

**FISCAL IMPACT ANALYSIS
AND MODEL
NEWPORT BEACH
GENERAL PLAN UPDATE**

January 2004

Prepared for the
City of Newport Beach

Prepared by

Applied Development Economics, Inc.
2029 University Avenue, Berkeley, CA 94704 (510) 548-5912
1029 J Street, Suite 310, Sacramento. CA 95814

CONTENTS

INTRODUCTION.....	1
APPROACH TO THE ANALYSIS.....	2
Existing Land Uses.....	3
Budget Overview.....	4
Budget Adjustments.....	5
Revenue and Cost Calculations by Land Use.....	7
Major Revenues.....	7
Other Revenues.....	12
Major Cost Categories.....	13
Capital Improvement Program.....	18
Per Capita Costs and Revenues.....	19
ANALYSIS OF FISCAL IMPACTS BY LAND USE TYPE.....	21
Citywide Summary.....	21
Revenues.....	21
Costs.....	22
Hospitality and Visitor Sector.....	26
Marine Industry.....	27
PRELIMINARY ANALYSIS OF NEWPORT COAST FISCAL IMPACTS 33	
Introduction.....	33
Project Description.....	34
Fire Protection Services.....	35
Police Services.....	35
Summary of Fiscal Impact.....	36
GENERAL PLAN BUILDOUT	41
APPENDIX	
Appendix A: Land Use Definitions by SIC and NAICS.....	45
Appendix B: Distribution of Use of Property Revenues By Land Use.....	47

LIST OF TABLES

1. Land Use Descriptions.....	4
2. 2002-03 Budget Revenues Included in Fiscal Analysis.....	6
3. 2002-03 Budget Expenditures Included in Fiscal Analysis.....	7
4. Assessed Value and Property Tax Estimates by Land Use.....	8
5. Sales Tax Revenues by Land Use.....	9
6. Transient Occupancy Tax by Lodging Type.....	11
7. Business License Revenue by Land Use.....	12
8. Police Department Budget 2002-2003.....	14
9. Police Department Cost Analysis.....	15
10. Analysis of Summer Peak Demand for Police Services.....	16
11. 2002-03 CIP Expenditures Included in Fiscal Analysis.....	19
12. Unit Costs and Revenues.....	20
13. Summary of Fiscal Analysis.....	24
14. Retail Employment and Fiscal Impacts	26
15. Fiscal Impact of Visitors to Newport Beach.....	28
16. Newport Coast Development: Year 2000 and 2025	23
17. Newport Coast Impact Year 2000	37
18. Newport Coast Impact at Full Buildout	39
19 Growth Rates, 2002 – Buildout	41
20 Fiscal Impact of Existing General Plan Buildout	43

LIST OF FIGURES

1. Sales Tax Revenue by Land Use Type.....	22
2. Gross Revenues by Land Use.....	22
3. Economic and Fiscal Relationships in Newport Beach.....	27

INTRODUCTION

This report discusses how various land uses and business types contribute to the revenues and costs for city government. The focus of this discussion is on the existing land use mix in Newport Beach, although it also includes an analysis of the future buildout of the existing General Plan. As the General Plan update process moves forward, a similar analysis will be conducted to determine the potential fiscal impact of future land use alternatives.

It is important to recognize that the point of this analysis is to understand how the mix of land uses in Newport Beach contributes to the revenues needed for municipal services for both residents as well as businesses. For purposes of the General Plan, the goal of the fiscal analysis is to identify the best mix of land uses to balance the revenues generated with the cost for municipal services in the City. Therefore, the fiscal “performance” of individual land uses should be viewed from an overall citywide perspective.

The report is written to provide a detailed explanation of the methodology, assumptions, and data sources used to estimate fiscal impacts for each land use. This analysis is intended to serve as a planning tool for decision makers in the General Plan update process. Based on this analysis, ADE will develop an interactive software program for the City to use in estimating fiscal impacts, not only for General Plan land uses, but also for individual development projects that may be proposed in the future.

APPROACH TO THE ANALYSIS

City government uses a variety of revenue sources to fund the operation of local services and the construction of public facilities. Some of these revenue sources are more affected by the land use mix in the City than are others. For example, property taxes and sales taxes are directly related to the type of property and the business mix in the City. On the other hand, the City's federal entitlement of Community Development Block Grant funds is affected by the population size of the City but is otherwise not a function of the land use mix in the City.

Also, because Newport Beach is a Charter City (as opposed to a "General Law" city) the Newport Beach City Council has the ability to set certain tax rates and fees, such as the business license tax rate or building permit fees. However, the Council has only limited authority to set other tax rates, such as the property tax or the sales tax, or to apply additional taxes or fees, without the consent of a simple majority or a supermajority of electors responding in an election. In considering the effect of existing and future land uses on the City budget, it is important to sort out the types of revenue and costs that are most pertinent.

In general, it is most important to isolate the effect of development on revenues which the City has less ability to raise, such as general taxes, than on direct charges for services which can be increased to meet rising costs as necessary. Consequently, the analysis is focused more on services funded by general tax revenues, such as the property tax and the sales tax among others, than on services funded by direct charges such as the water and sewer enterprise funds, building permit and plan check fees, or other fees charged directly to customers at City Hall. At this point, our assumption is that fees charged for specific services are adequate to cover the costs of those services.¹

At this stage in the process, the fiscal analysis addresses the effect of land use, including related population and business activity, on municipal operating costs and revenues. In the present report, such costs are primarily estimated on an average basis with only a brief discussion of the marginal costs to serve future development. As we move forward with a projection of the effects of potential future land uses, it will be important to consider the existing capacity in the city's service system and

¹ A more in-depth study of City operations would be necessary to verify this assumption. However, if it is not the case, it is within the authority of the City Council to adjust the fee schedules.

determine whether or not the incremental, or marginal, cost of serving new development is the same as the average cost of serving existing development. That analysis will likely depend to some degree on the location of the proposed new development in addition to the type of land use.

This chapter begins with an overview of land uses in Newport Beach, followed by a discussion of the City budget to help clarify some of the distinctions between costs and revenues raised above.

EXISTING LAND USES

Newport Beach's physical setting encompasses about 25 square miles of land, of which approximately three-quarters is developed into a mix of residential (70 percent of developed land) and non-residential (30 percent of developed land) uses. The remaining one quarter of undeveloped land, including the City's coastal beaches, is primarily used for recreation and open space ².

Currently, the City is estimated to have about 36,600 dwelling units. Approximately 40 percent of housing units are single-family units and 60 percent are multi-family units. The average assessed valuation for existing housing is \$625,000 for single-family units (\$814,000 in Newport Coast) and \$431,000 for multi-family units. In 2001, the median price of "for sale" housing in Newport Beach was \$718,400. ³

While residential development is treated as a single land-use category for purposes of this fiscal analysis, non-residential uses were split into seven distinct categories: office, retail, light industrial, lodging, marine-related, service commercial, and institutional. Newport Beach businesses were segmented into one of these categories based on their standard industrial classification (SIC) code through an analysis of the City's business license records. Appendix A shows the detailed SIC code definitions for each category, and a general description of the business types included in each category is provided in Table 1 below.

² *Newport Beach: Current Conditions, Future Choices*, November 2001, p. 26.

³ *Ibid.* p. 28.

TABLE 1
Land Use Descriptions

Land Use Category	Description
Retail	All retail stores (including auto dealerships) and eating and drinking places, except those that are included in one of the categories below
Office	Business and professional services, financial institutions, health care services, etc.
Industrial	Construction contractors, wholesale distributors, manufacturing, transportation, public utilities, etc.
Service Commercial	Primarily includes personal services (e.g. beauty salons, dry cleaners), repair services, entertainment (e.g. movie theaters), and recreation (e.g. health clubs)
Lodging	Hotels, motels, B&Bs, vacation rentals, etc.
Institutional	Schools, churches, social services, membership organizations, etc.
Marine	Several detailed business types that would otherwise fall within one of the categories above, but which have a direct relationship with activity along the Newport Beach coast. Examples include yacht building and maintenance, boat dealers and repair services, marinas, equipment manufacturers for marine vessels, sport fishing outfitters, etc.
Public	The most significant component of this category is the beaches, which attract most of the visitors to Newport Beach.

BUDGET OVERVIEW

The total budgeted expenditures according to the 2002-2003 budget for the City of Newport Beach are \$158.9 million, of which \$34.5 million are for Capital Improvement Projects. Estimated General Fund expenditures for the current fiscal year are \$94.5 million, while revenues are estimated at \$95.5 million (Table 2). The top three revenue categories – property tax (\$36.8 million), sales tax (\$19.8 million), and transient occupancy tax (\$8.3 million) – account for nearly seventy percent of total General Fund revenues. On the expenditure side, Police (\$30.6 million), Fire (\$20.1 million), and Public Works (\$20.3 million) account for three-quarters of all service costs (Table 3). The General Fund also includes about \$4 million of appropriations for projects within the City’s Capital Improvement Program (CIP), excluding rebudgets.⁴

In addition to the General Fund, three other major funds are of importance for the fiscal analysis. The first is the Tidelands Fund (also known as the ‘Tide and Submerged Lands Fund’), which collects revenue from the use of public property that the State of California designates as “tidelands” (i.e. land once under water or

⁴ Rebudgeted funds for CIP projects appear in Table 3 as adjustments to expenditures, since the fiscal analysis is intended to match revenues from the current fiscal year with current year expenditures.

currently below the mean high tide line). The Tidelands Fund has total 2002-03 revenues of about \$6.5 million and expenditures of \$3 million, including CIP projects but excluding transfers to the General Fund. The Tidelands Fund provides about \$3.4 million to the General Fund in 2003-03 to pay for Tidelands-qualified city services in the coastal area.

The second fund is the Gas Tax, which is funded from the State based on primarily population in each city. According to State law, these funds must be accounted for separately and used exclusively for repair, construction, and maintenance of the street and highway system. Newport Beach has a total of 2002-03 Gas Tax revenues of approximately \$1.5 million.

Finally, the Measure M Fund is funded in part from the county sales tax for transportation programs and in part from competitive grants from the countywide pool of Measure M funds. Measure M revenues for 2002-03 are approximately \$2.2 million. Of these, however, only the annual “turn back” revenues are included in the fiscal analysis as net revenues.

Both the Gas Tax and Measure M funds are used exclusively for projects within the City’s CIP.

Budget Adjustments

Some adjustments were made to the original budget figures, as shown in tables 2 and 3, in order to account for budget items that are not annually recurring. On the revenue side, these include intergovernmental grants (e.g. ‘competitive’ Measure M funds), fees for zoning and building activities, and construction-related permits. On the cost side, the value of development-related fees and permits are deducted from the budgets of the planning and building departments.⁵ These adjustments are made for development-related costs and revenues because they typically occur at the building, planning and construction phase and do not represent an ongoing cost of government services once the buildings are completed.

The total estimated General Fund Budget after adjustments (i.e. net revenue) is approximately \$92.3 million for 2002-03, with another \$9.2 million of revenue in the Tidelands, Gas Tax, and Measure M Funds, for total revenues of \$101.5 million.

⁵ Adjustment include the following budget accounts: Intergovernmental: 4824-4827,4858, 4862, 4893, 4896-4898; Charges for service: 5000-5004, 5007, 5023; Licenses and permits: 4610, 4612, 4614, 4616, 4618, 4622.

Adjusted General Fund Expenditures are \$96.2 million, plus \$5.3 million in expenditures within the other three funds included in the analysis. The overall budget figure upon which this analysis is based is approximately \$101 million.

TABLE 2
2002-03 Budget Revenues Included In Fiscal Analysis

	REVENUE	ADJUSTMENTS	NET BASIS
General Fund			
Property Tax	\$36,880,101		\$36,880,101
Sales Tax	19,841,351		19,841,351
Transient Occupancy Tax	8,298,000		8,298,000
Franchises	2,390,000		2,390,000
Business Licenses	2,365,000		2,365,000
Motor Vehicle-in-Lieu	1,700,000		1,700,000
Other Intergovernmental	1,990,127	426,174	1,563,953
Charges for Service	9,515,855	1,048,300	8,467,555
Fines, Forfeitures, Penalties	3,125,250		3,125,250
Licenses/Permits	1,819,860	1,446,200	373,660
Use of Property	5,284,288		5,284,288
Other Revenue	730,435	175,000	555,435
Interest Income	1,500,000		1,500,000
General Fund Subtotal	95,440,267	3,095,674	92,344,593
Tidelands Fund			
Licenses/Permits/Fees	1,153,000		1,153,000
Charges for Service	33,500		33,500
Use of Money and Property	5,359,492		5,359,492
State Gas Tax Fund	1,457,000		1,457,000
Measure M Fund	2,205,580	1,005,580	1,200,000
Subtotal Other Funds	10,209,072	1,110,580	8,047,492
TOTAL	105,649,339	4,101,254	101,548,085

Source: ADE, Inc., based on City of Newport Beach, *Fiscal year 2002-03 Budget Detail*.

TABLE 3
2002-03 Budget Expenditures Included In Fiscal Analysis

	COST	ADJUSTMENTS	NET BASIS
GENERAL FUND			
General Government	\$9,368,986		\$9,368,986
Police	30,132,466		30,132,466
Fire	21,525,002		21,525,002
Public Works [a]	20,389,515		20,389,515
Community Development	4,747,238	2,494,500	2,252,738
Community Services	8,293,665		8,293,665
CIP - Streets	2,366,000	1,061,000	1,305,000
Other CIP Projects	4,766,265	1,873,115	2,893,150
General Fund Subtotal	101,596,546	8,127,868	96,167,931
TIDELANDS FUND			
Harbor Resources	1,282,138		1,282,138
Oil and Gas	351,887		351,887
CIP Projects	1,466,442	400,785	1,065,657
GAS TAX FUND	2,274,721	716,334	1,558,387
MEASURE M FUND	2,061,605	1,005,580	1,056,025
Subtotal Other Funds	7,436,793	2,122,699	5,314,094
TOTAL	109,033,339	10,250,567	101,482,025

Source: ADE, Inc., based on City of Newport Beach, *Fiscal year 2002-03 Budget Detail*.

[a] Includes Public Works, General Services and Utilities.

REVENUE AND COST CALCULATIONS BY LAND USE

Major Revenues

The major revenue categories of property tax, sales tax, transient occupancy tax (TOT) and business license tax were allocated among the various land uses based on actual 2001 data provided by the City Revenue Division. Each of these revenues and how they were distributed across land uses is described below.

Property Tax

In general, the City receives about 17 cents of every property tax dollar paid by property owners within the city's boundaries. The distribution of property tax revenue across the various land uses was based on an analysis of assessed valuation (AV) data obtained from the Orange County Assessor. This data set includes over 29,000 records with detailed parcel information such as owner name and address, site address, valuation, and a set of land use codes used by the Orange County Assessor. The analysis involved sorting the data by land use and, in some cases, site address in order to calculate the total assessed valuation by land use and then the local share of

the property tax revenue. ⁶ The results of this analysis are summarized in the table below:

TABLE 4
Assessed Valuation And Property Tax Estimates By Land Use

Land Use Category	Assessed Valuation (millions)	Property Tax Estimate (millions)	% of Total
Residential	15,740	29.31	79.5%
Office	1,697	3.16	8.6%
Service Commercial	761	1.42	3.8%
Light Industrial	690	1.28	3.5%
Marine Industry	282	0.52	1.4%
Lodging	236	0.44	1.2%
Institutional	206	0.38	1.0%
Retail	192	0.36	1.0%
Total	19,803	36.88	100%

Source: ADE, Inc., based on data provided by the City of Newport Beach Revenue Division.

Significantly, residential properties – which account for about 70 percent of developed land in Newport Beach - generate nearly eighty percent of the property tax for the City. At under 10 percent of property tax revenue, office development is a distant second.

Sales Tax

The city receives one cent of every dollar spent within the city’s boundaries on taxable products. Taxable transactions occur not only at retail stores, but at a wide variety of commercial locations throughout the city. For example, many taxable business-to-business transactions, in which products are sold to end users rather than to entities with resale permits, occur at office and light industrial locations. Examples of non-retail businesses that generate sales tax revenue in Newport Beach include parts manufacturers for marine vessels, food processing equipment distributors, landscaping product wholesalers, medical equipment suppliers, and software developers.

In addition, many service commercial businesses generate sales tax by carrying products related to their service, such as beauty salons that sell shampoos and cosmetics. This category also includes auto rental firms. Large hotels also have ancillary retail shops and food services that generate sales tax revenue. The marine

⁶ For properties within Newport Beach, the City receives approximately 17 percent of the one percent property tax levy.

category includes a number of sales tax generating businesses that are both retail and industrial in nature, including sales of new and used boats, marine fuels, and manufacturing and sales of boat parts. Finally, sales tax revenue that is attributed to the residential category is the result of taxable sales that occur at home-based businesses in Newport Beach.⁷

The sales tax revenue that accrues to the city was distributed across the various land uses through an analysis of 2001 sales tax data provided by the Revenue Division.⁸

TABLE 5
Sales Tax Revenue By Land Use

Land Use Category	Estimated Sales Tax Revenue (1,000s)	% of Total
Retail	13,922,674	70.2%
Office	1,938,437	9.8%
Service Commercial	1,438,043	7.2%
Marine Industry	978,688	4.9%
Light Industrial	892,789	4.5%
Lodging	594,391	3.0%
Residential	76,329	0.4%
Institutional	0	0.0%
Total	19,841,351	100%

Source: ADE, Inc., based on data provided by the City of Newport Beach Revenue Division.

Table 5 displays the results of the analysis of this important revenue source. Over 70 percent of Newport Beach’s sales tax revenue is derived from retail establishments, and nearly 10 percent are from taxable transactions at office-based businesses. The remaining 20 percent is divided into the other categories as shown.

It is important to note that the figures in Table 5 reflect the direct impact of each type of business, and not the indirect impact of their employees. For example, in the

⁷ Sales taxes are distributed to cities based on the location of the point of sale, not the residency of the buyer. Thus, Newport Beach gets a portion of all the sales generated by Fashion Island and other retail businesses in the City, whether or not the customers are Newport Beach residents. Conversely, if residents shop outside the City, Newport Beach receives none of that sales tax. For this reason, residential uses generate sales tax revenue indirectly, through resident spending at Newport Beach businesses, as well as directly, through taxable sales at home-based businesses.

⁸ Annual audit report of Newport Beach sales tax prepared by MBIA. All Newport Beach businesses that generate sales tax are assigned a State Board of Equalization (BOE) business code, which was the primary basis for the sales tax analysis. The data was cross-referenced with the other primary data sourced used in the fiscal analysis for consistency.

office category, the figures include only the actual sales taxes generated by office-based businesses. In addition, office employees spend money at retail establishments, which could be considered an indirect benefit of office development in Newport Beach. However, the analysis treats this revenue as the direct impact of the retail businesses, not the office businesses.

Transient Occupancy Tax (TOT)

The TOT, also known as the Hotel Bed Tax, accrues to the City at the rate of 9 percent of room charges (with an additional 1 percent going to the Newport Beach Conference and Visitors Bureau). The City separates TOT into two land use categories: lodging and residential. Newport Beach has several major hotels such as the Four Seasons and the Hyatt Newporter, as well as numerous smaller inns and motels. Altogether, these lodging facilities provide a total of about 2,600 guestrooms. In addition, there are approximately 625 seasonal vacation rental properties that also generate TOT if they are rented for less than a month at a time.⁹

A detailed analysis of the City's 2001 TOT revenue is shown in Table 6 below. For the current 2002-03 budget year, the City's is expecting this revenue source to decline somewhat and has projected revenues of about \$7.45 million in TOT from hotels and motels/inns, plus \$840,000 from vacation rentals.

Business Licenses

Total annual business license revenue is approximately \$2.4 million according to the 2002-03 budget. Nearly half the business license revenues are derived from residential-based businesses and out of town businesses.¹⁰ Business license revenue from home-based businesses is about \$358,000 (15 percent of the total), while out-of-town businesses generate about \$685,000 (29 percent). Revenues from out-of-town businesses and in-town residential businesses are of particular benefit to the City because such businesses do not carry the same service costs that are associated with commercial locations within the City.

⁹ Importantly, "timeshare" units, many of which already exist or are planned for development in the Newport Coast area, are not subject to TOT unless the timeshare operator rents the unit(s) on a nightly basis.

¹⁰ "Out of town" businesses are those that provide services in Newport Beach but have no permanent physical or mailing address in the City

The total amount of business license tax revenue from all commercial land uses within Newport Beach is approximately \$1.7 million. These revenues were distributed among the various land uses based on SIC code. The full results of the analysis of the City's business license tax revenues are displayed in Table 7 below.

TABLE 6
2001 Transient Occupancy Tax By Lodging Type

Name	Address	Number of Rooms	2001 TOT Amount
Inns and Motels			
Newport Classic Inn	2300 Coast Hwy W	50	
Newport Beach Inn/Best Western	6208 Coast Hwy W	46	
Balboa Inn	105 Main St., Balboa CA	34	
Newport Channel Inn	6030 W Coast Hwy	30	
Bay Shores Inn	1800 Balboa Blvd.	24	
Little Inn by the Bay	2627 Newport Blvd.	18	
Portofino Beach Hotel	2306 Ocean Front Way	15	
Doryman's Oceanfront Inn	2102 Ocean Front West	10	
Marriott Suites	500 Bayview Circle	250	
Balboa Bay Club	1221 W Coast Hwy	123	
Subtotal		600	\$1,786,420
Major Hotels			
Marriott Hotel & Tennis	900 Newport Center Dr.	570	
The Sutton Place	4500 Macarthur Blvd.	435	
Hyatt Newporter	1107 Jamboree Rd.	405	
Radisson Hotel	4545 Macarthur Blvd.	335	
Four Seasons	690 Newport Center	295	
Subtotal		2,040	\$ 6,588,259
Vacation Rentals		625 Units	\$958,771
Grand Total		2,640 rooms; 625 vac. rentals	\$9,333,450

Source: ADE, Inc., based on data provided by the City of Newport Beach Revenue Division.

TABLE 7
Business License Revenue By Land Use

Land Use Category	No. of Active Businesses	Business License Tax Revenue	% of Total
Office	4,055	742,200	30.9%
Retail	1,145	240,299	10.0%
Service Commercial	953	210,064	8.7%
Light Industrial	630	112,668	4.7%
Marine Industry	100	26,993	1.1%
Institutional	85	18,417	0.8%
Lodging	39	10,585	0.4%
Subtotal	7,045	1,718,733	56.6%
Residential-based	3,388	357,507	14.9%
Out-of-town	4,174	684,641	28.5%
Total	14,607	\$2.4 Million	100%

Source: ADE, Inc., based on data provided by the City of Newport Beach Revenue Division.

Other Revenues

All of the other recurring general fund revenues included in Table 13 were calculated based on employment and population factors, with the following exceptions:

- ❑ Franchise fees were estimated on a per capita basis (not including visitors, however), with the additional assumption that 60 percent of these revenues are generated by business uses and the remainder by residents.¹¹ This split reflects the typical distribution of utility usage for a city like Newport Beach.
- ❑ Revenues categorized under “Use of Money or Property” in both the General Fund and the Tidelands Fund were categorized based on the nature of the activity associated with the revenue. A table summarizing each of these revenues is provided in Appendix B. City parking lot revenues were allocated to both public and commercial land uses based on the business types located in the

¹¹ Franchise fees are paid to the city by private companies that have contracts with the City to provide services such as gas, electricity, cable TV and solid waste disposal. The company that provides towing services for the Police Department also pays a franchise fee; however, these fees are included in the *Licenses and Permits* category. The 60/40 split between non-residential and residential uses is based on analysis of franchise revenues in other California communities in lieu of specific data pertaining to Newport Beach.

vicinity of each lot, as well as their proximity to visitor-serving public areas such as the beaches.

- ❑ The Marine category also included an estimate of property tax revenue derived from boats that are moored in Newport Beach marinas. According to data provided by the Revenue Division, there are 3,535 boats from which the City currently receives unsecured property tax revenue. The total assessed valuation of these vessels is approximately \$133 million.
- ❑ Interest income was estimated at a rate of 1.6% of all other revenues, based on the ratio of total interest income to all other revenues for the current budget year.

Major Cost Categories

In general, costs were calculated on a per capita basis as described in the next section, with the following exceptions or refinements:

General Government

The General Government category, with a total budget amount of approximately \$9.4 million, was allocated among the various land uses in proportion to each land use's share of all other expenditures. The underlying assumption of this approach is that general government services are essentially administrative overhead and a direct function of the costs of services provided by the City's various departments.

Fire and Lifeguards

Eighty percent of Fire Department costs (less the \$2.7 million cost for lifeguards, which was wholly ascribed to public uses) were distributed on a per-capita basis; the remaining 20 percent of fire costs were allocated among the various land uses in proportion to their assessed valuation. This approach is based on information provided by the Nbfd that indicates that, aside from the lifeguarding function, 80 percent of their activity is associated with responding to EMS calls and 20 percent is for fire fighting and prevention.

Police

The Police Department is organized into four divisions, in addition to the office of the Chief of Police: Traffic, Patrol, Detective and Support Services (Table 8). In order to estimate the distribution of police activities by land use category, we reviewed police records on the types of services provided both citywide and by

reporting district. Most of the Police Department reporting districts contain a mix of land uses. Therefore, in order to isolate the services provided to specific types of development, it was necessary to use a modified per-capita approach. Table 9 summarizes this analysis.

TABLE 8
Police Department Budget
2003-2003

Division	Budget
Police Chief	\$1,387,010
Traffic Division	\$3,769,036
Patrol Division	\$12,106,233
Detective Division	\$5,295,066
Support Services	\$7,582,531
Total	\$30,139,876

Source: ADE, Inc., based on City of Newport Beach, *Fiscal year 2002-03 Budget Detail*.

In the left hand column of Table 9, the resident population, the average visitor population, and the number of employees by business type are presented. The employment figures are further allocated to visitor-serving and non-visitor serving business activity. The total average “daytime population” in Newport Beach is 151,732, including all of these resident, visitor and worker groups.¹² Of the total daytime population, residents comprise about 50 percent, visitors (on average) are 13 percent, workers serving visitors are four percent and the remaining workers are 33 percent.

An important consideration in Newport Beach is the extent to which police services are related to visitor activity and visitor-serving businesses. As shown in Table 9, visitors represent 13 percent of the daytime population on an average basis, but visitorship peaks heavily in the summer months. The change in demand for police services during the summer months may be expected to indicate the effect of visitors on police services overall. Table 10 shows five main types of police activity: calls for service, citations, crimes, arrests, and traffic accidents. The table shows the monthly average for each type of activity for the September to May (non peak) period and the June to August (peak) period. In every case, there is a measurable peak during the summer months. For example, calls for service are 28 percent higher during the summer months while other citations are more than doubled. This peak effect, when

¹² In actuality, some Newport Beach residents commute out of the city to work, but for the purposes of standard fiscal impact methodology, the term “daytime” population includes all residents.

measured against the annual service load, represents about 7 percent of total police activity (and more than 30% of non-vehicle code citations).¹³

TABLE 9
Police Department Cost Analysis

Land Use	Per Capita Factors	Per Cap Share	Traffic Division	Patrol Division	Detective Division	Other	Total	Percent
Residential Pop.	75,662	48.4%	\$1,753,582	\$5,939,544	\$2,445,043	\$4,295,384	\$14,433,553	47.9%
Visitors	19,671	12.6%	216,564	995,136	580,341	759,260	2,551,301	8.5%
Employees								
Visitor Serving	5,456	3.5%	161,216	823,471	480,205	620,652	2,085,545	6.9%
Retail	3,317	2.1%	98,013	719,180	419,410	523,930	1,760,533	5.8%
Lodging	2,139	1.4%	63,203	104,291	60,795	96,723	325,012	1.1%
Non-Visitor Serving	55,423	35.5%	1,637,630	4,348,096	1,789,484	3,294,235	11,069,445	36.7%
Office	30,802	19.7%	910,134	1,631,296	671,252	1,361,164	4,573,846	15.2%
Retail	7,740	5.0%	228,698	1,822,770	750,352	1,187,088	3,988,908	13.2%
Industrial	11,332	7.3%	334,837	600,151	246,953	500,770	1,682,710	5.6%
Service Commercial	3,039	1.9%	89,796	160,948	66,227	134,296	451,267	1.5%
Marine	1,152	0.7%	34,039	61,011	25,105	50,908	171,063	0.6%
Institutional	1,358	0.9%	40,126	71,921	29,594	60,011	201,652	0.7%
Total Employment	60,879	39.0%	1,798,846	5,171,567	2,269,689	3,914,887	13,154,990	0
Total	156,212	100.0%	\$3,769,036	\$12,106,233	\$5,295,066	\$8,969,541	\$30,139,879	100.0%
Total Visitor-Serving	25,127	16.1%	\$377,780	\$1,818,607	\$1,060,546	\$1,379,912	\$4,636,846	15.4%
Residential			46.5%	49.1%	46.2%	47.9%	47.9%	
Visitor-Serving			10.0%	15.0%	20.0%	15.4%	15.4%	
Business (non-Vis.)			43.5%	35.9%	33.8%	36.7%	36.7%	
Total			100.0%	100.0%	100.0%	100.0%	100.0%	

Source: Applied Development Economics, Inc.

Although not nearly in similar numbers, many visitors do come to Newport Beach during off-peak seasons. Business travelers alone represent 21 percent of total visitors to the city. Assuming their trips are more evenly distributed throughout the year, it is likely that visitors represent at least 6-8 percent of the average daytime population during non-peak months. Thus, the impact of visitors appears to represent about 13-15 percent of total police services.¹⁴ This is about the same as the

¹³ This calculation measures the additional incremental service load during the three summer months against what the service load would be for 12 months if there were no peak.

¹⁴ With the exception of lifeguards, neither the Police Department nor the Fire Department add staff during summer months to handle peak service demands. Existing staff are re-distributed to activities that require more attention during the summer. Therefore, the annual averages are suitable indicators of cost impacts on these departments.

per capita share that visitors, plus visitor-serving employment, represent of the daytime population.

TABLE 10
Analysis Of Summer Peak Demand For Police Services

Time Period	Monthly Averages						
	Calls for Service	Veh. Code Citations	Other Citations	Total Citations	Part 1 and Part 2 Crimes [a]	Total Arrests	Accidents
Sep-May	4,253	1,595	278	5,612	538	306	117
Jun-Aug	5,433	1,854	674	7,208	739	431	150
Peak Effect	27.8%	16.3%	142.3%	28.4%	37.4%	40.7%	28.5%
Peak as Percent of Annual	6.9%	4.1%	31.4%	7.1%	9.3%	10.4%	7.2%

Source: ADE, Inc., based on data provided by Newport Beach Police Department.

[a] As defined by the FBI, Part 1 crimes are the 8 most serious crimes (homicide, forcible rape, robbery, aggravated assault, burglary, larceny-theft, auto theft, and arson). Part 2 crimes are all other lesser offenses such as forgery, fraud, embezzlement, vandalism, prostitution, etc.

The following sections address the cost estimates for each division.

Traffic Division: The Traffic Division includes the parking enforcement, animal control, accident investigations and other moving vehicle violations. (The Patrol Division also issues vehicle code citations and responds to traffic related incidents). Based on the distribution of labor costs for parking enforcement, this function is estimated to require 21 percent of the Traffic Division budget. Parking enforcement records indicate that about 53 percent of this activity occurs in residential neighborhoods and 47 percent in commercial areas, and the parking enforcement costs have been attributed in this analysis accordingly. (Parking meter revenue is attributed solely to business and public uses since few meters exist in residential neighborhoods). All animal control costs are attributed to residential land uses, about 11 percent of the Division budget.

The remaining budget for the Traffic Division is distributed on the basis of estimated traffic generation in the City. Based on the land use mix in the City and the trip generation rates used in the General Plan Update traffic model, it is estimated that approximately 36 percent of all vehicle trips in the City are generated by residential uses, and 64 percent by business and public land uses.¹⁵ This is clearly an approximate split. There is some overlap between trips from residents to retail stores and employment centers and these figures do not account for through-traffic that is

¹⁵ Trip generation rates were provided by Urban Crossroads, Inc., per a City of Newport Beach study. ADE prepared the estimates of the distribution of total trips.

unrelated to land use in Newport Beach. However, the 36/64 percent split provides a reasonable basis for allocating the \$2.56 million in non-parking and animal control enforcement costs for the Traffic Division. In the calculations, visitors were limited to 10 percent of total cost for this division, to reflect the lower effect on vehicle citations, as shown in Table 10.

Patrol Division: This is the largest division and is responsible for maintaining beat patrols as well as responding to traffic incidents, enforcing traffic laws and responding to most other incidents or calls for service. The costs for this division have generally been allocated on a straight per capita basis, with one exception. Retail businesses on average tend to generate more police activity than do other kinds of businesses. Certain kinds of retail, such as restaurants and bars, generate a disproportionate amount of alcohol-related incidents. Retail shopping centers create more opportunity for burglary and theft. The effect of this activity can be seen in comparing the crime statistics for the Newport Center area and the Airport area. Both areas have approximately the same total employment, but the Newport Center area has three times as many retail employees and a corresponding 20 percent reduction in other kinds of jobs. Yet the Newport Center area registers twice as many crimes and three times as many arrests as does the Airport Area. On a per-employee basis, the disparity between retail and other kinds of business activity is even greater. Therefore, in the analysis in Table 9, retail businesses are given a weighting of three times the per capita cost compared to other businesses.

Overall, 49 percent of the cost of the division activities is distributed to residences, 15 percent to visitor-serving uses and 36 percent to other business and public uses. Looking at the land area distribution in the City, 52 percent of the area is devoted to residential uses, with 22 percent in business uses and 26 percent in open space. The per capita allocation fairly well represents the geographic coverage of the patrol function of this division.

Detective Division: This division is primarily responsible for investigating non-traffic related crimes that occur in the City and also performs a number of crime prevention and proactive criminal pursuit activities. In terms of the activities shown in Table 10, this division is most involved with investigation of the Part 1 and Part 2 crimes, as well as following up on arrests. Both of these activities show substantial increases during the summer peak months. Based on the peak effect figures in Table 10 and the additional visitor activity during non-peak months, 20 percent of the costs for this division have been allocated to visitor-serving uses, 46 percent to residences and 34 percent to other businesses. As with the Patrol Division costs, retail

businesses are assigned a weighting of three compared to other businesses in the per capita cost calculations.

Support Activities: The office of the Police Chief includes a number of functions such as community relations, legal affairs and crime prevention. The Support Services Division includes communications, records, fleet maintenance, personnel and a variety of other functions. All of these services and activities represent about 30 percent of the total Police Department budget, or 42.4 percent above the budgets of the other three divisions. The allocation of costs for this division has been treated as an overhead function based on the distribution of costs for the other divisions.

Summary: As shown in Table 9, the total police cost allocation by land use works out to about 47 percent for residential, nearly 25 percent for visitor serving uses and less than one-third for other business uses.

Capital Improvement Program

In addition to providing services, the City also incurs annual ‘capital outlay’ costs associated with the provision of public improvements, on-going projects, and maintenance programs. The Capital Improvement Program (CIP) serves as a plan for meeting the City’s long-term capital needs as well as ongoing maintenance activities. Projects in the CIP include the construction, repair, and maintenance of arterial highways and local streets; storm drains; bay and beach improvements; park and facility improvements; water and wastewater system improvements; and planning programs. The FY 2002-03 CIP, including rebudgets of revenue from prior years, totals \$34.5 million and consists of over 150 projects.¹⁶ Funding for these projects comes from a variety of sources, including the General Fund, enterprise funds, grant programs such as CDBG, State subventions, etc.

As shown in Table 11 below, the four funds that are included in the fiscal analysis contribute a total of approximately \$13 million to the 2002-03 CIP. However, since the fiscal analysis is intended to match revenues from the current fiscal year with current year’s costs (and then distribute these costs and revenues by land use), funds that were rebudgeted from 2001-02 have been subtracted from the CIP appropriations as shown, resulting in approximately \$7.9 million in net CIP expenditures for the current fiscal year.

¹⁶ City of Newport Beach Capital Improvement Program, pg. I-17.

TABLE 11
2002-03 CIP Expenditures Included In Fiscal Analysis

	Total CIP Appropriation	Rebudget Amount	Net Appropriation
General Fund - Streets	2,366,000	1,061,000	1,305,000
General Fund - Other	4,766,265	1,873,115	2,893,150
Tidelands Fund	1,466,442	400,785	1,065,657
Gas Tax Fund	2,274,721	716,334	1,558,387
Measure M Fund	2,061,605	1,005,580	1,056,025
Total	12,935,033	5,056,814	7,878,219

Source: ADE, Inc., based on City of Newport Beach, *Fiscal Year 2002-03 Capital Improvement Program*.

These CIP expenditures that relate directly to traffic/circulation improvements – including the street projects under the general fund and all of the Gas Tax and Measure M projects - were distributed across the various land uses on the basis of trip generation data cited in the discussion above regarding police costs for the Traffic Division. For the Tidelands Fund, those CIP expenditures that related directly to beach and other public uses (e.g. lifeguard towers replacement or pier repair) were attributed to the ‘Public’ category, while costs relating directly to boating activity (e.g. Balboa Yacht Basin Facilities) were attributed to the ‘Marine’ category. The remaining Tidelands Fund CIP expenditures, as well as CIP spending under the General Fund that does not relate to traffic/circulation, was distributed across land uses on a per capita basis, as described in the discussion below.

Per Capita Costs And Revenues

In cases where specific information about the land use origin of certain revenues or costs could not be determined, we developed unit cost and revenue factors to apply to each land use. Unless otherwise indicated, the per capita factors shown in Table 12 are based on the three population segments which generate revenues (via spending on goods and services, payment of fees and fines, etc.) while simultaneously exerting demand for City services: residents, employees, and visitors. As described above in the police cost analysis, these groups comprise a total constituency of approximately 156,000 persons. This estimate is based on the current population of approximately 76,000, plus a citywide employment estimate of 60,879, and an average of 19,671 daily visitors to Newport Beach.¹⁷

¹⁷ According to the U.S. Census Bureau, the City of Newport Beach had a population of 70,032 in 2000. The Resource Allocation Plan indicates a January 1, 2002 population of 75,662, which includes newly annexed Newport Coast and is the figure used in this analysis. The employment figures come from the California Employment Development Department (EDD), adjusted to include an estimate

TABLE 12
Unit Costs And Revenues

UNIT REVENUES	Per Capita (\$)	UNIT COSTS	Per Capita (\$)
Motor Vehicle-in-Lieu	\$22.47	Public Works	\$59.98
Other Intergovernmental	\$10.01	Community Development	\$14.42
Charges for Service	\$54.21	Community Services*	\$109.61
Fines, Penalties, and Forfeitures	\$20.01		
Licenses and Permits	\$2.39		
Other Revenue	\$3.56		
Gas Tax Fund*	\$19.26		
Measure M Fund*	\$15.86		

Source: ADE, Inc.

*Based on residential population only.

of self-employment (excluding home-based businesses) . The average daily visitors is based on estimates obtained from a 2001 study prepared for the Newport Beach Conference and Visitors Bureau, which indicates that there are 7.2 million visitors to Newport Beach annually.

ANALYSIS OF FISCAL IMPACTS BY LAND USE TYPE

CITYWIDE SUMMARY

Based on the current land use mix in the city of Newport Beach as described above, Table 13 shows the full results of the fiscal impact analysis, which are summarized below. This analysis represents the average, existing cost of services for existing land uses. The incremental cost to serve new development in Newport Beach may be different.

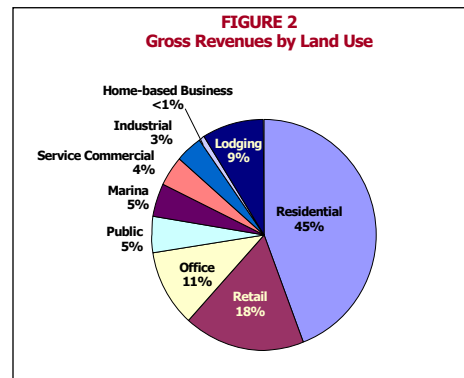
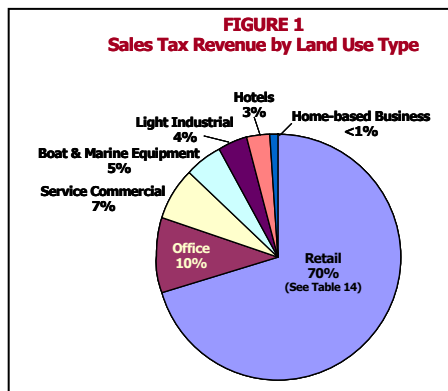
Revenues

- Residential land uses generate about 80 percent of property tax revenues.
- Seventy percent of sales taxes, the second largest city revenue, are generated by retail uses. Table 14 provides a detailed summary of the fiscal impacts of the retail category. Eating and drinking places (i.e. restaurants) generate the most sales tax revenue (over \$3 million per year) among the various retail categories shown in Table 14. However, due primarily to the high employment associated with restaurants and the number of police incidents associated with some of these establishments, the net fiscal impact of eating and drinking places is slightly negative. Besides restaurants, the top retail categories in terms of the sales tax revenue produced are automobile dealerships, grocery stores, and department stores. Together, these three categories account for almost half of all the sales taxes, and all three also result in a significant fiscal benefit to the City.¹⁸
- The remaining 30 percent of the City's sales tax revenues are generated by taxable transactions at Newport Beach businesses as follows: office (10% of sales tax revenues); service commercial (7%); boat and marine equipment sales (5%); light industrial (4%); hotels (3%); and home-based businesses (less than 1%) (Figure 1).
- The transient occupancy tax equals about eight percent of revenues in the analysis and is primarily generated by lodging facilities in Newport Beach (i.e. hotels and motels). However, residential properties which are leased as vacation

¹⁸ Approximately 65% of the net revenues from the retail land use category is derived from auto dealerships, grocery stores, and department stores (Table 14).

rentals (of less than 31 days) also generate significant TOT revenue (nearly \$1 million annually).

- ❑ Residential uses generate 40 percent of franchise fees and 100 percent of the motor vehicle in lieu subvention from the state.
- ❑ Other revenues are generated approximately in proportion to the population and employment supported by each land use.
- ❑ Overall, residential land uses create about 44 percent of the revenues. Retail uses generate 18 percent followed by office uses at 11 percent and lodging at 8.7 percent (Figure 2).



Costs

- ❑ Residential uses require about 48 percent of both police and fire department services, which constitute the largest expenditures for the City (followed closely by street and facility maintenance performed by the public works department).
- ❑ Retail businesses require about one-fifth of total police services, while public land uses, mainly the beaches serving visitors, require about 8 percent. Lodging facilities are estimated to require just one percent of total police services.
- ❑ The beaches and other visitor-serving public land uses require about 21 percent of fire department costs, primarily because of the City's lifeguard services.

Net Impact

- ❑ In total, residential uses require about 51 percent of municipal services, while generating slightly less than half the revenue needed to operate city government.

This results in an annual net cost for residential uses of about \$6.0 million per year for Newport Beach. This is normal for most cities in California, and in fact is probably much worse in many other communities that do not enjoy the higher housing values found in Newport Beach.

- ❑ The lodging sector generates the largest net revenue, at \$7.8 million, followed by the retail sector at about \$7.1 million.
- ❑ The marine industry, including boat sales and manufacturing, generates about \$2.7 million in net revenue, followed by service commercial uses at \$1.8 million.
- ❑ Industrial and institutional uses essentially break even, contributing very modest net revenues.
- ❑ Office uses currently generate a negative impact (-\$6.6 million) due to their high employment, which adds to municipal costs. However, these uses, along with industrial uses, also create jobs and income that contribute significantly to the city's economic base, as discussed in more detail below.
- ❑ Public land uses also reflect a negative impact due to the lack of direct revenues. However, this should be viewed in the context of the overall visitor impact as discussed below and summarized in Table 15.

As mentioned at the outset, the key point in this analysis is to identify how the mix of land uses in the City provides a balance of revenues to fund services for residents and businesses alike. Although the analysis indicates that residential, office, and public uses create a negative fiscal impact for the City, this one-dimensional view does not tell the whole story. Land uses within the City are linked economically and do not function in isolation of each other. In a broad sense, the city economy is driven by land uses that draw dollars into the community by selling goods and services to the outside world (see Figure 3). This includes hospitality and retail businesses that serve tourists, but office and industrial businesses generate an even larger share of the City's "economic base." These businesses create jobs and incomes for people living in Newport Beach who in turn buy retail goods locally. As Figure 3 illustrates, while retail and visitor-serving businesses generate net tax revenue to help provide services to other land uses, particularly residential, those land uses ultimately generate the tax dollars by patronizing Newport Beach businesses. The primary goal, again, is to maintain a well-balanced land use mix that can support the level of services desired by residents and businesses alike. The following discussion focuses on certain prominent economic sectors in Newport Beach.

TABLE 13
Summary Of Fiscal Analysis

REVENUES	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service		
								Commercial	Institutional	Public
GENERAL FUND										
Property Tax	\$36,879,169	\$29,311,725	\$3,160,525	\$357,210	\$1,284,735	\$439,521	\$524,860	\$1,416,413	\$384,180	\$0
Sales Tax	\$19,841,351	\$76,329	\$1,938,437	\$13,922,674	\$892,789	\$594,391	\$978,688	\$1,438,043	\$0	\$0
Transient Occupancy Tax	\$8,298,000	\$840,000	\$0	\$0	\$0	\$7,458,000	\$0	\$0	\$0	\$0
Franchise Fees	\$2,348,673	\$963,881	\$900,307	\$260,559	\$33,591	\$0	\$27,487	\$130,891	\$31,958	\$0
Business Licenses	\$2,377,807	\$357,507	\$742,200	\$240,299	\$112,668	\$10,585	\$26,993	\$210,064	\$18,417	\$12,807
Motor Vehicle-in-Lieu	\$1,700,000	\$1,700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Intergovernmental	\$1,570,200	\$764,280	\$382,501	\$110,700	\$14,271	\$20,906	\$11,678	\$55,610	\$13,578	\$196,675
Charges for Service	\$8,501,375	\$4,137,967	\$2,070,939	\$599,353	\$77,268	\$113,191	\$63,227	\$301,084	\$73,512	\$1,064,836
Fines, Penalties, and Forfeitures	\$3,137,732	\$1,527,263	\$764,353	\$221,212	\$28,519	\$41,777	\$23,336	\$111,126	\$27,132	\$393,015
Licenses and Permits	\$375,152	\$182,602	\$91,387	\$26,448	\$3,410	\$4,995	\$2,790	\$13,286	\$3,244	\$46,990
Use of Property	\$5,284,288	\$1,027,072	\$407,215	\$675,556	\$154,480	\$53,747	\$991,056	\$51,353	\$91,268	\$1,832,541
Other Revenue	\$732,653	\$271,433	\$135,845	\$39,315	\$5,068	\$7,425	\$179,147	\$19,750	\$4,822	\$69,849
Interest Income	\$1,420,786	\$646,898	\$166,497	\$258,591	\$40,970	\$137,435	\$44,466	\$58,900	\$10,186	\$56,843
SUBTOTAL GENERAL FUND	\$92,467,187	\$41,806,956	\$10,760,206	\$16,711,917	\$2,647,770	\$8,881,972	\$2,873,728	\$3,806,520	\$658,296	\$3,673,555
TIDELANDS FUND										
Licenses, Permits, and Fees	\$1,153,000	\$0	\$0	\$520,000	\$0	\$0	\$633,000	\$0	\$0	\$0
Charges for Service	\$33,500	\$0	\$0	\$0	\$0	\$0	\$33,500	\$0	\$0	\$0
Use of Money and Property	\$5,359,492	\$2,285,528	\$0	\$106,514	\$0	\$0	\$997,896	\$61,800	\$110,000	\$1,797,754
STATE GAS TAX FUND	\$1,472,496	\$1,472,496	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MEASURE M FUND	\$1,200,000	\$4,616	\$117,236	\$842,040	\$53,996	\$35,949	\$59,191	\$86,972	\$0	\$0
SUBTOTAL OTHER FUNDS	\$9,218,488	\$3,762,641	\$117,236	\$1,468,554	\$53,996	\$35,949	\$1,723,587	\$148,772	\$110,000	\$1,797,754
TOTAL REVENUE	\$101,685,675	\$45,569,597	\$10,877,442	\$18,180,471	\$2,701,765	\$8,917,921	\$4,597,315	\$3,955,292	\$768,296	\$5,471,309

**TABLE 13 (continued)
Summary Of Fiscal Analysis**

EXPENDITURES	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service		
								Commercial	Institutional	Public
GENERAL FUND										
General Government	\$9,375,533	\$4,993,431	\$1,602,600	\$959,110	\$245,294	\$99,302	\$57,630	\$220,233	\$64,607	\$1,133,327
Police	\$30,139,845	\$14,433,553	\$4,573,846	\$5,749,441	\$1,682,710	\$325,012	\$171,063	\$451,267	\$201,652	\$2,551,301
Fire	\$21,582,789	\$10,322,444	\$4,017,635	\$1,103,797	\$273,287	\$247,801	\$167,958	\$685,295	\$171,375	\$4,593,196
Public Works	\$20,389,485	\$9,882,582	\$4,986,733	\$1,443,216	\$186,059	\$272,558	\$152,247	\$724,997	\$177,013	\$2,564,080
Community Development	\$2,252,735	\$1,091,878	\$550,960	\$159,454	\$20,557	\$30,114	\$16,821	\$80,101	\$19,557	\$283,293
Community Services	\$8,293,655	\$8,293,665	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CIP - Streets	\$1,304,999	\$234,900	\$289,398	\$652,828	\$16,825	\$35,333	\$8,413	\$42,064	\$8,413	\$16,825
Other CIP Projects	\$2,893,146	\$1,402,279	\$707,588	\$204,784	\$26,401	\$38,674	\$21,603	\$102,873	\$25,117	\$363,828
SUBTOTAL GENERAL FUND	\$96,232,197	\$50,654,733	\$16,728,760	\$10,272,629	\$2,451,132	\$1,048,794	\$595,735	\$2,306,830	\$667,734	\$11,505,850
TIDELANDS FUND										
Harbor Resources Division	\$1,282,138	\$0	\$0	\$0	\$0	\$0	\$1,282,138	\$0	\$0	\$0
Oil and Gas	\$351,887	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$351,887
CIP	\$1,065,656	\$404,741	\$189,094	\$54,726	\$7,055	\$10,335	\$40,773	\$27,491	\$6,712	\$324,728
STATE GAS TAX FUND	\$1,558,388	\$280,510	\$345,590	\$779,585	\$20,093	\$42,194	\$10,046	\$50,231	\$10,046	\$20,093
MEASURE M FUND	\$1,056,384	\$190,084	\$234,185	\$528,637	\$13,615	\$28,593	\$6,808	\$34,039	\$6,808	\$13,615
SUBTOTAL OTHER FUNDS	\$5,314,453	\$875,335	\$768,869	\$1,362,948	\$40,763	\$81,122	\$1,339,765	\$111,761	\$26,566	\$710,323
TOTAL EXPENDITURES	\$101,546,649	\$51,530,068	\$17,497,628	\$11,635,577	\$2,491,895	\$1,129,916	\$1,935,500	\$2,418,591	\$691,300	\$12,216,173
NET (COST)/REVENUE	\$139,026	(\$5,960,471)	(\$6,620,186)	\$6,544,894	\$209,870	\$7,788,005	\$2,661,815	\$1,539,701	\$76,996	(\$6,744,865)

TABLE 14
Retail Employment And Fiscal Impacts

NAICS	Description	No. of Empls	Percent	Sales Tax Revenue	Percent	Other Revenue	Costs	Net Revenue	Percent
4411	Automobile Dealers	613	5.5%	2,345,749	16.8%	219,505	619,895	1,945,359	29.0%
4412	Other Motor Vehicle Dealers	207	1.8%	616,017	4.4%	74,170	209,461	480,726	7.2%
442	Furniture and Home Furnishings Stores	235	2.1%	520,694	3.7%	84,258	237,950	367,002	5.5%
4431	Electronics and Appliance Stores	148	1.3%	174,080	1.3%	53,159	150,123	77,116	1.2%
4441	Building Material and Supplies Dealers	67	0.6%	59,919	0.4%	23,867	67,402	16,385	0.2%
4442	Lawn & Garden Equipment and Supplies Stores	25	0.2%	164,727	1.2%	9,041	25,531	148,237	2.2%
4451	Grocery Stores	786	7.1%	1,828,051	13.1%	281,343	794,528	1,314,866	19.6%
4452	Specialty Food Stores	99	0.9%	69,680	0.5%	35,439	100,082	5,037	0.1%
4453	Beer, Wine, and Liquor Stores	24	0.2%	68,566	0.5%	8,679	24,510	52,735	0.8%
4461	Health and Personal Care Stores	419	3.8%	314,269	2.3%	150,074	423,816	40,526	0.6%
4471	Gasoline Stations	115	1.0%	500,011	3.6%	41,225	116,422	424,814	6.3%
4481	Clothing Stores	574	5.2%	700,350	5.0%	205,402	580,067	325,685	4.9%
4482	Shoe Stores	21	0.2%	58,350	0.4%	7,594	21,446	44,498	0.7%
4483	Jewelry, Luggage, and Leather Goods Stores	130	1.2%	184,697	1.3%	46,649	131,741	99,606	1.5%
4511	Sporting Goods, Hobby, and Musical Instrument Stores	89	0.8%	186,618	1.3%	31,823	89,869	128,571	1.9%
4512	Book, Periodical, and Music Stores	88	0.8%	112,427	0.8%	31,461	88,848	55,040	0.8%
4521	Department Stores and Other General Merchandise	1,295	11.7%	1,989,761	14.3%	463,601	1,309,235	1,144,126	17.1%
4531	Florists	59	0.5%	40,504	0.3%	20,974	59,232	2,246	0.0%
4532	Office Supplies, Stationary, and Gift Stores	144	1.3%	104,900	0.8%	51,712	146,038	10,574	0.2%
4533	Used Merchandise Stores	24	0.2%	26,120	0.2%	8,679	24,510	10,289	0.2%
4539	Other Miscellaneous Retailers	194	1.0%	655,425	4.6%	69,412	196,023	528,814	8.0%
722	Eating and Drinking Places	5,772	52.2%	3,226,259	23.2%	2,067,038	58,37,432	-544,135	-8.1%
Total		11,057	100.0%	13,922,674	100.0%	3,959,774	11182625	6,699,823	100.0%

Source: California Economic Development Department, California Board of Equalization, and Applied Development Economics

**Figure 3
Economic and Fiscal Relationships in Newport Beach**

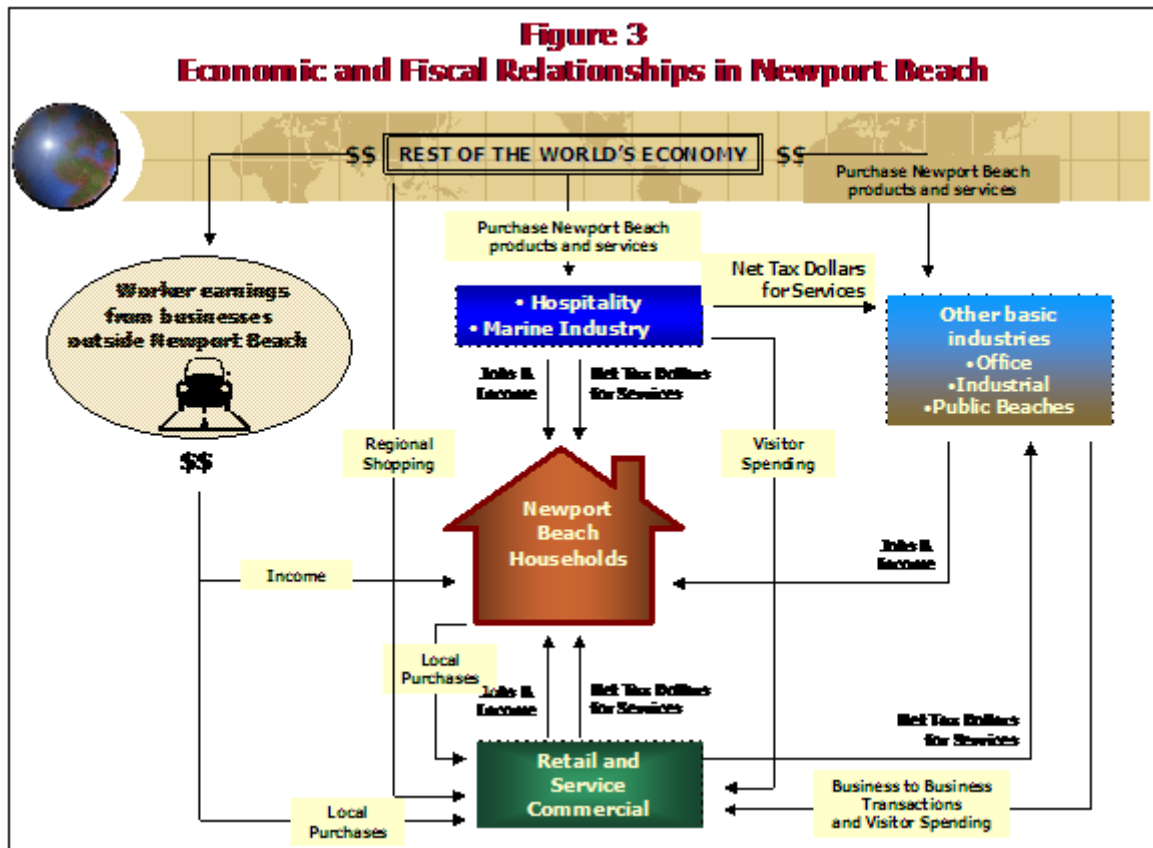


TABLE 15
Fiscal Impact Of Visitors In Newport Beach

REVENUES	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service		
								Commercial	Institutional	Public
GENERAL FUND										
Property Tax	\$1,273,612	\$726,928	\$0	\$107,163	\$0	\$439,521	\$0	\$0	\$0	\$0
Sales Tax	\$4,771,193	\$0	\$0	\$4,176,802	\$0	\$594,391	\$0	\$0	\$0	\$0
Transient Occupancy Tax	\$8,298,000	\$840,000	\$0	\$0	\$0	\$7,458,000	\$0	\$0	\$0	\$0
Franchise Fees	\$86,048	\$7,881	\$0	\$78,168	\$0	\$0	\$0	\$0	\$0	\$0
Business Licenses	\$89,078	\$0	\$0	\$72,090	\$0	\$10,585	\$0	\$0	\$0	\$6,403
Motor Vehicle-in-Lieu	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Intergovernmental	\$250,791	\$0	\$0	\$33,210	\$0	\$20,906	\$0	\$0	\$0	\$196,675
Charges for Service	\$1,391,665	\$33,833	\$0	\$179,806	\$0	\$113,191	\$0	\$0	\$0	\$1,064,836
Fines, Penalties, and Forfeitures	\$513,643	\$12,487	\$0	\$66,364	\$0	\$41,777	\$0	\$0	\$0	\$393,015
Licenses and Permits	\$59,919	\$0	\$0	\$7,935	\$0	\$4,995	\$0	\$0	\$0	\$46,990
Use of Property	\$2,490,233	\$0	\$0	\$667,556	\$0	\$53,747	\$120,036	\$51,353	\$0	\$1,597,541
Other Revenue	\$91,287	\$2,219	\$0	\$11,794	\$0	\$7,425	\$0	\$0	\$0	\$69,849
Interest Income	\$303,574	\$25,514	\$0	\$84,884	\$0	\$137,435	\$1,887	\$807	\$0	\$53,049
SUBTOTAL GENERAL FUND	\$19,619,045	\$1,648,862	\$0	\$5,485,771	\$0	\$8,881,972	\$121,923	\$52,160	\$0	\$3,428,357
TIDELANDS FUND										
Licenses, Permits, and Fees	\$520,000	\$0	\$0	\$520,000	\$0	\$0	\$0	\$0	\$0	\$0
Charges for Service	\$33,500	\$0	\$0	\$0	\$0	\$0	\$33,500	\$0	\$0	\$0
Use of Money and Property	\$1,188,814	\$0	\$0	\$98,900	\$0	\$0	\$37,410	\$61,800	\$0	\$990,704
STATE GAS TAX FUND		\$12,015	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MEASURE M FUND	\$288,561	\$0	\$0	\$252,612	\$0	\$35,949	\$0	\$0	\$0	\$0
SUBTOTAL OTHER FUNDS	\$2,030,875	\$12,015	\$0	\$871,512	\$0	\$35,949	\$70,910	\$61,800	\$0	\$990,704
TOTAL REVENUE	\$21,649,919	\$1,660,876	\$0	\$6,357,283	\$0	\$8,917,921	\$192,833	\$113,960	\$0	\$4,419,061

TABLE 15 (continued)
Fiscal Impact Of Visitors In Newport Beach

EXPENDITURES	Total	Residential	Office	Retail	Industrial	Lodging	Service			Public
							Marine	Commercial	Institutional	
GENERAL FUND										
General Government	\$1,590,714	\$66,303	\$0	\$291,782	\$0	\$99,302	\$0	\$0	\$0	\$1,133,327
Police	\$4,925,517	\$288,671	\$0	\$1,760,533	\$0	\$325,012	\$0	\$0	\$0	\$2,551,301
Fire	\$5,309,182	\$137,045	\$0	\$331,139	\$0	\$247,801	\$0	\$0	\$0	\$4,593,196
Public Works	\$3,351,071	\$81,468	\$0	\$432,965	\$0	\$272,558	\$0	\$0	\$0	\$2,564,080
Community Development	\$370,243	\$9,001	\$0	\$47,836	\$0	\$30,114	\$0	\$0	\$0	\$283,293
Community Services	\$68,369	\$68,369	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CIP - Streets	\$261,056	\$13,050	\$0	\$195,848	\$0	\$35,333	\$0	\$0	\$0	\$16,825
Other CIP Projects		\$11,560	\$0	\$62,188	\$0	\$38,674	\$0	\$0	\$0	\$363,828
SUBTOTAL GENERAL FUND	\$15,615,097	\$650,857	\$0	\$2,864,255	\$0	\$974,787	\$0	\$0	\$0	\$11,125,197
TIDELANDS FUND										
Harbor Resources Division	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oil and Gas	\$351,887	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$351,887
CIP	\$354,570	\$3,089	\$0	\$16,418	\$0	\$10,335	\$0	\$0	\$0	\$324,728
STATE GAS TAX FUND	\$311,746	\$15,584	\$0	\$233,875	\$0	\$42,194	\$0	\$0	\$0	\$20,093
MEASURE M FUND	\$211,611	\$10,560	\$0	\$158,843	\$0	\$28,593	\$0	\$0	\$0	\$13,615
SUBTOTAL OTHER FUNDS	\$1,229,814	\$29,233	\$0	\$409,136	\$0	\$81,122	\$0	\$0	\$0	\$710,323
TOTAL EXPENDITURES	\$16,844,911	\$680,091	\$0	\$3,273,391	\$0	\$1,055,909	\$0	\$0	\$0	\$11,835,521
NET (COST)/REVENUE	\$4,805,008	\$980,786	\$0	\$3,083,892	\$0	\$7,862,012	\$192,833	\$113,960	\$0	(\$7,416,459)

HOSPITALITY AND VISITOR SECTOR

According to a recent report presented by the Newport Beach Conference and Visitors Bureau, the city attracts about 7.18 million visitors per year, of which 81 percent are here on leisure trips.¹⁹ Of this number, 86 percent are day visitors, 7 percent stay in local hotels and the balance stay in private homes. About 64% of the visitors reported visiting the beaches during their stay. This would amount to about 4.6 million visitors, or an annual average of 12,500 per day. During the peak summer season, this average figure climbs to 100,000. Non-beach goers likely include many business travelers and other Southern California residents coming to Newport Beach to shop.

From an economic standpoint, visitors bring substantial income to Newport Beach. Visitors spend an estimated \$1 billion in the city each year, of which about \$449 million are retail purchases and \$83 million are lodging expenses. These two categories of spending alone generated about \$4.8 million in sales taxes and \$8.3 million in Transient Occupancy Tax (TOT) for the City budget in 2001. Visitors generate other revenues as well, including indirect business license and property taxes, revenues from use of public property, and others. Table 15 summarizes the comprehensive revenues and cost impact on local government by visitors to Newport Beach. Overall visitors generate about \$21.6 million per year against \$16.7 million in service costs. The service costs include \$4.9 million in police services, \$2.7 million for beach lifeguards included in the fire department budget, as well as other emergency medical calls made by the fire department. The net positive fiscal impact of visitor business activity in Newport Beach, then is about \$4.9 million per year, not counting the net fiscal benefit of the marine industry, discussed below. These are revenues that contribute toward City services provided to residents and businesses in the community.

¹⁹ CIC Research, Inc. *Profile of Visitors to Newport Beach FY2001*. November 16, 2001. For purposes of the study, visitors were defined as persons who lived outside of Newport Beach and were not in the City for purposes of daily employment. About 18 percent of the survey respondents live in Orange or Los Angeles counties. An additional 15 percent live in Riverside or San Bernardino counties. Overall, about 8 percent listed shopping as the main purpose of their trip to Newport Beach. Although this is not broken down by place of origin, it is likely that many of the visitors from elsewhere in Southern California come to Newport Beach solely for shopping and would not be considered “tourists” in the commonly understood meaning of that term.

MARINE INDUSTRY

As noted above, marine industries in Newport Beach, which include marina slip rentals, boat sales, chartered vessels for events and sport fishing, boat repair, and boat maintenance and manufacturing, account for over 1,000 jobs and generate nearly \$2.7 million in net revenues. This positive fiscal result is largely due to property tax derived from boats moored in Newport Beach marinas, sales tax generation among boat dealers and other marina-related businesses, a marine charter fee, and lease income from coastal property owned by the State of California but that the City operates as the State's trustee.

For purposes of the fiscal analysis we have included the City's Harbor Resources Division in the costs associated with this industry. However, as noted above, there is significant overlap between the marine industry and the hospitality industry.

The marine industries that manufacture, sell, and service the boats have undergone a significant transformation in the past twenty years. There are issues today about the continued viability of the marine industry in Newport Beach that should be recognized in the general plan update process.

Twenty years ago, there were five to six major boat manufacturers in Southern California, and a number of smaller outfits. Since that time, all of the major manufacturers have left California, mostly to Florida. While a few of the smaller manufacturers remain, others have moved inland to Riverside County. This has largely been due to increased environmental regulation in California affecting fiberglass manufacturing processes, as well as real estate price inflation in coastal communities.

There has been a consolidation among boat supply and servicing companies as well. As costs have risen, fewer firms are now serving the demand for specialty boat parts, and boat repair and servicing. Those that do not have to be on the water have moved to inland locations. Some have found locations in the West Newport industrial areas, but many have gone further inland to the Costa Mesa, Huntington Beach, and Long Beach industrial areas, as well as locations in Riverside and San Diego counties and Mexico.

Those businesses still in the industry report very strong demand for their goods and services. Although the total number of slips in Southern California is not growing dramatically, there is a lot of "move up" sales activity as existing boaters purchase larger and more expensive boats that require a greater level of support and servicing.

Businesses throughout the industry have expressed concern about the real estate pressure on their locations near the water. This is an issue that continues to affect businesses leasing space, particularly in the Cannery and Mariner's Mile areas of town. As noted above, many businesses have moved inland and service boats in the harbor from more remote locations. If this issue reduces the availability of boat services in Newport Beach sufficiently, it may cause the consumer market in boats to shift as well to other locations. Currently, the city realizes significant sales and property tax revenues from boats and related industries.

The indirect benefit of the boating industry could also be improved by increasing access for visiting boats to dock and launch facilities in Newport Harbor. This issue is complicated by the fact that over 90% of the harbor frontage is in private ownership. This leaves little opportunity for the City to increase the availability of public facilities. However, if private entrepreneurs could add to the available facilities, it would help increase the capture of visitor spending in Newport Beach on restaurants and other retail goods and services.

PRELIMINARY ANALYSIS OF NEWPORT COAST FISCAL IMPACTS

INTRODUCTION

This chapter demonstrates how the fiscal model can be used to analyze future development in the City by presenting an example of existing and projected development in the Newport Coast area.

The analysis primarily illustrates the distinction between *marginal* service costs and *average* service costs, which will be important in considering the impacts of future development in other areas of the City as well. *Marginal costs* represent the actual incremental costs of providing services to a new proposed development. In contrast, an *average cost* approach would treat the proposed development the same as existing development in the City and assume that the costs to serve it are similar on a per capita basis as the costs to serve all other development in the City. The analysis in the previous chapter is done on an average cost basis, because the intent is to show the levels of cost the City incurs to provide for the existing residents and businesses.

The true marginal costs, on the other hand, can be either higher or lower than the average depending on the levels of available service capacity. This can be most easily illustrated with fire services, as the Newport Coast analysis shows. If the existing fire stations in the City can serve a proposed development, then the incremental cost of providing service is likely to be lower than the average since existing facilities, equipment and manpower can be used. If a new station is needed, then the marginal cost of that is likely to be higher than the average unless the development is so large that it supports the need for a fire station all by itself.

As the City considers future development options in the General Plan Update process, the location of the development and the status of existing services at those locations will play a role in the fiscal impact analysis.

PROJECT DESCRIPTION

The land use data for the analysis is taken from the traffic model database for the year 2000 and the projection for the year 2025. The fiscal analysis evaluates the year 2000 as

the existing land use case and the year 2025 as full buildout of the area. As shown in Table 16, buildout is about double the development levels in the year 2000. The traffic model tracks non-residential development in terms of three employment categories: retail, services and other. It was necessary for us to make assumptions about the more specific business types this would entail in Newport Coast, as shown in the table.

The assessed value estimates for both scenarios are based on residential unit values of \$815,000 for single-family units and \$600,000 for the condominiums. These values are based on a review of property tax data in the Newport Coast area, and are higher than the values obtained for the City of Newport Beach as a whole.

TABLE 16
Newport Coast Development: Year 2000 and 2025

Land Use	Year 2000			Year 2025		
	Units	Population	Assessed Value	Units	Population	Assessed Value
RESIDENTIAL						
Single Family	1,264	3,001	\$1,030,160,000	3,063	7,378	\$2,496,345,000
Condominium	1,136	2,697	\$681,600,000	1,763	4,223	\$1,057,800,000
Apartment	0	0	\$0	0	0	\$0
High Density	0	0	\$0	0	0	\$0
Total Residential	2,400	5,699	\$1,711,760,000	4,826	11,601	\$3,554,145,000
NON-RESIDENTIAL	Sq. Ft.	Employment		Sq. Ft.	Employment	
Office	15,000	50	\$1,995,000	45,000	150	\$5,985,000
Retail	68,600	196	\$6,311,200	68,600	196	\$6,311,200
Industrial	0	0	\$0	0	0	\$0
Lodging	150,000	250	\$15,600,000	297,600	496	\$30,950,400
Marine	0	0	\$0	0	0	\$0
Service Commercial	835,000	835	\$100,200,000	1,329,000	1,329	\$159,480,000
Institutional	100,000	100	\$7,200,000	150,000	150	\$10,800,000
Total Non-Residential	1,168,600	1,431	\$131,306,200	1,890,200	2,321	\$213,526,600

COST ANALYSIS

At the time of the annexation, City departments made estimates of expected service costs, both for the initial development levels and for ultimate buildout. In some cases the full service cost for buildout was funded initially, and in other cases the costs were deferred until further development occurs. This situation raises the opportunity to consider both the marginal cost of the initial annexation and the average cost of serving the area at full buildout.

Fire Protection Services

Newport Coast has an existing fire station, designated No. 8 by the City, which was in place at the time of annexation. At that time, the City estimated the cost of operating the station at \$1.39 million per year.²⁰ This is less than the average cost of operating other stations in Newport Beach, estimated at about \$2 million, but more than the incremental per capita cost of adding the amount of development in Newport Coast in 2000. Since the City assumed operation of the station, we have shown \$1.39 million as the cost of fire protection services in 2000 in Table 17.

As Newport Coast develops further, the City's plan is to move the existing Station No. 5 in Corona del Mar further south to obtain better response times to Newport Coast as well as CdM. Thus, at buildout the City will serve Newport Coast from two stations. However, based on the amount of development at buildout and the fact that Station No. 8 would also serve development west of Newport Coast, the net cost effect would be approximately equal to the cost of one full station. This is estimated by the fiscal model at nearly \$1.9 million (Table 18), not including the cost of moving Station No. 5.

Therefore, the marginal cost of the initial annexation—at \$1.39 million—was higher than the average per capita cost would have been but, conversely, the marginal cost of completing buildout of the area—at \$487,000—is much less than the average cost.

Police Services

In the case of police services, part of the departmental expansion needed to serve full buildout of the Newport Coast area was made at the time of annexation, and part was deferred until a later time. Specifically, the detective division received the entire complement of personnel needed to serve full development of the area²¹, while the patrol and traffic divisions received an incremental increase that reflected immediate service demands at the time of annexation.²²

In estimating the costs of service, the full detective division cost—estimated at 25 percent of the total police services cost—was included in Table 17, along with the incremental cost of the traffic and patrol division as estimated by the fiscal model. This results in a slightly higher cost for police services in Table 17, reflecting the year 2000, than would

²⁰ Terry, Ulaszewski, Fiscal/Information Services Manager, Newport Beach Fire and Marine Department.

²¹ Captain Tim Newman, Detective Division Commander, Newport Beach Police Department

²² Captain Paul Henisey, Traffic and Patrol Division Commander, Newport Beach Police Department.

be commensurate with the amount of development alone. As with the fire services, the net increase at full buildout is accordingly less than it would be otherwise, estimated at \$944,000 compared to nearly \$1.7 million to serve about the same amount of development currently.

SUMMARY OF FISCAL IMPACT

Overall, the analysis suggests that the year 2000 development generates about \$800,000 per year in net revenues, while doubling the development to achieve full buildout would add another \$1.9 million per year. Because the marginal costs of the annexation were higher than the average cost, the second half of buildout of the area generates 40 percent more in net revenue for the City than does the first half. Overall, Newport Coast does very well for the City—including the residential land uses at buildout—primarily because of the higher property values obtained in the area. Also, the fact that many of the streets are privately maintained reduces the City's costs.

**TABLE 17
Newport Coast Impact Year 2000**

Revenues	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service			Public
								Commercia	Institutional		
GENERAL FUND											
Property Tax	3,133,213	2,909,992	3,392	10,729	0	26,520	0	170,340	12,240	\$0	
Sales Tax	614,643	5,737	3,146	243,408	0	68,478	0	293,873	0	0	
Transient Occupancy Tax	1,031,060	0	0	0	0	1,031,060	0	0	0	0	
Franchise Fees	105,508	71,857	1,176	4,609	0	5,879	0	19,635	2,352	0	
Business Licenses	55,498	0	1,939	7,601	0	9,696	0	32,383	3,878	0	
Motor Vehicle-in-Lieu	127,780	127,780	0	0	0	0	0	0	0	0	
Other Intergovernmental	71,264	56,961	500	1,959	0	2,499	0	8,346	1,000	0	
Charges for Service	385,837	308,396	2,706	10,607	0	13,529	0	45,187	5,412	0	
Fines, Penalties, and Forfeitures	142,407	113,824	999	3,915	0	4,993	0	16,678	1,997	0	
Licenses and Permits	17,026	13,609	119	468	0	597	0	1,994	239	0	
Use of Property	240,786	192,459	1,689	6,619	0	8,443	0	28,200	3,377	0	
Other Revenue	25,309	20,229	177	696	0	887	0	2,964	355	0	
Interest Income	112	90	1	3	0	4	0	13	2	0	
SUBTOTAL GENERAL FUND	5,950,442	3,820,934	15,843	290,614	0	1,172,585	0	619,614	30,851	0	
TIDELANDS FUND											
Licenses, Permits, and Fees	0	0	0	0	0	0	0	0	0	0	
Charges for Service	0	0	0	0	0	0	0	0	0	0	
Use of Money and Property	0	0	0	0	0	0	0	0	0	0	
GAS TAX	137,062	109,552	961	3,768	0	4,806	0	16,052	1,922	0	
MEASURE M	54,680	43,705	383	1,503	0	1,917	0	6,404	767	0	
SUBTOTAL OTHER FUNDS	191,742	153,257	1,345	5,271	0	6,723	0	22,456	2,689	0	
TOTAL REVENUE	6,142,184	3,974,192	17,188	295,885	0	1,179,309	0	642,070	33,540	0	

**TABLE 17 (continued)
Newport Coast Impact Year 2000**

Expenditures	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service		
								Commercia	Institutional	Public
GENERAL FUND										
General Government	445,835	374,212	2,270	16,810	0	11,080	0	36,753	4,710	0
Police	1,635,119	1,354,633	11,135	100,516	0	46,655	0	105,859	16,321	0
Fire	1,369,628	1,120,245	7,752	27,979	0	34,834	0	160,654	18,164	0
Public Works	929,079	742,605	6,516	25,541	0	32,578	0	108,809	13,031	0
Community Development	102,649	82,047	720	2,822	0	3,599	0	12,022	1,440	0
Community Services	624,667	624,667	0	0	0	0	0	0	0	0
CIP Streets	33,911	8,756	470	11,413	0	4,071	0	8,596	605	0
Other CIP Projects	131,831	105,371	925	3,624	0	4,623	0	15,439	1,849	0
SUBTOTAL GENERAL FUND	5,272,719	4,412,536	29,787	188,706	0	137,439	0	448,132	56,120	0
TIDELANDS FUND										
Harbor Resources	0	0	0	0	0	0	0	0	0	0
Oil and Gas	0	0	0	0	0	0	0	0	0	0
CIP	0	0	0	0	0	0	0	0	0	0
GAS TAX	40,495	10,456	561	13,629	0	4,861	0	10,265	723	0
MEASURE M	27,448	7,085	380	9,242	0	3,294	0	6,956	490	0
SUBTOTAL OTHER FUNDS	67,943	17,541	941	22,871	0	8,155	0	17,221	1,213	0
TOTAL EXPENDITURES	5,340,662	4,430,077	30,728	211,577	0	145,594	0	465,353	57,333	0
NET (COST)/REVENUE	801,522	(455,886)	(13,540)	84,308	0	1,033,715	0	176,717	(23,793)	\$0

TABLE 18
Newport Coast Impact at Full Buildout

Revenues	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service Commercial	Institutional	Public
GENERAL FUND										
Property Tax	6,405,042	6,042,047	10,175	10,729	0	52,616	0	271,116	18,360	\$0
Sales Tax	868,120	11,679	9,439	243,408	0	135,861	0	467,734	0	0
Transient Occupancy Tax	1,031,060	0	0	0	0	1,031,060	0	0	0	0
Franchise Fees	200,860	146,281	3,527	4,609	0	11,664	0	31,252	3,527	0
Business Licenses	90,014	0	5,817	7,601	0	19,236	0	51,542	5,817	0
Motor Vehicle-in-Lieu	260,122	260,122	0	0	0	0	0	0	0	0
Other Intergovernmental	139,154	115,955	1,499	1,959	0	4,958	0	13,284	1,499	0
Charges for Service	753,409	627,805	8,117	10,607	0	26,842	0	71,921	8,117	0
Fines, Penalties, and Forfeitures	278,072	231,713	2,996	3,915	0	9,907	0	26,545	2,996	0
Licenses and Permits	33,247	27,704	358	468	0	1,184	0	3,174	358	0
Use of Property	470,175	391,790	5,066	6,619	0	16,751	0	44,883	5,066	0
Other Revenue	49,420	41,181	532	696	0	1,761	0	4,718	532	0
Interest Income	166,262	124,103	747	4,567	0	20,618	0	15,499	727	0
SUBTOTAL GENERAL FUND	10,744,957	8,020,380	48,274	295,178	0	1,332,456	0	1,001,667	47,001	0
TIDELANDS FUND										
Licenses, Permits, and Fees	0	0	0	0	0	0	0	0	0	0
Charges for Service	0	0	0	0	0	0	0	0	0	0
Use of Money and Property	0	0	0	0	0	0	0	0	0	0
GAS TAX	88,971	88,971	0	0	0	0	0	0	0	0
MEASURE M	106,771	88,971	1,150	1,503	0	3,804	0	10,192	1,150	0
SUBTOTAL OTHER FUNDS	195,742	177,942	1,150	1,503	0	3,804	0	10,192	1,150	0
TOTAL REVENUE	10,940,699	8,198,322	49,424	296,682	0	1,336,260	0	1,011,859	48,152	0

TABLE 18 (continued)
Newport Coast Impact at Full Buildout

Expenditures	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service Commercial	Institutional	Public
GENERAL FUND										
General Government	872,951	761,787	6,810	16,810	0	21,982	0	58,497	7,065	0
Police	2,556,081	2,190,467	22,271	100,516	0	74,288	0	146,778	21,761	0
Fire	1,853,958	1,575,365	16,065	19,328	0	47,741	0	176,637	18,822	0
Public Works	1,814,177	1,511,727	19,547	25,541	0	64,634	0	173,182	19,547	0
Community Development	200,440	167,023	2,160	2,822	0	7,141	0	19,134	2,160	0
Community Services	1,271,640	1,271,640	0	0	0	0	0	0	0	0
CIP Streets	53,312	17,824	1,409	11,413	0	8,076	0	13,682	908	0
Other CIP Projects	257,421	214,505	2,774	3,624	0	9,171	0	24,573	2,774	0
SUBTOTAL GENERAL FUND	8,879,980	7,710,338	71,035	180,055	0	233,034	0	612,483	73,036	0
TIDELANDS FUND										
Harbor Resources	0	0	0	0	0	0	0	0	0	0
Oil and Gas	0	0	0	0	0	0	0	0	0	0
CIP	0	0	0	0	0	0	0	0	0	0
GAS TAX	63,664	21,285	1,683	13,629	0	9,644	0	16,338	1,084	0
MEASURE M	43,148	14,424	1,140	9,242	0	6,536	0	11,071	735	0
SUBTOTAL OTHER FUNDS	106,812	35,709	2,823	22,871	0	16,180	0	27,409	1,819	0
TOTAL EXPENDITURES	8,986,792	7,746,047	73,858	202,926	0	249,214	0	639,892	74,854	0
NET (COST)/REVENUE	1,953,907	452,275	(24,434)	93,756	0	1,087,046	0	371,967	(26,703)	\$0

GENERAL PLAN BUILDOUT

Buildout of the existing General Plan would maintain an overall positive fiscal balance for the City, in terms of annual operating costs and revenues. As summarized in the Table 19, the City’s housing units, population and total employment would all grow about 16 percent. However, within these broad averages are some important variations.

**TABLE 19
Growth Rates
2002 - Buildout**

VARIABLE	PERCENT GROWTH
Occupied Single-Family Dwelling Units	3%
Occupied Multi-Family Dwelling Units	25%
Total Occupied Dwelling Units	16%
Group Quarters Population	0%
Population	16%
Employed Residents	16%
Retail Employees	24%
Service Employees	16%
Other Employees	10%
Total Employees	16%
Elementary/High School Students	1%
Lodging Rooms	19%

Future residential growth is projected to focus heavily on multi-family development, which will tend to shift the tax base to slightly lower cost housing. However, as noted in the analysis of Newport Coast, housing prices for all types of units in Newport Beach are rapidly reaching levels that can generate sufficient property tax to support public services. For the buildout analysis we assumed a modest 5 to 10 percent real growth in housing prices, which had a marked positive effect on the net cost of residential uses as shown in Table 20.

Within the employment figures, the buildout projection shows higher growth for retail and lodging employment, at 24 percent and 19 percent, respectively. As discussed in the earlier section of this report, these two business sectors are particularly strong net revenue generators. Along with the growth in hotels rooms and regional population, we have assumed a 20 percent growth in visitors to Newport Beach over the 20 to 25 years time period needed to achieve buildout. The increased visitors add sales tax and transient occupancy tax (TOT) to the City’s revenues but would also increase costs for police protection and emergency response among others. We have not assumed, however, a

commensurate increase in the marine industry or the number of boats moored in Newport Harbor. The general plan buildout projection does not include additional marina berths, and as discussed earlier, some elements of the marine industry are under pressure from rising real estate prices and may not be able to expand readily in Newport Beach.

As shown in Table 20, the individual land uses perform about the same as in the existing land use scenario earlier, but the total net revenue is higher as a percent of revenue due to the increased proportion of sales tax, TOT tax and property tax from residential units. The analysis also includes the assumption that City would see increased revenues from the use of public property, as uses on these sites intensify to serve the increased resident and visitor population.

It should further be noted that this analysis only addresses the annual costs of providing services and does not include any capital costs or improvements to public facilities needed to support the growth in the buildout projection. Due to the long time frame (20-25 years) to achieve buildout, we have not attempted to estimate the marginal costs of expanding or upgrading city facilities. As these costs are identified through subsequent analysis in the General Plan Update process, a discussion of financing for public improvements will be included in the fiscal analysis.

TABLE 20
Fiscal Impact of Existing General Plan Buildout

REVENUES	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service		
								Commercial	Institutional	Public
GENERAL FUND										
Property Tax	\$43,839,479	35,821,978	\$3,333,991	\$367,462	\$1,195,363	\$493,736	\$524,860	\$1,676,490	\$425,599	\$0
Sales Tax	\$23,932,382	88,480	\$2,336,795	16,940,997	\$908,606	\$730,552	\$987,067	\$1,939,884	\$0	\$0
Transient Occupancy Tax	\$10,132,212	965,756	\$0	\$0	\$0	\$9,166,456	\$0	\$0	\$0	\$0
Franchise Fees	\$2,850,120	1,108,183	\$1,085,324	318,921	\$34,186	\$60,480	\$27,722	\$176,569	\$38,736	\$0
Business Licenses	\$2,789,700	414,409	\$894,726	294,123	\$114,664	\$13,010	\$27,224	\$283,371	\$22,323	\$14,956
Motor Vehicle-in-Lieu	1,970,618	1,970,618	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Intergovernmental	1,854,784	878,700	\$461,107	\$135,496	\$14,524	\$25,695	\$11,778	\$75,017	\$16,457	\$236,010
Charges for Service	\$10,042,171	4,757,459	\$2,495,527	\$733,601	\$78,637	\$139,120	\$63,768	\$406,155	\$89,102	\$1,277,803
Fines, Penalties, and Forfeitures	3,706,418	1,755,908	921,431	\$270,761	\$29,024	\$51,347	\$23,536	\$149,906	\$32,886	\$471,618
Licenses and Permits	443,145	209,939	\$110,168	\$32,373	\$3,470	\$6,139	\$2,814	\$17,923	\$3,932	\$56,387
Use of Property	6,234,562	1,191,404	\$472,369	\$837,689	\$157,570	64,496	\$1,149,625	\$56,488	\$105,871	\$2,199,049
Other Revenue	833,723	312,069	163,761	\$48,127	\$5,158	9,126	\$179,183	\$26,642	\$5,845	\$83,818
Interest Income	1,696,115	777,579	\$192,941	\$314,011	\$39,939	169,113	\$47,112	\$75,573	\$11,642	\$68,205
SUBTOTAL GENERAL FUND	110,325,429	50,252,481	\$12,469,141	\$20,293,555	\$2,581,142	\$10,929,272	\$3,044,688	\$4,884,017	\$752,392	\$4,407,847
TIDELANDS FUND										
Licenses, Permits, and Fees	1,274,894	0	\$0	\$636,474	\$0	\$0	\$638,420	\$0	\$0	\$0
Charges for Service	\$33,787	0	\$0	\$0	\$0	\$0	\$33,787	\$0	\$0	\$0
Use of Money and Property	6,248,790	2,651,212	\$0	\$132,077	\$0	\$0	\$1,157,559	\$67,980	\$127,600	\$2,112,361
STATE GAS TAX FUND	1,689,515	1,689,515	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MEASURE M FUND	1,453,441	5,307	\$141,329	1,030,647	\$54,952	\$44,184	\$59,698	\$117,324	\$0	\$0
SUBTOTAL OTHER FUNDS	\$10,700,426	4,346,035	\$141,329	1,799,198	\$54,952	\$44,184	\$1,889,463	\$185,305	\$127,600	\$2,112,361
TOTAL REVENUE	\$121,025,855	54,598,516	\$12,610,469	22,092,753	\$2,636,094	\$10,973,455	\$4,934,152	\$5,069,321	\$879,992	\$6,250,208

TABLE 20 (continued)
Fiscal Impact of Existing General Plan Buildout

EXPENDITURES	Total	Residential	Office	Retail	Industrial	Lodging	Marine	Service Commercial	Institutional	Public
GENERAL FUND										
General Government	11,055,740	5,805,709	\$1,924,851	\$1,172,951	\$247,800	\$115,570	\$57,630	\$293,585	\$77,651	\$1,359,992
Police	35,480,007	16,731,187	\$5,513,794	\$7,037,249	\$1,712,522	\$399,465	\$171,063	\$608,748	\$244,418	\$3,061,561
Fire	25,526,657	12,118,949	\$4,780,764	\$1,342,316	\$261,906	\$247,442	\$167,958	\$892,556	\$201,930	\$5,511,836
Public Works	24,179,820	11,455,760	\$6,011,531	\$1,766,479	\$189,355	\$334,995	\$152,247	\$978,003	\$214,553	\$3,076,897
Community Development	2,671,510	1,265,691	\$664,185	195,170	\$20,921	37,012	\$16,821	\$108,055	\$23,705	\$339,951
Community Services	9,613,909	9,613,909	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CIP - Streets	1,576,311	272,293	\$348,871	\$799,054	\$17,123	\$43,427	\$8,413	\$56,743	\$10,197	\$20,190
Other CIP Projects	3,430,972	1,625,504	\$853,000	\$250,653	\$26,868	\$47,534	\$21,603	\$138,773	\$30,444	\$436,593
	113,534,925	58,889,002	\$20,096,99	\$12,563,872	\$2,476,495	\$1,225,445	\$595,735	\$3,077,463	\$802,898	13,807,020
SUBTOTAL GENERAL FUND			6							
TIDELANDS FUND										
Harbor Resources Division	1,282,138	0	\$0	\$0	\$0	\$0	\$1,282,138	\$0	\$0	\$0
Oil and Gas	422,264	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$422,264
CIP	1,259,582	469,171	\$227,953	\$66,984	\$7,180	\$12,703	\$40,773	\$37,085	\$8,136	\$389,597
STATE GAS TAX FUND	1,876,969	325,164	\$416,610	954,203	\$20,449	\$51,860	\$10,046	\$67,760	\$12,177	\$18,701
MEASURE M FUND	1,272,348	220,343	\$282,311	647,046	\$13,856	\$35,143	\$6,808	\$45,918	\$8,252	\$12,672
SUBTOTAL OTHER FUNDS	6,113,302	1,014,677	\$923,875	1,668,232	\$41,485	\$99,705	1,339,765	\$150,763	\$28,564	\$843,234
TOTAL EXPENDITURES	119,648,227	59,903,679	21,023,871	14,232,104	\$2,517,980	\$1,325,150	\$1,935,500	\$3,228,226	\$831,462	14,650,254
NET (COST)/REVENUE	1,377,628	(\$5,305,163)	(\$8,413,401)	7,860,649	\$118,114	\$9,648,305	\$2,998,652	\$1,841,095	48,530	(\$8,130,046)

APPENDIX A

LAND USE DEFINITIONS BY SIC AND NAICS

SIC	DESCRIPTION	NAICS	DESCRIPTION
INDUSTRIAL			
01 thru 09	Agriculture, Forestry, and Fishing	11	Agriculture, Forestry, Fishing
15 thru 17	Construction	21	Mining
20 thru 39	Manufacturing	22	Utilities
40 thru 49	TCPU	23	Construction
50 – 51	Wholesale	31-33	Manufacturing
		42	Wholesale Trade
		48-49	Trans and Warehousing
RETAIL			
52	Building Materials and Garden Supplies	44-45	Retail Trade
53	General Merchandise Stores	722	Food Service & Drinking Places
54	Food Stores		
55	Automobile Dealers and Service Stations		
56	Apparel and Accessory Stores		
57	Furniture and Home Furnishings Stores		
58	Eating and Drinking Places		
59	Miscellaneous Retail		
OFFICE			
60	Depository Institutions	52	Finance and Insurance
61	Nondepository Institutions	53	Real Estate
62	Security and Commodity Brokers	54	Professional, Scientific, & Technical Services
63	Insurance Carriers	621-623	Health Care
64	Insurance Agents, Brokers, and Service	51	Information
65	Real Estate	561	Administrative and Support Services
67	Holding and Investment Companies		
73	Business Services		
80	Health Services		
81	Legal Services		
87	Engineering and Management Services		
SERVICE COMMERCIAL			
72	Personal Services	81	Other Services
75	Auto Repair, Services, and Parking	71	Arts, Entertainment, and Recreation
76	Miscellaneous Repair Services	51213	Motion Picture & Video Exhibition
78	Motion Pictures		
79	Amusement & Recreation Services		
INSTITUTIONAL			
82	Educational Services	61	Educational Services
83	Social Services	624	Social Assistance
84	Museums, Botanical, Zoological Gardens		
86	Memberships Organizations		
91 thru 97	Public Administration		

LAND USE DEFINITIONS BY SIC AND NAICS

SIC	DESCRIPTION	NAICS	DESCRIPTION
MARINE			
2394	Mfg Of Canvas & Related Products	441222	Boat Dealers, New and Used
2499	Miscellaneous Wood Products Mfg	713930	Marinas
3663	Mfg Of Radio & TV Communications Equip	334220	Marine Radio Comm Equip Mfg
3731	Ship Building & Repairing	336612	Boat yards (i.e. boat mfg facilities)
3732	Boat Building & Repairing	811490	Boat, Pleasure, Repair & Maint Services
3993	Mfg Of Signs & Advertising Specialties	713990	Boating Clubs w/o Marinas
4422	Coastwise Transportation - Water		
4469	Miscellaneous Water Transportation Services		
4489	Water Passenger Transportation		
4491	Marine Cargo Handling		
4492	Towing & Tugboat Service		
4493	Marinas		
4499	Yacht Maintenance		
5063	Electrical Apparatus & Equipment		
5091	Sporting & Recreation Goods & Supplies		
5099	Miscellaneous Durable Goods Wholesalers		
5146	Fish & Seafood		
5551	Boat Dealers		
7699	Miscellaneous Repair Services		
LODGING			
7011	Hotels & Motels	721	Accommodation
GOVERNMENT			
NA	<i>Not included as category in Bus Lic File</i>	NA	<i>Includes only City of Newport Beach departments, which are classified into a variety of different NAICS codes</i>

APPENDIX B

DISTRIBUTION OF 'USE OF PROPERTY' REVENUES BY LAND USE

GENERAL FUND

Properties	Residen.	Office	Retail	Light Ind.	Lodging	Marine	Service	Inst.	Public	Total
Visitor-Serving	0	0	667,556	0	53,747	120,636	51,353	0	1,547,541	2,490,232
W.J. Carden Telescopes							2,000			2,000
Temp. Slip rentals						1,500				1,500
Galley café			20,000							20,000
Orange Co. Dock						40,000				40,000
Garages									36,096	36,096
Pay Telephones									25,000	25,000
CDM Concession									90,000	90,000
Misc. Concessions									2,600	2,600
Parking Meter Income			344,249		28,573	41,751	26,236		767,567	1,208,376
City Parking Lots			303,307		25,174	36,785	23,116		676,278	1,064,660
Non-Visitor-Serving	1,027,072	407,215	8,000	154,480	0	871,020	0	91,268	235,600	2,794,056
Beacon Bay	650,000									650,000
Balboa Yacht Basin						806,520				806,520
Basin Marine Shipyard						60,000				60,000
Electricity									10,000	10,000
Heritage Yacht Brok.			8,000							8,000
Balboa Yacht Club						4,500				4,500
Apartments	27,072									27,072
Intercity Bus Shelters									60,000	60,000
City facility Fees									55,000	55,000
OASIS									108,000	108,000
Library facility									2,000	2,000
Parking Meter Income		216,481		82,124				48,520		347,124
City Parking Lots		190,734		72,357				42,749		305,840
Marinapark	350,000									350,000

TIDELANDS FUND

Properties	Res.	Office	Retail	Light Ind.	Lodging	Marine	Service	Inst.	Pub.	Total
Visitor-Serving	0	0	98,900	0	0	37,410	61,800	0	990,704	1,188,814
W.J. Carden Telescopes							1,800			1,800
Temp. Slip rentals						1,410				1,410
Galley café			20,000							20,000
Garages									40,704	40,704
Orange Co. Dock						36,000				36,000
Balboa Island Ferry							60,000			60,000
Balboa Pier Conc.			50,000							50,000
Newport Pier Conc.			25,000							25,000
Harbor Bait Barge			3,900							3,900
Balboa Parking Lot									950,000	950,000
Non-Visitor-Serving	2,285,528	0	7,614	0	0	960,486	0	110,000	807,050	4,170,678
Amer. Legion								110,000		110,000
Beacon Bay	650,000									650,000
Balboa Yacht Basin						900,486				900,486
Basin Marine Shipyard						60,000				60,000
Electricity									7,050	7,050
Bayside Yacht Sales			7,614							7,614
Apartments	30,528									30,528
Balboa Bay Club	1,605,000									1,605,000
Petroleum Royalty									750,000	750,000
Sale of gas									50,000	50,000