE 6-1. ONE-TIME IMPACT AND OTHER DEVELOPMENT FEE PAYMENTS
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Impact Fees	Unit Measure	Price	Quantity	Amount
<u>City of Chino</u>				
Law Enforcement Facilities, Industrial	Square feet	\$0.05	160,000	\$8,000
Fire Protection Facilities, Industrial	Square feet	\$0.04	160,000	\$6,400
Circulation (Streets, Signals and Bridges) System	Square feet	\$2.31	160,000	\$369,600
Storm Drain Collection, Industrial	Square feet	\$0.52	160,000	\$83,200
Water Storage and Distribution, Industrial ¹	Square feet	\$0.54	160,000	\$86,400
Sewage Collection System, Industrial	Square feet	\$0.10	160,000	\$16,000
General Facilities, Industrial	Square feet	\$0.06	160,000	\$9,600
Public Use Facilities, Industrial	Square feet	\$0.00	160,000	\$0
Capital Impact Administration Charge	Percentage	12%		\$69,504
<u>School Fee</u>				
Chino Valley Unified School District	Square feet	\$0.64	160,000	\$102,400
Total, Impact Fees				\$751,104

Appendix A: Supporting Fiscal Documentation

**TABLE A-1. GENERAL FUND NET COMMUNITY DEVELOPMENT COST FACTORS
CHINO EEAA AND PSIC: PLAN FOR SERVICE AND FISCAL ANALYSIS**

Category	Amount
A. DEVELOPMENT SERVICES	
Total Development Services Expenditures	\$12,085,926
One-Time Processing Fees/Permits:	
Building Permits/Code Enforcement Fees	\$4,976,645
Planning Fees	\$818,898
Development Fees/Permits	\$6,081,545
Total One-Time Revenues	\$11,877,088
Recurring Net Community Development Costs	\$208,838
Service Population ¹	108,437
Citywide Net Cost Factor per Service Population for Community Development	\$1.93
B. PUBLIC WORKS ADMINISTRATION	
Public Works Administration	\$294,496
Service Population ¹	108,437
Citywide Net Cost Factor per Service Population for Other Public Works	\$2.72

Note:

1. See Table 4-1.

Sources: The Natelson Dale Group, Inc.; City of Chino Projected Budget for Fiscal Year 2021-2022.