Yolo County General Plan

Market and Fiscal Considerations for the General Plan

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DESIGN, COMMUNITY & ENVIRONMENT

in association with
Bay Area Economics

Market and Fiscal Considerations for the Yolo County General Plan

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Executive Summary

This Market Review Report contains a range of information to augment economic information already generated as part of the Yolo County General Plan process. In addition to providing economic and fiscal background information for the General Plan Update, this information will also help to inform decisions regarding other aspects of the update, including the land use plan. This report includes the following main sections: Demographic and Economic Trends, Fiscal Implications of Growth, City/County Revenue Sharing Agreements, and an analysis of six Growth Models.

Local Demographic and Economic Trends

Population, Housing, and Employment Data
Total County population, households, and housing are expected to grow at an average of 1.7 percent annually through 2030, according to baseline SACOG projections. While this may represent a decline from the long-term trend, the growth rate for the next 25 years is just slightly below the 1.8 percent annual growth rate indicated by U.S. Census data from 1990 and 2000. Still, if the County were to grow at a rate that was more similar to the growth rate since 1950, the increase in population would be much greater than SACOG projects. Of the five Yolo County jurisdictions, the City of Davis is expected to grow at the slowest pace, followed by the unincorporated County. West Sacramento and Winters exhibit the highest projected average annual growth rates among the jurisdictions. Among sub-areas within the unincorporated County, SACOG projects that the town of Dunnigan will grow in population, households, and housing faster than all other study geographies within the County. SACOG expects Knights Landing, Madison, and Esparto will also grow at a faster pace than the rest of the unincorporated County. Clarksburg is the only focus geography with a slower projected growth rate than both the unincorporated County and the County overall. In total, baseline projections for Yolo County growth indicate that the population for the entire County will grow by approximately 100,250 persons between 2005 and 2030. Of that population increase, 9,750 new residents will reside in the unincorporated area.

SACOG projects that employment in the County will grow at an average rate of 2.3 percent annually. This is comparable to the California Employment Development Department employment projection for Yolo County, which is 2.28 percent per year between 2002 and 2012. While SACOG projects that West Sacramento and Winters will grow at a faster pace than the rest of the County, employment growth in both unincorporated Yolo County and Davis is expected to be slower. Within the unincorporated County, employment growth rates in Dunnigan and Clarksburg exceed projections for all other County study geographies. Esparto is expected to mirror overall County trends while job growth in Knights Landing and Madison are estimated to increase at a slower rate as compared to the County. Within Yolo County, SACOG projects office and manufacturing employment will grow faster than other employment sectors. Both, however, are underrepresented in the unincorporated study areas. The greatest projected employment growth for these geographies occurs in the education sector.

Projections for overall Yolo County employment growth reflect an expectation for a strong local economy though 2012. The California Employment Development Department expects total County non-farm employment to grow at a faster rate compared to the rest of the State. Growth rates in local manufacturing employment, as well as retail trade are expected to occur at a much faster rate than in the rest of California. These projections reverse recent trends of declining employment figures in these sectors over the past few years. With the exception of the wholesale trade and natural resources, mining, and construction sectors, EDD projections anticipate higher employment growth rates across the board in Yolo County as compared to the State.

Current Real Estate Market Conditions

Market trends have changed dramatically in recent months with the slowdown in home sales and a flattening of the residential market nationally. However, home sales and prices remain strong in Yolo as compared to the rest of the region. While short-term housing demand may not mirror the uncharacteristically high sales volume and price increases of the past few years, that market upswing was an outlier and a slow-down may represent a more normal market condition. Over the General Plan time frame, the market can be expected to go through cyclical upswings and downswings, the long-term trend in the residential market can be expected to involve increasing housing demand and housing prices.

Over the past few years, the Sacramento region experienced extensive development pressure and this has led to a diminishing supply of available land for new development. Land in most of the region's rapidly growing urban centers is tied up in development plans. Due to the lack of available land, developers are acquiring tracts of land outside the incorporated cities and established urban areas. In this environment of regional growth, Yolo County has become an attractive development opportunity. While strict agricultural preservation policies in the County have caused many developers to previously overlook the area, unincorporated Yolo County now presents an attractive location worth the effort of seeking difficult-to-obtain development approvals.

While some development opportunities do exist in the incorporated cities of Yolo County, such as Spring Lake in Woodland and Southport in West Sacramento, developments are already planned on much of this land. Further exacerbating the situation, Davis and Woodland have both enacted restrictions on future growth.

There are a number of conceptual development proposals that would require changes to existing land use designations that have been presented to the County during the General Plan Update. Most of these projects consist of residential development. At a maximum, these residential projects represent potential for construction of over 21,000 new homes. A few years ago the number of new homes built in the unincorporated County amounted to fewer than 200 units annually. Many of these speculative proposals are understood to include more than 200 homes, and several greatly exceed that number. The representatives for these proposals have indicated that they chose the various properties based on factors such as access to regional transportation corridors, shopping and recreational amenities, medical facilities, existing infrastructure, or the ability to improve local infrastructure systems to address deficiencies.

Estimated Absorption Potential and Market Issues in Unincorporated County
This portion of the study discusses the potential amount of residential and non-residential demand that could be captured in unincorporated Yolo County in the absence of land use constraints.

Housing. Calculations based on the assessment that unincorporated Yolo County is competitive with locations in unincorporated Yuba and Sutter Counties provide some measure of potential housing demand in unincorporated Yolo County under a scenario that ignores (for analysis purposes only) some of the current land use constraints within the unincorporated area. Were unincorporated Yolo County to mirror unincorporated Sutter County's projected 4.5 percent average annual household growth rate, it would translate into an increase of about 15,000 new homes between 2005 and 2030. If unincorporated Yolo County grew at a rate similar to unincorporated Yuba County, this would equate to about 12,000 housing units through 2030. These figures compare to the current SACOG projections of about 3,350 new homes over the 25-year period. These examples of growth potential assume that the currently projected growth patterns in the Yolo County cities prevail and that, for example, none of the cities themselves decides to aggressively pursue annexing and developing adjacent unincorporated land not currently factored into the growth projections. Were one or more of the incorporated cities to pursue a more aggressive annexation and development policy, those new developments would compete for growth within the unincorporated County and likely reduce the growth potential for unincorporated Yolo County.

Retail. Potential new retail developments in the unincorporated County are generally limited to local-serving convenience retail designed to serve new residential projects, highway commercial designed to serve drive-by traffic, and community, regional, and destination retail designed to serve adjacent cities and unincorporated areas. A typical modern 50,000 to 60,000 square foot supermarket requires a trade area population of between 12,000 and 15,000 people. Ideally, this population is located within one to two miles of the store. Such a supermarket would typically anchor a neighborhood shopping center with about 120,000 total square feet. Many communities in the unincorporated County will not meet that threshold to provide basic retail services to residents, and their supportable retail square footage will be scaled back roughly proportionately. Factors including site availability, nearby competition, accessibility, visibility, and local demographics will help influence where, and what amount of retail can be attracted to a given location.

Office, R&D, and Flex Space. Based on historic regional trends, it is likely that the amount of new non-retail commercial space demanded in unincorporated Yolo County will not be significant during the General Plan time horizon. Some potential exists for Research and Development facilities related to activities at the University of California, Davis. However, once research activities do generate marketable product, it is likely that production facilities would be moved to more competitive regional locations closer to existing manufacturing supply chains for inputs and labor. Limited exceptions to this could include business park development on the periphery of Woodland, West Sacramento, or Davis. In Davis, the opportunity may exist for R&D development to accommodate businesses that spin-off from research at UC Davis; it should be noted however, that such development would be in competition with UC Davis' own planned 38-acre university research park facilities as well as competitive sites within the cities.

Small amounts of professional office space targeted to office users with a local clientele, such as doctors, dentists, Realtors, and so forth could also be expected. These types of small office uses are most likely in a new town setting involving a sufficient population base and/or in an existing town or on the periphery of one of the existing cities.

Light Industrial, Warehousing, and Distribution. In the long-term, most sites in the unincorporated County are not competitive with locations that are more central to the Sacramento Region, have better infrastructure availability, have better access to transportation networks and the regional labor pool, are more established, and still offer available sites; thus, growth in these uses can be expected to be minimal, but could include light industrial, warehousing, and distribution uses that are ancillary to primary agricultural uses. The exception to this is possibly warehouse and distribution uses located near the I-505/I-5 interchange. Such uses may be attracted to this location because it could serve as a hub for shipments into and out of both the Bay Area and the Sacramento region and the larger western U.S. and national transportation networks.

Mixed-Use Development. Where demand for retail and office space may be limited to local service providers, mixed-use projects are well suited to accommodate limited amounts of small-scale, local-serving retail and offices. Because a population base is necessary to support local office users, this type of development would be most likely in a new town setting and/or in an existing town or the periphery of one of the existing cities.

Agricultural-Based Economic Development. Limited opportunities for economic development will likely be related to the unique attributes of the unincorporated area, including its scenic agricultural lands. Yolo County's emerging wine-grape and organic farming industries may provide the basis for agri-tourism development, including accommodations and dining, visitor centers, and conference/retreat centers. While potential exists for such economic activities throughout the unincorporated County, the County should engage in further research to explore how extensive the potential for such economic development activities may be. The County could begin by revisiting recommendations put forward in the 1996 *Agricultural and Tourism Targeted Industry Analyses*, prepared by agAccess Information Service for Yolo County. Some of the economic development activities the report recommended include: the establishment of a seed technology center with training and informational programming geared towards attracting a national and international audience; identifying a private investor to establish a nursery mall along the I-80 corridor; and building off of existing local attractions such as local festivals and the unique bird watching opportunities available in Yolo County. Yolo County will need to determine what role it can take in such efforts. For example, with limited existing staff resources, the County could likely provide technical assistance on matters such as entitlement processing, site development, and business permitting, to targeted business types that approach the County expressing interest in establishing business ventures locally. However, in order to take a more active role that involves recruiting existing businesses located elsewhere, or identifying local entrepreneurs and incubating local start-up ventures, the County will need to mobilize greater staff resources to engage in networking, marketing, and other types of outreach. In addition, the County would likely need to commit resources that can be used to provide financial assistance and incentives for new businesses. This may involve pursuit of grant opportunities from various state and federal sources as well as private foundations.

Although the growth of the Cache Creek casino and resort is not agriculture-based, its scenic agricultural surroundings certainly add to its appeal as a tourist destination and agriculture-oriented tourism projects elsewhere in the Capay Valley should seek to leverage the tourist traffic that the casino attracts.

Fiscal Implications of Growth

Yolo County, like most California counties, faces significant challenges each year to balance its expenditures with available revenues. Over time, service demands change due not only to growth, but also due to changes in citizens' expectations about service standards. Additionally, the funding for Yolo County is largely out of the control of the local Board of Supervisors, and is instead controlled to a large degree by federal laws and state laws that are either enacted by the legislature or by voters through the initiative process. At best, Yolo County can try to use its land use decision-making authority to influence the fiscal situation by fine-tuning the land use plan to achieve a fiscally sustainable balance of development types.

Based on a preliminary review of the County's 2005-2006 budget as well as other factors influencing the potential fiscal impacts of new development in unincorporated Yolo County, it is clear that while certain types of new development, such as retail shopping centers might provide fiscal benefits to partially address current and future County budget shortfalls, relying solely on growth in the unincorporated areas is not likely to be an effective strategy for the County to significantly improve its fiscal health.

City/County Revenue Sharing Agreements

While developing certain land uses within the unincorporated area may bring the potential for fiscal benefits to Yolo County; certain land use decisions in the unincorporated areas might jeopardize the redevelopment pass-through funds that the County receives from Winters and Davis. The County must therefore balance the potential financial benefits of any land use decisions that it may make with the potential financial risks in the event that the cities disagree with the County. Aside from considering the fiscal impacts of new development in the unincorporated areas, a large piece of the fiscal impact picture for Yolo County is the balance of service costs and revenues associated with development within the cities. Thus, the County must also seek to work collaboratively with the cities to ensure that adequate fiscal mitigations can be established for growth within the cities.

Growth Models

Using both quantitative and qualitative analysis, this study explores the potential market support for six alternative Growth Models within unincorporated Yolo County. Following are definitions of the different growth models.

- *Scattered Rural Development*. This Growth Model consists of development of single-family homes and individual businesses on parcels that are currently zoned for agriculture in areas of the county outside the existing communities. Employing this model alone requires that the bulk of new growth would continue to be directed into the existing cities, as presently occurs.

- *Scattered Suburban Development*. Under this Growth Model, the County would allow some existing land to be subdivided to create suburban residential developments and employment centers. This type of growth could be accommodated on scattered sites throughout the County.

- *Town Infill*. In this Growth Model, the County would encourage development to occur on vacant and underutilized sites within the boundaries of its existing unincorporated communities.

- *Town Edge Development*. This Growth Model relies on growth at the edges of existing unincorporated communities. This Growth Model assumes new development next to (and not inside of) existing unincorporated communities.

- *New Towns*. This Growth Model would concentrate growth into one or more new towns. Under this scenario, the County would work jointly with local landowners and developers to focus development in a single area, and to create a new community that is large enough that it could provide a full range of services and jobs for its residents.

- *City Edge Development*. This Growth Model would allow new development in currently unincorporated areas at the edges of the incorporated cities of Davis, West Sacramento, Winters, and Woodland. Such development could occur solely under the auspices of the County, or it could occur under cooperative arrangements with the cities.

Potential Market Support for Growth Models

Yolo County faces potential demand for significantly more residential growth than indicated by SACOG's current projections for the area. If all 21,000 units contained in the conceptual development proposals for the unincorporated County were built, in addition to the single-family homes built between 2000 and 2005, this would represent almost eight percent of the new housing units projected for the SACOG region between 2000 and 2030. This compares to the current SACOG estimate that unincorporated Yolo County will comprise about one percent of regional housing growth through 2025. As a result of land constraints in established urban areas, from a market perspective, it seems feasible that a dramatic change in the distribution of regional housing growth over the next 25 years or so could occur.

A key factor influencing how much demand could be captured within the unincorporated areas is the type of development that the County would plan in the unincorporated area. The various growth models outlined above have different market implications, as discussed below. Without defining specific land use designations for the different locations in the unincorporated area, it is not possible to estimate how much demand might be captured using each of the different growth models; however, it is possible to qualitatively discuss how well each of these different models responds to typical market and development feasibility issues.

Scattered Rural Development. By nature, lots sold to individual buyers for custom construction of large-single-family homes, or ranchettes would probably not capture substantial amounts of demand because this high-priced development model does not cater to the needs of a large swath of prospective homebuyer demographics involving households with moderate and lower incomes. In addition to providing the potential to capture the least amount of regional housing demand, this growth model provides little in the way of opportunity for high quality job-generating uses due to reduced access to a plentiful labor force, suppliers, support services, and other locational factors important to businesses. Further, this model requires an inefficient delivery of County services due to the dispersed nature of the population that would be served.

Scattered Suburban Development. The infrastructure investments required for developing in a scattered suburban pattern may be prohibitive for many real estate developers. To achieve financial feasibility and to provide some local-serving convenience retail, developments would have to be large enough to capture economies of scale and absorb what are likely to be substantial planning, entitlement, mitigation and other up-front project costs. As a result, residential development proposals following this growth model would likely involve either a large number of units or higher-end large-lot housing products. Significant job-generating uses are not likely as this growth model presents similar market barriers as those found in the Scattered Rural Development model. An exception to this is the potential for highway oriented commercial uses (e.g., service stations, restaurants, lodging) developed to take advantage of drive-by traffic traveling on the busier highways and freeways that run through the County. As in the Scattered Rural Development model, delivery of County services would also be inefficient under this growth model.

Town Infill. Except for the Scattered Development models, this is the least attractive option from a market standpoint. Excluding Dunnigan, none of the existing unincorporated towns boasts immediate access to a freeway. Also, many of the unincorporated towns lie in the western part of Yolo County; thus, access to Sacramento region job centers is not ideal. While the expansion of the Cache Creek Casino has increased the demand for housing in the Capay Valley, the future job generation potential of this single employer may be limited despite anticipation of continued expansion. Also, none of the existing unincorporated towns is large enough that the addition of new infill housing would immediately result in a sufficient population base to support significant new retail and services. With infill alone, it is questionable whether any of the existing towns would reach an adequate size to support expanded local-serving retail and services. With a limited population from which to draw employees, and limited transportation access, these towns are not likely to attract substantial employment-generating uses.

Town Edge Development. This growth model is slightly more viable from an economic standpoint than the Town Infill model due to the ability of this model to accommodate larger housing developments that achieve economies of scale and therefore are more financially feasible. If these larger housing developments are built and infrastructure issues within the towns are addressed as a result, it is likely that infill developments will follow. This model of development may provide some potential for job-generating uses because Town Edge development might involve larger tracts of land with room to accommodate these uses; however, because of the limitations on transportation access associated with most of the existing towns, this growth potential will still be limited.

New Towns. A new town in the Dunnigan area could have an economic advantage due to its location near two major freeways. Due to lesser transportation network access, other potential new town sites may not differ significantly from edge developments along existing towns. Regardless of where a town or towns would be located, one important characteristic of this model is that they could be located at sufficient distance to avoid directly affecting the quality of life in the County's incorporated cities. However, as a new town develops and the community grows, established residents may become averse to continued growth. Due to the potential for a synergistic mixture of residential and non-residential uses along with a critical mass of development that might encourage and facilitate the provision of enhanced levels of public services, this model probably has a better potential to capture growth than any of the preceding four models.

City Edge Development. Overall, this is the most competitive of the six growth models for the following reasons: First, it places development where it has historically been most attractive within Yolo County, as indicated by the fact that the vast majority of development in Yolo County has been attracted to the cities, albeit with the support of agricultural preservation policies. Second, it allows new developments to capitalize on existing infrastructure, services, and amenities which add tremendous value to development and would be very costly to replicate further away from the cities. Proximity to large residential and commercial customer bases in the cities, and good regional transportation access for both employees and business services and suppliers are two factors that would greatly favor this growth model to capture commercial growth. In particular, Davis' restrictive policies towards retail development combined with significant existing leakage of resident retail expenditures means that there is currently unmet retail demand that could potentially be captured by city edge retail development. Fiscally, however, this model may face a barrier in the redevelopment pass-through agreement between the City of Davis and Yolo County, which may be an effective financial deterrent to the County approving growth on the periphery of Davis. An analysis of the fiscal impacts of an alternative that would violate the terms of the pass-through agreement would be necessary to determine whether the new development would generate enough of a net revenue benefit to the County to offset a potential loss of pass-through payments.

Conclusion. Having discussed the different residential Growth Models above, it should be made clear that the assessment of the marketability of the different options is relative to each other and even though options like the Scattered Development models and Town Infill may have ranked low in relation to other options, they could still be expected to capture market demand over time, particularly in the absence of more attractive options. Thus, if the County were to only embrace Scattered Suburban Development as its growth strategy and the same constraints on supply existing within the County and the region, then this strategy might still be successful to a certain degree in Yolo County. Furthermore, the Growth Models are not mutually exclusive and may be combined to create a comprehensive growth strategy for the County.

It is BAE's assessment that unincorporated Yolo County is competitive with locations in unincorporated Yuba and Sutter Counties, two areas within the Sacramento Region projected to grow rapidly over the General Plan time horizon. Using the projected growth in the unincorporated portions of Sutter and Yuba Counties as an indicator of the growth potential in Yolo County if land use restrictions were relaxed suggests potential demand for between 12,000 and 15,000 new housing units in unincorporated Yolo County through 2030. Locations within unincorporated Yolo County offer a range of attractive attributes, depending on the site. Probably the most important of these are access to Sacramento and Bay Area job centers via the existing freeway networks, and proximity to services and amenities in adjacent cities. Based on this, the growth models that appear to have the most potential from a marketability standpoint include growth on the periphery of the existing cities, and/or development of a new town in a strategic freeway location that provides access to both Sacramento and Bay Area job markets. In either case, large developments that can achieve economies of scale in planning, developing infrastructure, constructing houses and non-residential structures, and marketing within the larger region are likely to capture the greatest demand.

Introduction

This Market Review Report contains a range of information to augment economic information already generated as part of the Yolo County General Plan process. The purpose is to provide economic and fiscal background information for the General Plan Update, including information that will also help to inform decisions regarding the land use plan.

Prior General Plan Materials

Previously, as part of the General Plan Update, Applied Development Economics (ADE) prepared a demographic and economic background analysis as well as a fiscal modeling of three land use alternatives. The data reported in Chapter 1 of the Yolo County General Plan Update Background Report focus on population, employment, and housing forecasts, and existing economic base employment. Population and housing projections presented in the ADE report are based on five scenarios prepared by SACOG as part of the Blueprint Project, a multi-year process of developing a growth strategy for the Sacramento Region. Currently, The Blueprint Project has one preferred scenario, which advocates growth through re-investment in already developed areas and a jobs-housing balance in regional sub-areas. In addition the Blueprint presents a base case, which projects data by modeling future growth on past growth trends. As a result, data is now reported for these two scenarios only. In addition, data is unavailable at a geographic level more fine-grained than incorporated cities and the balance of the unincorporated area in aggregate. The Report addresses growth projections for unincorporated towns, which is only possible using 2004 SACOG projections at the minor-zone level of detail for population, household, and housing estimates.

The General Plan Update Background Report prepared by ADE provides an Economic Base and Employment analysis based on employment data generated by the Employment Development Department (EDD) for 1995 through 2003. Industry data provided by EDD presented here focuses on the five years between 2000 and 2004. The newer data reflect a 2005 benchmarking, in which EDD revised previous estimates, resulting in some minor differences between EDD data reported in the Background Report and EDD data reported in this Market Review Report. In addition, the shift-share analysis prepared by ADE focused on the historic trends between 1995 and 2000 while this Market Review Report uses industry employment projections through 2012 prepared by EDD. Using employment projection data provides additional information as to how Yolo County is expected to change during the beginning of the General Plan time horizon. Also, the SACOG projections of employment by land use reported here correspond with those reported in Table Land-Use-26 of the Background Report.

The Fiscal Impact Model prepared by ADE for three land use alternatives differs from the fiscal model presented here in that it is based on 2003-2004 budget information, while the analysis contained in this report is based on 2005-2006 budget data. Additionally, while the ADE analysis modeled the overall fiscal impacts of three General Plan land use alternatives, the analysis in this report attempts to analyze the fiscal impacts of individual land uses and does not attempt to sum up the fiscal impacts based on General Plan buildout.

Report Organization

This report is organized around several main sections, which address issues that have arisen during the General Plan Update process. These issues relate to various options that the County faces in determining how to best handle growth. First, this report presents basic information on Local Demographic and Economic Trends, to provide a description of the economic context for the General Plan Update. The report then provides a section discussing certain Fiscal Implications of growth. This section is followed by a discussion of current County/City Revenue Sharing Agreements. Finally, this report introduces six different Growth Models that the County can consider in order to accommodate its anticipated growth during the General Plan time horizon. This last section of the report evaluates the different growth models in terms of potential market support for housing and job-generating uses, fiscal implications, and overall economic attractiveness.

Demographic and Economic Trends

This portion of the Market Review Report presents demographic and employment data as well as economic and real estate market trends within Yolo County and the surrounding region. Local demographic and employment base data are used to inform the analysis of demand for the various growth strategies presented in the concluding section of this report. Projections for population, households, housing units, and employment by land use are provided by the Sacramento Area Council of Governments (SACOG) for Minor Zone geographies. Historical employment trends and employment projections by industry are from the California Employment Development Department (EDD), which reports data at the county level only. Industry employment data from EDD are combined with employment projections by land use from SACOG to inform the analysis of demand for various land uses in a later section of this report. SACOG and EDD are the only available projection data sources with this level of geographic detail. In contrast, the U.S. Census only provides demographic projection data at the state-wide level; while the 2002 Economic Census only reports historic data for counties and postal ZIP Codes, which do not necessarily follow city-county boundaries.

SACOG and EDD data are supplemented with primary research consisting of interviews with developers proposing projects within unincorporated Yolo County as well as planning staff from various planning departments throughout the region. Local planning department staff possess first-hand experience and observations of recent developments and market trends. Developers take financial risks with every planned project; therefore, they often develop a great deal of local market knowledge. While developers do have a goal of attaining approval for their individual projects, interviews produce valuable insights regarding the type of developments expected to be in greatest demand and most profitable to investors as well as how various areas in unincorporated Yolo County compete with land elsewhere in the region.

In addition, information from newspaper articles from the *Sacramento Business Journal*, the *Sacramento Bee*, the *Davis Enterprise*, and the *Appeal-Democrat* are used to support information from the information sources listed above. Information gathered from an array of articles provides a general overview of regional trends while bolstering quantitative and qualitative data.

Background Population, Housing and Employment Data

The data presented in this section of the study report demographic and employment forecasts for Yolo County. This information will be used in subsequent portions of this report analyzing economic and market trends.

Projected Population, Households, Housing, and Employment

Economists often utilize projection data to estimate the potential demand for housing and employment generating land uses. The following section presents 2004 SACOG projections, the most current and geographically detailed projections available for population, households, housing units, and employment by land use. These projections are reported in Tables 1 and 2, based on SACOG-defined Minor Zones and SACOG-defined land use categories. SACOG projections are provided in five-year increments from 2005 through 2025. Data for 2030 are extrapolated using the annual average growth rates for each study geography between 2005 and 2025. Minor Zones are the smallest geography for which projection data are available, allowing for an analysis of the expected growth rates of sub-geographies within the unincorporated County (e.g., unincorporated towns). These sub-geographies describe certain unincorporated communities located within the County, including Clarksburg, Dunnigan, Esparto, Knights Landing, and Madison.

In order to maintain data consistency for comparison purposes, this report aggregates Minor Zone data to provide the projection figures for the entire unincorporated County, and the Cities of Davis, West Sacramento, Winters, and Woodland as well as Yolo County as a whole. These projections do differ from the 2004 jurisdiction-level projection data published by SACOG.[1] However, the growth rates in both SACOG data sets are consistent. Since the differences in absolute numbers contained in the two projection sets remains unexplained, the following analysis focuses on the overall growth trends among the study geographies. These projections do not reflect recent development proposals that the County has received.

It should also be noted that SACOG is nearing the end of a multi-year process, known as the Blueprint Project, to update their growth projection methodology to incorporate a policy-based model rather than the current land use-based model. While some figures have been released for SACOG counties and jurisdictions, the data is of insufficient detail and not available for smaller geographies to use in this analysis. The full release of Blueprint projections for the SACOG region is not expected until the end of 2006 or beginning of 2007.

Population Projections. As displayed in Table 1, the total County population is expected to grow at an average of 1.7 percent annually. However, growth rates will vary throughout the County. Projected annual growth in the unincorporated County averages around 1.2 percent, higher than the projected 0.5 percent annual rate in Davis but lower than all other Yolo County jurisdictions. Among sub-areas within the unincorporated County, growth rates vary as well. SACOG projects that the town of Dunnigan will grow in population by over seven percent annually. SACOG expects Knights Landing (3.6 percent), Madison (2.3 percent), and Esparto (1.7 percent) will also grow more rapidly than the rest of the unincorporated County. Clarksburg is the only focus geography that exhibits a slower projected annual growth rate, at 0.2 percent, than both the unincorporated County and the County overall.

Household Projections. A household is a group of individuals residing in the same housing unit. As households may vary in the number of people living together over time due to various socio-demographic factors, growth trends in the number of households may not parallel from growth trends in population. With a projected average annual growth rate of 1.7 percent, the household projection figures generally mirror the projected population trends within the County.

[1] BAE staff have consulted with SACOG staff to try to determine the inconsistency in the two projection sets; however, SACOG staff have only been able to speculate that the differences arise because of the two sets may be of different vintage.

Again, of the five Yolo County jurisdictions, the City of Davis is expected to grow at the slowest pace of 0.5 percent annually, followed by the unincorporated County with an average annual growth rate of 1.4 percent. West Sacramento and Winters exhibit the highest projected average annual growth rates among the jurisdictions, at 3.3 percent and 2.9 percent respectively. As with the population projections, Dunnigan (6.6 percent), Knights Landing (3.6 percent), Madison (2.3 percent), and Esparto (1.9 percent) are all expected to grow at a faster pace as compared to the County's projected average annual growth rate, while household growth in Clarksburg is predicted to lag behind the other geographies at 0.2 percent.

Housing Projections. Projected growth in the number of housing units within the County parallels the anticipated growth in population and households throughout the County. The number of housing units in Yolo County is projected to grow at an average rate of 1.7 percent annually. Housing units are predicted to keep up with household and population growth within each jurisdiction, resulting in a slower growth rate in Davis and Woodland and a faster pace of housing development in West Sacramento and Winters. SACOG also anticipates that housing growth in the unincorporated County will also occur at a slower rate than in the County overall; though, consistent with the population and household projections, growth rates in Dunnigan, Knights Landing, Madison, and Esparto are all expected to exceed the County growth trend.

Projected Employment by Land Use. Table 2 reports SACOG projections for Yolo County employment through 2030. Overall, SACOG projects that employment in the County will grow at an average rate of 2.3 percent annually. SACOG projects that West Sacramento and Winters will grow at a faster pace than the rest of the County, 3.1 percent and 2.8 percent respectively. However, unincorporated Yolo County and Davis are both expected to display slower employment growth rates, at 1.5 percent and 1.1 percent, respectively. Projected job growth in Woodland mirrors County trends. Within the unincorporated County, employment growth rates in Dunnigan and Clarksburg[2], at 5.0 percent and 3.8 percent respectively, exceed projections for all other County study geographies. Esparto is expected to keep pace with the overall County employment growth rate. Job growth rates in Knights Landing and Madison are estimated to increase at slower rates, 1.0 and 1.9 percent respectively, as compared to the County.

Within Yolo County, SACOG projects office and manufacturing employment will grow faster than other employment sectors, followed by the retail, medical, education, and other employment categories. The "other" employment sector includes transportation, construction, utilities, and other non-land use based employment not captured through manufacturing, retail, office, medical, or education. While office employment leads in overall County job growth, SACOG anticipates very little of this sector's growth in the unincorporated County study geographies. Though Clarksburg exhibits a four percent growth rate, this only translates into a few new jobs over 25 years due to the small existing base of office jobs in this community. Manufacturing employment is similarly underrepresented in the unincorporated study areas. The greatest projected employment growth for these geographies occurs in the education sector,

[2] Projections for Clarksburg likely account for the redevelopment of the 105.4-acre Delta Sugar Mill property, a Specific Plan for the old sugar beet mill is currently being prepared.

with a 1.7 average annual growth rate in the unincorporated County. Education employment is projected to increase by an average 6.5 percent annually in Clarksburg, 4.7 percent in Madison, and 3.0 percent in Esparto. From 2015, when the first employment figures are available for Dunnigan, through 2025 the annual average growth rate in educational employment reaches 5.8 percent.

Detailed County Employment by Industry. Based on data from the EDD, employment in Yolo County (including the incorporated cities) grew an average of almost one percent annually between 2000 and 2004. As displayed in Table 3, while overall employment dipped in 2001, paralleling national economic trends, County employment figures recovered by 2002 and continued to grow through 2004. These figures represent general employment trends; however, an analysis of industry-level data reveals that not all sectors of the County economy experienced employment growth over this time-frame.

Government employment represented the greatest share of total County employment over the five-year period. In 2004, 37 percent of total Yolo County employment was within the government sector. The government sector also saw nearly a four percent average annual growth rate between 2000 and 2004. Employment in the government sector grew at one of the highest rates, second only to educational and health services, with an annual average growth rate of over four percent.

Employment in some industry sectors declined. Retail trade exhibited the greatest decline over the five years with an average 4.9 percent negative annual growth rate. This represents a decrease in 1,900 jobs over the study period. Employment in natural resources and mining dropped an average of nearly eight percent annually, but this amounts to a total loss of no more than about 100 jobs during the five years. Over the same period, professional and business services sector employment decreased by 1,300 jobs, farm employment dropped by 1,000 jobs, and durable and nondurable goods manufacturing declined by a combined 800 jobs. Nondurable goods possess a shorter usable life than durable goods and include items such as food, cleaning products, paper and paper products, and cosmetics. Durable goods include items such as home furnishings, electronics, cars, and appliances.

The sectors displaying negative growth trends reflect a variety of economic events. The technology and research sectors have been in decline since the national economic downturn earlier this decade, as have employment services; all contributing to the overall decreasing employment in professional and business services. The retail industry figures may reflect a combination of re-benchmarking of the employment data, the recent closure of K-Mart in Woodland, vacancies at Woodland's County Fair Mall, an overall weakening of retail sales in the County, and a general lack of new retail venues between 2000 and 2004. However, this declining trend has most likely reversed since the opening of a new 265,000 square foot IKEA store in West Sacramento. Manufacturing is also expected to recover from recently lost jobs, partially explained by the closing of tomato processing plants within the County, as the local economy strengthens.[3]

[3] David Lyons, EDD. May 16, 2006.

Industry Shift-Share Analysis

The following shift-share analysis compares Yolo County's projected growth in industry employment to California's industry employment growth. Such an analysis provides insight into industry sectors expected to perform better in Yolo County as compared to the State overall. Industry sectors in the local economy projected to exhibit weaker growth than in California are also highlighted. Table 4 reports 2002 employment estimates along with 2012 projections for 13 industry sectors defined by EDD. Projections for farm employment were unavailable.

Overall, projections for Yolo County employment reflect an expectation for a strong local economy though 2012. EDD expects total County non-farm employment to grow at a faster rate as compared to the rest of the State. Growth in local manufacturing employment, both durable and nondurable goods, as well as retail trade is expected to occur at a much faster rate than in the rest of California. These projections reverse recent trends of declining employment figures in these sectors over the past few years, indicating that local industry is expected to adjust to market trends and begin to establish a competitive edge. This may bode well for the time period extending beyond 2012. With the exception of the wholesale trade and natural resources, mining, and construction sectors, EDD projections anticipate higher employment growth rates across the board in Yolo County as compared to the State.

Table 5 provides further insight into these industry strengths by calculating a location quotient for each industry sector based on EDD projected employment figures for 2012. The location quotient compares each industry sector's share of total Yolo County employment to the industry sector's share of total California employment. For example, the government sector represents 34.7 percent of total Yolo County 2012 non-farm employment. In California, this sector comprises only a 16.7 percent share of total State non-farm employment. A location quotient is derived by dividing the local industry share of employment by the State share of industry employment. A location quotient of 1.0 indicates that the share of employment in that particular sector is equal in both geographies. This is the case for the nondurable goods manufacturing sector, with a 3.4 percent share of employment in both Yolo County and California. County employment in both non-durable goods manufacturing and wholesale trade mirror State employment shares in those sectors. A location quotient greater than one indicates that employment in that sector is more highly concentrated in the local economy as compared to California. This is the case for transportation, warehousing, and utilities as well as the government sector. Data from the Bureau of Labor Statistics indicates that average weekly earnings in these private sectors are significantly greater than the average of wages in all private employment.[4] All other sectors exhibit location quotients lower than 1.0, suggesting that local employment in those sectors is less concentrated as compared to the State.

Figure 1 combines the information in Tables 4 and 5 to provide a broader picture of projected industry trends through 2012. The X-axis represents the projected California percent change in

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[4] According to the U.S. Bureau of Labor Statistics, the 2005 average weekly earnings from BLS (adjusted to 1982 dollars) for the Total Private Sector was $276; for the Transportations and Warehousing sector it was $314; and for the Utilities sector it was $557. Downloaded from www.bls.gov. August 16, 2006.

employment between 2002 and 2012 while the Y-axis displays the projected percent change in Yolo County employment over the same time period. The sizes of the bubbles depicting each industry sector correspond to the location quotients reported in Table 5.

Figure 1 highlights that EDD anticipates employment growth in all industry sectors within Yolo County and California. Both the government and the transportation, warehousing, and utilities sectors display growth trends that mirror the State. Since these two industry sectors represent large shares of local employment as compared to the rest of the State, their ability to maintain growth rates comparable to statewide trends suggests strong local economic performance. Employment in durable and non-durable goods manufacturing, though representing small shares of total local employment, are both projected to grow at much faster rates than the rest of California. These higher growth rates may indicate an emerging local competitive advantage in manufacturing. Figure 1 underscores that the only industry sector anticipated to grow at a significantly slower rate locally as compared to the State is natural resources, mining, and construction.

Current Real Estate Market Conditions

This section of the report highlights several current market trends in the Sacramento region as well as Yolo County. In addition to identifying recent changes in the development environment within the region, the study incorporates information about current development proposals for projects within unincorporated Yolo County, provided by DC&E. The analysis of market trends is bolstered by information provided by several of the representatives of these planned developments as well as articles from local newspapers. It is important to note that this information provides a snapshot of current conditions, but that conditions can be expected to vary over the time-span of the General Plan horizon. Real estate tends to be a cyclical industry, and over a 25-year period, there may be several cycles of ups and downs.

Sacramento Regional Context

With the continuing growth of the Sacramento metropolitan area, Yolo County clearly functions as part of a larger region. To a large extent, housing markets and job markets are regional, meaning that a person who works in one part of the region may well decide to live in another part of the region. As a result, market conditions and trends elsewhere in the Sacramento region can have a significant effect on the market in Yolo County.

SACOG estimates that the region's population will grow by 33 percent over the next 20 years, which equates to a 1.4 percent average annual growth rate.[5] Over the past few years, the Sacramento region has experienced extensive development pressures as developers position themselves to meet the projected residential demands, which has led to a diminishing supply of available land for new development. Land in most of the region's rapidly growing urban centers is tied up in development plans. In June of 2005, the *Sacramento Business Journal* was already reporting that available lots in two of the region's most rapidly growing communities, Folsom and North Natomas, were in short supply.[6] Due to the lack of available land, developers

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[5] Based on SACOG 2004 jurisdiction-level population projections.

[6] Celaschi, Robert. "Lot Shortage May Lead to 'Gaps in Production' in '05." *The Sacramento Business Journal*. June 10, 2005. Downloaded May 18, 2006.

are acquiring tracts of land outside the incorporated cities and established urban areas. New development companies are attempting to enter the fast-growing Sacramento market while local developers continue to seek investment opportunities in the region. As a result of these competitive pressures, Sacramento area developers are being pushed outward in all directions from the region's traditional urban core centered on downtown Sacramento. The Sacramento Area "2006 Metropolitan Transportation Plan," adopted in March of 2006, reports that "90 percent of new housing is expected to locate at or beyond today's urban edge." Furthermore, only ten percent of regional job growth is projected to occur in downtown Sacramento.[7] While the regional housing market has recently slowed down from 2005 sales activity levels, this is an adjustment from a market that many real estate professionals consider to have been overly aggressive. The residential market is still expected to remain strong over the long term.

The residential growth pressure impacts other land uses as well. In December of 2005, the *Sacramento Business Journal* reported that the region lacks sufficient industrial-zoned land to accommodate new industrial and warehousing businesses seeking to locate in the area. These uses require large lots and many of these parcels have been rezoned to accommodate new housing developments.[8] Mitigation requirements for new developments are adding further to land demand in peripheral areas, where mitigation requirements are typically not as high. Recently, Sacramento County considered allowing developers to purchase Yolo county land to comply with Swainson's hawk habitat mitigation requirements. Developers have supported this measure, as the mitigation fee is $18,375 per acre in Sacramento while Yolo County farm land is about half that cost.[9] Such a measure would significantly contribute to already rising values of land in Yolo County. Rising land prices have inflated the value of mitigation credits and conservation easements throughout the region.[10] High land prices also make it more difficult for established farmers to expand their holdings and for new farmers to get established; as well as increasing the property taxes on existing farms, adding overall to the cost of agricultural production.

Yolo County Development Trends

In this environment of regional growth pressures, unincorporated Yolo County has become an attractive development opportunity. While strict agricultural preservation policies in the County have curtailed extensive development in the unincorporated areas, unincorporated Yolo County now presents an attractive location worth the effort of seeking difficult-to-obtain development approvals. Most locations in Yolo County are only 30 to 40 minutes from Sacramento and some developers also anticipate attracting Bay Area, Vacaville, and Fairfield commuters via the I-80 and I-505 freeway corridors. Already, SACOG projections anticipate an average annual population growth rate of 1.2 percent for unincorporated Yolo County between 2005 and 2025 while the Sacramento region as a whole is projected to grow at an average rate of 1.4 percent annually over the same time period.

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[7] Sacramento Area Council of Governments. "2006 Metropolitan Transportation Plan." Pg. 11.

[8] McCarthy, Mike. "Region Can't Meet Demand for Industrial Land." *The Sacramento Business Journal*. December 2, 2005. Downloaded May 18, 2006.

[9] Lamb, Celia. "Counties Study Plan to Move Hawk Habitats." *The Sacramento Business Journal*. March 31, 2006. Downloaded May 18, 2006.

[10] Lamb, Celia. "Builders Compete for Farmland…to Preserve." *The Sacramento Business Journal*. September 9, 2005. Downloaded May 18, 2006.

According to John Bencomo of the Yolo County Planning, Resources, and Public Works Department, about three years ago the County experienced a 20 to 30 percent increase in development applications for projects within the unincorporated County. Between 1990 and 2000 the average number of single-family residential building permits issued hovered around 60 units annually. In 2001, around 100 residential building permits were issued, increasing to 157 by 2002. The number of housing construction permits issued declined to 100 in 2003, but then spiked to 402 in 2004. In 2005, the County issued construction permits for 227 single-family units.[11] The *Davis Enterprise* also reported in April of 2005 that the County Planning Department experienced a 600 percent increase in building permit applications over the previous five years.[12] Though the number of issued building permits recently declined from the 2004 peak, a few years ago the number of new homes built in the unincorporated County amounted to fewer than 200 units annually. Many current development proposals involve projects greater than 200 homes, and several significantly exceed that number.

Overall, unincorporated Yolo County is experiencing a modest increase in economic activity from the Cache Creek Casino, which added a hotel and additional restaurants in 2004, and now employs approximately 2,300 people. Based on a survey of the Casino's employees two years ago, most of these employees are commuting from locations outside of unincorporated Yolo County. As a result, their salaries are leaking out of the County and not generating large increases in demand for local retail and services in the Capay Valley. However, the casino employees are generating increased demand for housing, directly impacting the small existing housing markets in and around Esparto and Madison. Commuters to Sacramento, Vacaville, Fairfield, and even the Bay Area are also considering relocating to towns in Yolo County due to the access provided by I-5 and I-505. In addition, rising housing costs in Woodland and other Yolo cities are pricing some buyers out of those markets while scarcity of new housing may be forcing younger generations to leave certain unincorporated Yolo County communities when they are ready to establish their own households. Already, Knights Landing is largely a bedroom community for Woodland and Dunnigan is attracting many retirees due to its relatively low costs, particularly from Oakland and the East Bay.[13]

In Knights Landing, approximately 65 homes are slated for construction in 2007, representing the first subdivisions this town has had in several decades. This community is anticipated to become a lower-cost housing option for homebuyers priced out of nearby Woodland. In addition to a large development of 140 acres currently proposed for Knights Landing by Castle Cos.,[14] River West Investments has purchased another 800 acres of land.[15] While no application has been made for development on this land, the purchase underscores the speculative nature of

[11] Bencomo, John. Director, Yolo County Planning, Resources, and Public Works Department. May 30, 2006.

[12] Sherwin, Elizabeth. "County Pressured to Build." *The Davis Enterprise*. April 7, 2005. Downloaded May 16, 2006

[13] Morrison, David. Assistant Director, Yolo County Planning Division. August 8, 2006.

[14] Ibid.

[15] McCarthy, Mike. "Tiny Yolo Town Set to Boom." *The Sacramento Business Journal*. March 31, 2006. Downloaded May 16, 2006.

the development market and the growth pressures facing unincorporated Yolo County communities.

The unincorporated town of Esparto is also experiencing growth. In 1996, responding to local residents, the County approved development of 500 new homes in Esparto by 2006. Due to a lack of housing options, residents felt that the town's younger generations were forced to leave. Employees from the nearby and recently expanded Cache Creek Casino as well as Bay Area commuters have added to housing pressures in the small town.[16] At least 230 homes have been constructed since 1996, with another 75-home subdivision under construction. Four Additional subdivisions are currently under consideration for approval, which would add another 350 homes to the community.[17]

Residential growth within the unincorporated County has also occurred outside the existing towns. The Wild Wings subdivision west of Woodland has a waiting list of interested buyers, according to a project representative. An additional trend underscoring demand for rural housing in the County involves people buying large agricultural lots as home sites, resulting in the loss of active agricultural land.[18]

While some areas within the County have welcomed new housing development, many communities are restricting growth in response to increasing development pressures. Recently, Woodland voters approved an urban limit line (ULL). The urban limit line essentially delineates a growth boundary for Woodland and defines a limit the amount of new development that the incorporated city will support, even if it facilitates growth in the short to mid-term. Based on the March 20, 2004 *Permanent Urban Limit Line and Open Space Protection Study, Public Review Draft,* produced for the City of Woodland by J. Laurence Mintier & Associates, even at 10 DUE Woodland would still not be able to accommodate the 2050 Blueprint housing projections. This strongly indicates that the ULL is a policy change that restricts growth as compared to prior policies used in the Blueprint modeling. In the fall of 2005, residents of the City of Davis rejected the proposed Covell Village development, which has deterred many developers from planning or proposing large developments in that city.

Development Trends in Neighboring Counties

Development trends in neighboring rural counties present possible examples of the development potential in unincorporated Yolo County. The planned and proposed projects in areas further away from the regional urban core could indicate the types of developments unincorporated Yolo County would see if the County's strict policy of preserving agricultural land were relaxed.

For example, around three years ago Colusa County experienced an upsurge in development applications. Currently, there are eleven residential projects proposed or under construction in

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[16] Gonzales, Anne. "Esparto's Spurt in Homebuilding Driven by Avid Demand." *The Sacramento Business Journal*. October 22, 2004. Downloaded May 16, 2006.

[17] Morrison, David. Assistant Director, Yolo County Planning Division. August 8, 2006.

[18] Sherwin, Elizabeth. "Of Growing Concern: Will Yolo County's Plans to Preserve Open Space Hold to its Roots." *The Davis Enterprise*. March 15, 2006. Downloaded June 1, 2006.

unincorporated Colusa County, many in the vicinity of the Town of Arbuckle. These developments range in size from as few as 20 to as large as 200 single family homes. In total, these projects amount to just under 740 housing units. Some of the development companies with proposed subdivisions in Colusa County are also proposing projects in Yolo County, such as Tim Lewis Communities and Dunmore Homes. Colusa County planning staff also indicated that a large project is being considered by the Pacific Cascade Group at the intersection of County Line Road and I-5 on Colusa County's southern boundary, though no application has been submitted. Furthermore, planning staff suggested that no major amendments to the General Plan, such as the one this project would require, will be considered until Colusa County has completed a General Plan update, a process that is just now getting underway.[19]

The City of Williams, located along I-5 not far from the Colusa and Yolo County border, also experienced an increase in development applications in 2003. Within the past year, four subdivisions were approved, totaling 524 homes. Since 2002, Williams has added 328 residences, bringing the total number of homes in the community to 1,339, with many of the new residents relocating from outside the County according to city planning staff.[20]

In Sutter County, proposed development in the unincorporated County is limited to about 7,500 acres in south Sutter County. Developers, including the Lennar Corporation and AKT Development Corporation, have proposed up to 17,500 homes along with commercial development that would create 70,000 jobs.[21] This development would establish a new town near the border with Sacramento County. According to Sutter County's senior planner, Lisa Wilson, the County has no services and cannot support any other developments beyond the South Sutter Specific Plan area.[22] SACOG projections estimate that between 2005 and 2025 the population of unincorporated Sutter County will grow by over 32,000 people at an average rate of 3.9 percent annually. Unincorporated Sutter County's household growth rate is projected at an average of 4.5 percent annually.

SACOG also projects high population growth rates for unincorporated Yuba County. Over the next 20 years, SACOG projects population in the unincorporated County will grow an average of 2.9 percent annually, or nearly 37,500 people over the time period. Households are projected to grow at an average of 3.8 percent annually. Unincorporated Yuba County has absorbed a significant amount of regional development recently. According to planning staff, the past three years have presented significant increases in development activity. From 1999 up until three years ago, the number of new single family dwelling units approved annually hovered around 100 homes. In 2005, about 2,000 dwelling units were approved in Yuba County. To date in 2006, there are already 39 parcel applications.[23] The Appeal-Democrat reports that in Yuba

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[19] Johanns, Kent and Steve Hackney. Colusa County Planning and Building Staff, May 22 and 23, 2006.

[20] Manning, Jim. City of Williams Planning Department Staff, May 22, 2006.

[21] Lamb, Celia. "Natomas Farm Water to Feed Sutter Homes." *The Sacramento Business Journal*. February 10, 2006. Downloaded May 18, 2006.

[22] Wilson, Lisa. Senior Planner, Sutter County. May 23, 2006.

[23] Cotter, Colleen. Associate Planner, Yuba County. May 23, 2006

County, Plumas Lake and the Olivehurst redevelopment area are major growth spots.[24] The Plumas Lake Specific Plan covers 5,263 acres in south Yuba County and is approved for 13,027 homes.[25] In addition, the Woodbury Specific Plan may provide for between 7,000 and 10,000 homes.[26] The lower price-point of housing products in this market is driving demand. In the first quarter of 2006, the median sales price for a home in the Yuba-Sutter market was almost $367,000 as compared to $445,000 in Sacramento.[27] This type of price differential clearly illustrates the "drive 'till you qualify" mentality that is making housing at ever greater distances from the Sacramento region's major job centers attractive to developers and consumers alike.

Estimated Absorption Potential and Market Issues in Unincorporated County

This portion of the report investigates potential demand in unincorporated Yolo County for housing, office and flex, retail, light industrial, and mixed-use development, as well as the potential for agricultural-based economic development activities. In addition market-related considerations associated with these land uses are explored.

The SACOG projections reported earlier in this study represent only a portion of the potential housing demand in Yolo County. These projections are constrained by the assumption that existing land use policies within the County will hold relatively constant. Hence, agricultural land is projected to remain in that use over time. As a result, the projections likely understate potential demand in an environment where regional supplies of developable land are diminishing. For example, the fact that the number of housing units in Davis is expected to increase by an average of only half a percent annually does not actually reflect the demand for housing within Davis. Qualitative information must be utilized to better assess market demand for various land uses in the absence of current County land use policies that discourage growth in the unincorporated areas. This is especially true in the analysis of growth models that require unprecedented changes to local land uses, such as the establishment of a new town in the unincorporated County.

An important source of qualitative market information comes from developers with planned and proposed projects in the unincorporated County. While representatives of these developments do have an interest in promoting their particular projects, they and their investors are also the ones taking financial risks on these projects. While speculative by nature, proposed projects provide a good indicator of where developers see the potential for successful development.

There are a number of conceptual development proposals that would require changes to existing land use designations that have been presented to the County during the General Plan Update. Most of these proposals consist of residential developments, though they also include

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[24] Dickey, John. "Y-S Real Estate Prospects Hot." *The Appeal-Democrat*. May 18, 2006. Downloaded May 18, 2006.

[25] Plumas Lake Specific Plan Information. Yuba County Planning Division website. http://www2.co.yuba.ca.us/yubacomdev/planning/. Accessed June 30, 2006.

[26] Dickey, John. "Y-S Real Estate Prospects Hot." *The Appeal-Democrat*. May 18, 2006. Downloaded May 18, 2006.

[27] Ibid.

commercial, retail, industrial and open space uses. At a maximum, these projects represent a potential for construction of over 21,000 new homes and almost 12.8 million square feet of commercial and industrial space. A couple of developers indicated that they are proposing projects on parcels which have been held by their families for decades. Such development proposals underscore how strong growth pressures are in the region. After sitting undeveloped for 20 to 30 years, developers consider the market finally ripe for real estate projects on these sites.

Housing

Based on SACOG projections reported in Table 1, an additional 3,350 housing units are expected to be built in unincorporated Yolo County through 2030. The estimated average annual housing growth rate of 1.4 percent reflects projections of limited new future construction based on current land use designations. This limitation in the projection model underscores how these estimates do not equate to estimates of potential future demand for housing in unincorporated Yolo County.

In fact, it is feasible that with changes in Yolo County land use policies, growth in the unincorporated County could resemble growth in other nearby counties. This report neither suggests nor advocates that such a policy shift should occur. Rather, including this assumption in the market analysis allows for modeling of potential market demand.

Yolo County transportation corridors provide access to major regional job centers. I-505 and I-80 connect Yolo County communities to Vacaville, Fairfield and the greater Bay Area while I-5 provides connectivity with Sacramento and the Sacramento International Airport. For some developers with current project proposals in the unincorporated County, the driving force in their project location decision was access to regional highways. Yolo County's situation between Sacramento and the Bay Area makes it extremely competitive with housing markets in Yuba and Sutter Counties. In fact, several of the developers associated with the proposed Dunnigan Hills project are involved in projects in the Plumas Lakes area of Yuba County as well as South Sutter County.

In addition to the I-5 and I-505 regional transportation corridors, developers highlighted several competitive characteristics of unincorporated Yolo County locations. One important competitive advantage in unincorporated Yolo County is the lower price of land as compared to the region. The price of land impacts the housing product that may be offered in a development. One developer indicated that the cost of land in much of the region is too high to support lower-cost products while cheaper land in nearby Colusa or Glenn Counties could not be marketed to buyers for higher-end executive housing products. While providing housing options to a range of buyers is a goal often promoted by local governments, from a market perspective, it also allows developers to cater to a larger pool of potential buyers. In addition, businesses prefer to locate in areas that are able to supply both their executives with higher-end housing and their workforce with more affordable options. Thus, Yolo County possesses somewhat of a competitive advantage, at least temporarily, due to the availability of lower-cost land within a high-priced region.

Some developers also suggested that their particular development could not occur on many other sites in the region due to their sizes and densities. The developer of a proposed large, lowdensity residential project situated within an agricultural landscape, located in the vicinity of the Wild Wings development suggested that developments with low residential densities would not be financially feasible in locations with high land prices and requires a large parcel to provide for agricultural mitigation within the development. Another proposed development, with a large number of senior housing units accompanied by plans for various community facilities in the Southport area of West Sacramento, requires a large number of housing units to support the array of community amenities incorporated in the development plan. According to the project manager, not many communities would welcome such a large development.

It is clear that developers are anticipating a surge in demand for senior housing. Three developers have indicated that they are contemplating age-restricted homes. When questioned about the extent of demand for senior housing, one developer pointed to long waiting lists at an existing retirement community in Davis as proof that the market is currently undersupplied. The largest of the three proposed senior housing projects, expects to build and sell around 300 units annually. Two projects located near Davis and also contain some community-serving office and retail uses as well as senior residential units in their development plans. These products tend to be smaller homes and lots that require less maintenance. All three developers planning such projects pointed to nearby medical, cultural, recreational, and transportation amenities as part of their project location decision. A report by the Center for Continuing Study of the California Economy (CCSCE) produced for SACOG in 2004 confirms the demographic trends noted by developers. The study estimates that nearly half of the 500,000 new households to the SACOG region between 2000 and 2030 will be headed by a person age 65 or older. By 2030, the study projects that one-third of all regional households will be headed by a person in this age group.[28]

Existing infrastructure also provides some locations with a competitive advantage. All three age-restricted projects are proposed along the edges of incorporated cities. Two additional residential projects are planned at the outskirts of Davis; and in the vicinity of Woodland, one 40-home, large-lot residential project and an industrial park are proposed. According to representatives of all three senior housing projects as well as a high-end residential project near Davis, the potential to extend existing infrastructure contributed to their project location decisions.

On the other hand, some developers interviewed suggested that the ability to improve local infrastructure deficiencies contributed to their decision to build homes in a rural town. Based on these assertions, it seems proponents of these projects may hope to garner local support by improving utilities for all residents in the unincorporated town. However, in order to correct for current infrastructure deficiencies, projects may necessitate a large number of homes to achieve financial feasibility through economies of scale. For example, subdivisions proposed at the outskirts of Madison and Knights Landing range from 800 to 1,500 homes. Such large developments tend to require locations at the edge of town, as infill sites are generally too small to support such large numbers of housing units. It is likely that once these developments are built and infrastructure improvements have been made, infill projects will follow suit.

[28] Levy, Stephen. “Projections of Employment, Population, Households, and Household Income in the SACOG Region for 2000-2050.” The Center for Continuing Study of the California Economy for the Sacramento Area Council of Governments. Adopted by the SACOG Board September 15, 2005.

The greatest concentration of housing units being contemplated by developers in unincorporated Yolo County is in the town of Dunnigan. The Dunnigan Hills Landowner Group has prepared *A Vision for Dunnigan* that puts forward a plan for between 7,500 and 10,000 homes at varying densities within the estimated 5,500-acre "Dunnigan Focus Area." The spokesperson for the group estimated that the phasing of projects would probably take between 25 and 35 years. Thus, these project proponents expect between 300 and 400 homes to be absorbed annually within the Dunnigan Hills Focus Area alone. The organization of the Dunnigan Hills Landowners Group underscores how important achieving economies of scale can be to the success of a project requiring significant infrastructure investments. By uniting their projects, the developers and landowners are able to share cost burdens, achieve various economies of scale, and spread out the investment risks associated with real estate development.

Esparto is an exception in terms of the size of proposed developments. The largest residential development currently proposed for Esparto is 450 homes. Esparto's efforts since 1996 to attract more housing developments have also led to attention to infrastructure issues over time. As a result, developers are able to afford to build smaller projects in this area.

Two of the proposed projects in the rural County are also very large in terms of the number of potential units, and one of these projects also includes some commercial development. These large development sizes are often necessary to support the financial investment in infrastructure required for any number of housing units to be built. Some developers interviewed suggested that infrastructure and marketing issues increase the risk of development in rural unincorporated areas. It is possible that the success of Wild Wings has raised the confidence of developers in the potential returns on projects within rural Yolo County.

Housing Demand Estimates. Based on the assessment that unincorporated Yolo County is competitive with locations in unincorporated Yuba and Sutter Counties, BAE prepared Table 6 to provide some measure of potential housing demand in unincorporated Yolo County. The projections in Table 6 are calculated using 2004 SACOG jurisdiction-level population and housing growth rate projections between 2005 and 2025 for unincorporated Yuba and Sutter Counties and applying those rates to the 2005 estimates reported in Table 1 for unincorporated Yolo County. The resulting projections provide some estimation of how unincorporated Yolo County might grow in a scenario of reduced land use restrictions. As illustrated in Scenario C, between 2005 and 2030 the population in unincorporated Yolo County could increase by as many as 44,200 people if growth trends mirrored those projected for unincorporated Sutter County. By comparison, projections in Table 1 estimate an increase of just under 9,760 persons through 2030 for unincorporated Yolo County.

Housing projections for Yuba and Sutter Counties were unavailable as jurisdiction-level projections from SACOG only report population, households, and total jobs estimates. However, household projections are commonly used as a proxy for occupied housing units with a five percent vacancy assumption applied to estimate the total number of housing units in a specific geography. Projected household growth rates for both unincorporated Yuba and Sutter Counties exceed their projected population growth rates, suggesting an anticipated decrease in household sizes. Were unincorporated Yolo County to mirror unincorporated Sutter County's projected 4.5 percent average annual household growth rate, this would translate into an increase of about 15,000 new homes between 2005 and 2030. If unincorporated Yolo County grew at a rate similar to unincorporated Yuba County, this would equate to about 12,000 households through 2030. These figures compare to baseline SACOG growth projections for Yolo County reported in Table 1 of about 2,980 additional households and about 3,350 new homes over the 25-year period.

Retail

While I-5 and I-505 both provide access to major employment centers from communities within Yolo County, they also connect Yolo County with major regional retail centers in both areas. As a result, it is unlikely that unincorporated Yolo County will attract a significant amount of regional retail development, unless it is placed in opportunistically on the edges of cities to serve unmet demand from the residents of the cities. Otherwise, the population base surrounding sites in the unincorporated areas is not sufficient to support regional retail developments, which typically require large numbers of housing units in close proximity in order to be successful. However, potential exists for more local and community-serving retail, based on increased local population.

Baseline SACOG employment projections reported in Table 2 estimate a minor increase in retail employment throughout unincorporated Yolo County. Between 2005 and 2030 about 60 new retail jobs are anticipated in the unincorporated County, concentrated in Esparto and Madison. The expected increase in retail jobs in the Capay Valley is likely related to the expansion of the nearby casino.

While large retail projects are not anticipated for unincorporated Yolo County due to it's proximity to nearby regional retail centers in Sacramento and Vacaville, many of the current conceptual residential projects proposed in the area contain small commercial sites to provide services to new residents. With the exception of Dunnigan Hills and a commercial proposal near the Sacramento airport, at Elkhorn, most of these commercial sites are not geared towards providing space for large retail developments. For example, two of the proposed large age-restricted projects both plan for some amount of retail space. However, neither development anticipates much more than a drug store or small grocery store to serve their senior residents. Even though some retail dollars are leaking out of Yolo County, the development market is currently geared towards building housing with neighborhood-serving commercial developments attached to these projects as amenities.

Population Thresholds for Basic Neighborhood Retail Market Viability. According to BizSats.com, a supermarket earns around $20 million annually on average. The California State Board of Equalization reports that in 2004, taxable sales for the food stores group were $19.83 billion. Adjusting this figure to account for the fact that only roughly 30 percent of food store sales are taxable results in an estimated $66.086 billion in statewide food store sales. The California Department of Finance reports that in 2004 there were 12.760 million housing units across the state. Thus, food store sales per rooftop in California in 2004 were about $5,180. Dividing $20 million by $5,180 produces and estimate of 3,860 housing units required to support a grocery store. In other research conducted by BAE, we have determined that a typical modern 50-60,000 square foot supermarket requires a trade area population of between 12,000 and 15,000 people. In addition, this supermarket would likely be built within a neighborhood shopping center that might include an additional 50,000 to 60,000 square feet of complementary convenience-oriented goods and services, such as restaurants, video rentals, dry cleaners, coffee shops, service stations, and the like. Typically, the supermarket would include a bank branch office. For communities smaller than 12,000 to 15,000 people, retail options will typically be much more limited, because the population is too small to support a range of retailers. Retail typical of these smaller communities includes convenience stores, service stations, and fast food establishments.

Office, R&D, and Flex Space

Office, R&D, and Flex Space demand typically trails residential demand in newly developing communities. For example, while the residential component of the City of Sacramento's North Natomas Community Planning Area is rapidly approaching build out, the commercially-designated components (with the exception of retail) still offer abundant vacant sites. Similarly, in West Sacramento's Southport community, the vacant residential land is absorbing very rapidly and developers are seeking more residential entitlements while land zoned for business and industrial park uses is still plentiful and absorbing much more slowly. Elk Grove offers another example within the Sacramento region of an area experiencing rapid growth in new housing for many years, with very little office space being built until recently.[29] There are many other similar examples within the region.

SACOG projections do not anticipate a significant number of new office jobs in unincorporated Yolo County through 2030. The greatest increase in office employment within the unincorporated County is ten jobs in Esparto, followed by Clarksburg with eight new office jobs. The greatest increases in office employment within Yolo County are anticipated in West Sacramento and Woodland.

Some potential exists for more Research and Development facilities related to activities at the University of California, Davis. While the opportunity may exist for R&D development to accommodate businesses that spin-off from research at UC Davis; it should be noted however, that such development would be in competition with UC Davis' own planned 38-acre university research park facilities as well as competitive sites within the cities. Further, once research activities do generate marketable product, it is likely that production facilities would be moved to more competitive regional locations closer to manufacturing supply chains for inputs and labor.

Based on historic regional trends, it is likely that the amount of new office, R&D, and industrial space demanded in unincorporated Yolo County will be small during the General Plan time horizon. Limited exceptions to this could include business park development on the periphery

[29] McCarthy, Mike. "Plan Answers Elk Grove Call for Offices." *The Sacramento Business Journal*. June 23, 2005. Downloaded June 30, 2006.

of Woodland, West Sacramento, or Davis and/or small amounts of professional office space targeted to office users with a local clientele, such as doctors and dentists in a new town setting and/or in infill or the edges of existing towns, where there is a sufficient population base.

Warehouse, Distribution, Light Industrial Space

The employment projections for Yolo County reported previously in this study indicate a possible emerging competitive advantage in both durable and non-durable goods manufacturing. As illustrated in Figure 1, EDD expects both industry sectors to grow at a much faster pace countywide as compared to the rest of the State through 2012. However, these projections must be considered alongside recent industry trends. Manufacturing employment declined in the County between 2000 and 2001, likely a result of the national economic downturn. In terms of employment figures, non-durable goods manufacturing has achieved a modest recovery between 2001 and 2004, while durable goods has maintained employment numbers at 2001 levels. The high growth rates projected through 2012 primarily involve recovery to previous employment levels. As depicted in Table 2, SACOG projects no increase in manufacturing employment through 2030 throughout the unincorporated County. It is likely that most of the growth in these sectors will gravitate to locations where concentrations of similar uses already exist, including West Sacramento and Woodland. Also, these uses will likely favor locations in other urban areas around the region. Locating in urban areas or locations near similar uses allows businesses to capitalize on pre-established networks of suppliers, customers, and employees.

The *Sacramento Business Journal* reported in December of 2005 that at that time the Sacramento region had an immediate shortage of industrial land, and that unmet demand for industrial land amounted to 14.1 million square feet. However, the article also recognized that the 1,886-acre Metro Air Park adjacent to Sacramento International Airport is slated to come online sometime in the upcoming year. Other planned and proposed developments that may house industrial uses include 300 acres for industrial and office uses in Rancho Cordova, 3,600 acres of commercial and industrial development in southern Sutter County, 824 acres of office and industrial space at Woodland Park, and the planned Sunset Industrial development in Placer County.[30]

The current list of conceptual development proposals in unincorporated Yolo County includes only one 156-acre industrial park project at the outskirts of Woodland, a 200-acre commercial project near the Sacramento airport, and 45-acres of commercial development as part of a project to the northeast of Davis. All three employment-generating projects are located near existing population centers. Other than these projects, none of the planned and proposed Yolo County projects call for any substantial amount of commercial use other than local-serving retail, with the exception of a proposal for Dunnigan Hills tied to significant new residential development in that town as well. The relative lack of planned and proposed non-retail commercial development among the multitude of County development applications is likely due

[30] McCarthy, Mike. "Region Can't Meet Demand for Industrial Land." The Sacramento Business Journal. December 2, 2005. Downloaded May 18, 2006.

to the fact that these types of peripheral locations are not competitive with locations that are more central to the Sacramento Region, more established, and still offer available sites.

Mixed Use Development

The term "mixed-use" refers to a development that incorporates more than one land-use into a single space. A mixed-use building contains two or more different uses, such as retail and office space. As mixed-use developments are gaining popularity as urban infill projects, this vertical orientation of incorporating different uses into one building has increasingly come to define the term "mixed-use." For purposes of this report, in addition to such vertical mixed-use projects, mixed use developments can also be horizontal, incorporating various land uses in one project though in separate buildings. For example a single development that includes both office and light industrial uses is considered a mixed-use project.

The demand for each component in a mixed-use development mirrors the demand for that specific land use. The retail component of a mixed use development will share the same prospective absorption as any other retail space. However, mixed-use projects increase overall demand by combining the discrete demand factors for each land use. In other words, a 3,000 square foot mixed-use development that consists of 1,500 square feet of retail and 1,500 square feet of office space is able to be marketed to a larger number of users as compared to a development of 3,000 square feet of retail space alone. Therefore, such mixed-use projects are well suited for developments seeking to supply small amounts of local-serving retail and offices.

Agricultural-Based Economic Development

As discussed in this report, expectations for significant economic development within the unincorporated areas should be tempered with the reality that locations within the cities of Yolo County, or in the region's other established or planned business and industrial developments will likely be more competitive and still have many years' worth of vacant land available.

Rather than a significant amount of generic office and industrial development, limited opportunities for economic development in unincorporated Yolo County will likely be related to unique attributes of the unincorporated area, including its scenic agricultural lands. Yolo County's emerging wine-grape and organic farming industries may provide the basis for agri-tourism development, including accommodations and dining, retail of locally produced goods, visitor centers, and conference/retreat centers. The Capay Valley, although limited in access and infrastructure, provides the potential for additional visitor destination development in conjunction with the Cache Creek Resort casino and recreational opportunities on Cache Creek and adjacent wildlands. Thus, there are some real opportunities for economic development within the unincorporated area; however, due to the specialized nature of the agriculture-related economic development, it will take additional fine-grained analysis and study involving participation by key stakeholders in order to develop effective implementation measures to maximize this potential.

While potential exists for such economic activities throughout the unincorporated County, the

County should engage in further research to explore how extensive such economic development activities may be. Agri-tourism is generally not considered a major employment generator due to the small number of employees generally required by such operations. In addition, any possibility for substantial revenues from agricultural activities would necessitate an effort to develop value-added agricultural products. This may be achieved through increased focus on end-product manufacturing such as olive oils and wine production, increased transfer of agricultural technology from research and development activities at UC Davis to local entrepreneurial ventures, as well as branding and marketing efforts.

Conclusion

By far, housing represents the greatest portion of market demand for development in Yolo County. Regional housing pressures and growth projections have resulted in rapid absorption and large returns on residential developments within the region. On the other hand, the region's commercial real estate sectors have seen much more modest growth, with the exception of the retail sector, which is expanding in order to serve the growing population. Although the outward expansion of the regional housing market is well documented, with only limited minor exceptions, there has not been a similar geographic dispersion of the office and industrial markets. This pattern is typical in many rapidly growing areas, such as southern Orange County in southern California, which in its early phase of rapid growth was primarily a collection of bedroom communities and local-serving retail. Only as those communities have matured, have they begun to attract substantial amounts of office and industrial development. San Joaquin Valley communities have grown rapidly to accommodate spillover housing demand from the job centers Livermore/Dublin/San Ramon/Pleasanton area of the East Bay Area, but so far have managed to attract only limited amounts of new commercial development outside of retail and transportation and warehousing facilities that find this area more efficient than the congested Bay Area.

Opportunities for office development could include space for smaller, local-serving office tenants in mixed-use developments, or office space located on the periphery of the incorporated cities. The latter would also primarily be attractive to local-serving office tenants, such as insurance brokers, health professionals, and so forth. For R&D space, the potential for UC Davis' research activities to spin off start-up companies needing private R&D space means that there may be an opportunity to capture some of this demand in unincorporated areas that are near Davis; however, targeting this sector would place Yolo County in direct competition with the City of Davis and to a lesser extent the other cities as well as with UC Davis' own plans for research park facilities that would accommodate private enterprises. The function of Interstates 5 and 505 as part of the transportation network that links Yolo County to the region, the western U.S., and ultimately to national and international markets could make sites with good freeway access attractive to industrial and warehousing users; however, lack of other types of infrastructure serving these sites and more limited labor pools relative to regional locations that have greater surrounding population bases may limit the base of potential users.

Based on the research and analysis presented above, it is likely that the greatest development demand in unincorporated Yolo County will center around new housing development. Factors influencing this include the shortage of developable residential land in more established Sacramento metro area housing markets, the mobility of households in choosing residence locations, and economic conditions which make residential development attractive from a developer risk/profitability standpoint. During the General Plan planning period, the most evident demand for commercial growth will most likely be convenience retail designed to serve either the immediately surrounding residential development or, in limited cases, highway oriented commercial establishments (e.g., service stations, fast food, lodging) placed along busier freeways and highways and designed to capture demand from drive-by traffic. Finally, there is some opportunity for opportunistic development of a neighborhood retail, community retail (e.g. mid-box stores such as Marshall's or Petco) or even regional or destination retail (e.g., big box stores, electronics and other large format specialty stores) on the periphery of the incorporated cities.

The potential for agricultural-based economic development within unincorporated Yolo County necessitates further exploration and would require concerted efforts by the County to promote value-added agricultural activities. Currently, an advisory group is meeting to discuss and prepare an economic vision for the County.[31] The group's recommendations, to be submitted to the County Board of Supervisors, may provide a platform from which the County can further explore the potential for agricultural-based economic development activities as compared to other options. Beyond this, the County could adopt policies that would condition continued residential development on developers reaching certain thresholds for commercial development, in order to achieve some level of jobs-housing balance within the unincorporated areas.

[31] Sherwin, Elizabeth. "County Concentrates on Economic Vision." *The Davis Enterprise*. June 29, 2006. Downloaded June 30, 2006.

Table 1: Population, Households and Housing Projections, 2005 to 2030

	Projected Population						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	191,218	209,035	227,126	247,897	266,334	291,471	1.7%
Davis	63,850	65,615	67,237	68,740	70,303	72,016	0.5%
Winters	7,159	8,709	10,610	12,515	12,524	14,403	2.8%
Woodland	52,584	57,010	60,415	66,566	71,249	76,871	1.5%
West Sacramento	40,032	48,408	57,730	66,937	77,103	90,832	3.3%
Unincorporated Yolo County	27,593	29,293	31,134	33,139	35,155	37,349	1.2%
Clarksburg	440	444	447	449	454	458	0.2%
Dunnigan	1,023	1,719	2,457	3,331	4,040	5,695	7.1%
Esparto	2,040	2,297	2,608	2,723	2,879	3,138	1.7%
Knight's Landing	1,094	1,383	1,656	1,940	2,234	2,671	3.6%
Madison	536	598	673	750	837	936	2.3%
Rest of Unincorporated County (b)	22,460	22,852	23,293	23,946	24,711	24,453	0.5%

	Projected Households						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	68,907	75,555	82,642	90,380	97,062	106,550	1.7%
Davis	24,885	25,580	26,207	26,794	27,381	28,043	0.5%
Winters	2,335	2,865	3,494	4,131	4,161	4,808	2.9%
Woodland	18,775	20,372	21,964	24,326	25,878	28,039	1.6%
West Sacramento	15,310	18,526	22,126	25,660	29,530	34,801	3.3%
Unincorporated Yolo County	7,602	8,212	8,851	9,469	10,112	10,860	1.4%
Clarksburg	173	175	176	177	179	181	0.2%
Dunnigan	389	621	871	1,159	1,392	1,915	6.6%
Esparto	757	880	996	1,049	1,099	1,206	1.9%
Knight's Landing	371	464	555	649	746	888	3.6%
Madison	156	174	196	219	244	273	2.3%
Rest of Unincorporated County (b)	5,756	5,898	6,057	6,216	6,452	6,397	0.6%

	Projected Housing						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	70,899	77,745	85,120	93,100	100,004	109,814	1.7%
Davis	25,424	26,131	26,770	27,371	27,969	28,644	0.5%
Winters	2,403	2,943	3,583	4,228	4,255	4,908	2.9%
Woodland	19,333	20,979	22,689	25,127	26,728	28,982	1.6%
West Sacramento	15,863	19,189	22,912	26,573	30,591	36,049	3.3%
Unincorporated Yolo County	7,876	8,503	9,166	9,801	10,461	11,230	1.4%
Clarksburg	179	181	182	183	185	187	0.2%
Dunnigan	404	643	901	1,198	1,438	1,975	6.6%
Esparto	783	910	1,030	1,084	1,136	1,247	1.9%
Knight's Landing	383	479	572	670	769	915	3.5%
Madison	158	177	199	222	247	276	2.3%
Rest of Unincorporated County (b)	5,969	6,113	6,282	6,444	6,686	6,630	0.6%

Notes:

Data for all geographies are based on projections reported for SACOG minor zones. These figures do not completely align with published jurisdiction-level SACOG data. However, growth rates in both data sets do correlate. Though the discrepancies in the two data sets remain unexplained, the minor zone data is used in this analysis to enable the study of specific geographies within unincorporated Yolo County, with an emphasis on growth trends rather than absolute numbers.

(a) Data for 2030 are extrapolated using the projected average annual growth rate between 2005 and 2025.

(b) Data for the Rest of Unincorporated County are the difference between Unincorporated Yolo County projections and the sum of the projections for Clarksburg, Dunnigan, Esparto, Knight's Landing, and Madison.

The following minor zones were used for the five study geographies within the unincorporated County:

Clarksburg: 104100

Dunnigan: 114200 and 114210

Esparto: 115400 and 115420

Knight's Landing: 114310 and 114400

Madison: 115300

Sources: SACOG, 2006; BAE, 2006.

Table 2: Employment Projections, 2005 to 2030 (1 of 3)

	Total Projected Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	109,855	127,233	140,628	157,979	172,064	193,164	2.3%
Davis	16,378	19,045	19,322	19,870	20,216	21,309	1.1%
Winters	1,774	2,138	2,508	2,951	3,111	3,580	2.8%
Woodland	24,634	28,235	31,926	36,291	39,008	43,758	2.3%
West Sacramento	41,282	50,004	57,012	66,722	75,298	87,506	3.1%
Unincorporated Yolo County	25,787	27,811	29,860	32,145	34,431	37,012	1.5%
Clarksburg	207	252	277	313	433	521	3.8%
Dunnigan	85	93	177	189	225	287	5.0%
Esparto	261	299	341	380	410	459	2.3%
Knight's Landing	106	125	107	123	130	137	1.0%
Madison	68	72	79	94	100	110	1.9%
Rest of Unincorporated County (b)	25,060	26,970	28,879	31,046	33,133	35,498	1.4%

	Projected Retail Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	14,370	17,548	19,255	22,037	23,721	27,414	2.5%
Davis	4,585	5,153	5,254	5,428	5,472	5,719	0.9%
Winters	532	659	805	947	1,010	1,186	3.3%
Woodland	5,361	5,854	6,260	7,009	7,359	7,965	1.6%
West Sacramento	3,527	5,513	6,564	8,250	9,467	12,118	5.1%
Unincorporated Yolo County	365	369	372	403	413	426	0.6%
Clarksburg	12	12	12	12	12	12	0.0%
Dunnigan	17	17	17	17	17	17	0.0%
Esparto	62	66	69	90	92	102	2.0%
Knight's Landing	32	32	32	32	32	32	0.0%
Madison	27	27	27	37	43	48	2.4%
Rest of Unincorporated County (b)	215	215	215	215	217	215	0.0%

Notes:

Data for all geographies are based on projections reported for SACOG minor zones. These figures do not completely align with published jurisdiction-level SACOG data. However, growth rates in both data sets do correlate. Though the discrepancies in the two data sets remain unexplained, the minor zone data is used in this analysis to enable the study of specific geographies within unincorporated Yolo County, with an emphasis on growth trends rather than absolute numbers.

(a) Data for 2030 are extrapolated using the projected average annual growth rate between 2005 and 2025.

(b) Data for the Rest of Unincorporated County are the difference between Unincorporated Yolo County projections and the sum of the projections for Clarksburg, Dunnigan, Esparto, Knight's Landing, and Madison.

The following minor zones were used for the five study geographies within the unincorporated County:

Clarksburg: 104100

Dunnigan: 114200 and 114210

Esparto: 115400 and 115420

Knight's Landing: 114310 and 114400

Madison: 115300

Sources: SACOG, 2006; BAE, 2006.

Table 2: Employment Projections, 2005 to 2030 (2 of 3)

	Projected Office Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	23,937	29,660	34,714	41,488	46,979	55,883	3.4%
Davis	4,538	5,388	5,544	5,819	5,944	6,359	1.4%
Winters	236	295	361	431	470	558	3.5%
Woodland	4,161	5,338	6,808	8,458	9,493	11,667	4.2%
West Sacramento	14,787	18,422	21,777	26,551	30,843	37,066	3.7%
Unincorporated Yolo County	215	217	224	229	229	233	0.3%
Clarksburg	5	7	9	11	11	13	4.0%
Dunnigan	10	10	10	10	10	10	0.0%
Esparto	26	26	31	34	34	36	1.4%
Knight's Landing	1	1	1	1	1	1	0.0%
Madison	15	15	15	15	15	15	0.0%
Rest of Unincorporated County (b)	158	158	158	158	158	157	0.0%

	Projected Medical Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	4,403	5,072	5,602	6,445	6,862	7,824	2.2%
Davis	1,395	1,582	1,582	1,582	1,597	1,652	0.7%
Winters	74	88	108	144	154	185	3.7%
Woodland	2,096	2,206	2,384	2,695	2,815	3,030	1.5%
West Sacramento	820	1,176	1,504	1,999	2,269	2,926	5.2%
Unincorporated Yolo County	18	20	24	25	27	30	2.0%
Clarksburg	0	0	0	0	0	n/a	n/a
Dunnigan	0	0	0	0	0	n/a	n/a
Esparto	10	12	15	15	17	19	2.7%
Knight's Landing	5	5	6	7	7	8	1.7%
Madison	0	0	0	0	0	n/a	n/a
Rest of Unincorporated County (b)	3	3	3	3	3	3	0.0%

Notes:

Data for all geographies are based on projections reported for SACOG minor zones. These figures do not completely align with published jurisdiction-level SACOG data. However, growth rates in both data sets do correlate. Though the discrepancies in the two data sets remain unexplained, the minor zone data is used in this analysis to enable the study of specific geographies within unincorporated Yolo County, with an emphasis on growth trends rather than absolute numbers.

(a) Data for 2030 are extrapolated using the projected average annual growth rate between 2005 and 2025.

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Dunnigan: 114200 and 114210

Esparto: 115400 and 115420

Knight's Landing: 114310 and 114400

Madison: 115300

Sources: SACOG, 2006; BAE, 2006.

Table 2: Employment Projections, 2005 to 2030 (3 of 3)

	Projected Education Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	24,464	26,660	28,860	31,510	34,109	37,103	1.7%
Davis	1,216	1,275	1,275	1,275	1,275	1,290	0.2%
Winters	185	252	266	293	303	343	2.5%
Woodland	1,586	1,685	1,828	1,986	2,088	2,237	1.4%
West Sacramento	1,168	1,368	1,524	1,796	2,045	2,352	2.8%
Unincorporated Yolo County	20,309	22,080	23,967	26,160	28,398	30,881	1.7%
Clarksburg	57	60	63	80	200	274	6.5%
Dunnigan	0	0	57	69	100	n/a	n/a
Esparto	111	130	161	181	202	235	3.0%
Knight's Landing	33	49	25	34	40	42	1.0%
Madison	6	8	10	15	15	19	4.7%
Rest of Unincorporated County (b)	20,102	21,833	23,651	25,781	27,841	30,312	1.6%

	Projected Manufacturing Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	11,390	14,320	16,554	18,720	20,580	23,994	3.0%
Davis	1,181	1,728	1,748	1,778	1,808	2,011	2.2%
Winters	380	409	414	419	422	433	0.5%
Woodland	3,488	4,580	5,365	5,945	6,375	7,412	3.1%
West Sacramento	5,366	6,628	8,052	9,603	11,000	13,162	3.7%
Unincorporated Yolo County	975	975	975	975	975	975	0.0%
Clarksburg	3	3	3	3	3	3	0.0%
Dunnigan	0	0	0	0	0	n/a	n/a
Esparto	3	3	3	3	3	3	0.0%
Knight's Landing	5	5	5	5	5	5	0.0%
Madison	8	8	8	8	8	8	0.0%
Rest of Unincorporated County (b)	956	956	956	956	956	956	0.0%

	Projected Other Employment						Projected Average Annual Change
	2005	2010	2015	2020	2025	2030 (a)	2005-2025
Yolo County Total	31,291	33,973	35,643	37,779	39,813	42,334	1.2%
Davis	3,463	3,919	3,919	3,988	4,120	4,303	0.9%
Winters	367	435	554	717	752	900	3.7%
Woodland	7,942	8,572	9,281	10,198	10,878	11,768	1.6%
West Sacramento	15,614	16,897	17,591	18,523	19,674	20,844	1.2%
Unincorporated Yolo County	3,905	4,150	4,298	4,353	4,389	4,519	0.6%
Clarksburg	130	170	190	207	207	233	2.4%
Dunnigan	58	66	93	93	98	112	2.7%
Esparto	49	62	62	57	62	66	1.2%
Knight's Landing	30	33	38	44	45	50	2.0%
Madison	12	14	19	19	19	21	2.3%
Rest of Unincorporated County (b)	3,626	3,805	3,896	3,933	3,958	4,038	0.4%

Notes:

Data for all geographies are based on projections reported for SACOG minor zones. These figures do not completely align with published jurisdiction-level SACOG data. However, growth rates in both data sets do correlate. Though the discrepancies in the two data sets remain unexplained, the minor zone data is used in this analysis to enable the study of specific geographies within unincorporated Yolo County, with an emphasis on growth trends rather than absolute numbers.

(a) Data for 2030 are extrapolated using the projected average annual growth rate between 2005 and 2025.

(b) Data for the Rest of Unincorporated County are the difference between Unincorporated Yolo County projections and the sum of the projections for Clarksburg, Dunnigan, Esparto, Knight's Landing, and Madison.

The following minor zones were used for the five study geographies within the unincorporated County:

Clarksburg: 104100

Dunnigan: 114200 and 114210

Esparto: 115400 and 115420

Knight's Landing: 114310 and 114400

Madison: 115300

Sources: SACOG, 2006; BAE, 2006.

Table 3: Yolo County Annual Average Industry Employment, 2000 to 2004

Industry Sector	Yolo County 2000	2001	2002	2003	2004	Average Annual % Change 2000-2004
Farm	4,900	4,100	4,500	4,200	3,900	-4.5%
Natural Resources and Mining	300	300	300	200	200	-7.8%
Construction	4,500	4,700	4,700	4,900	4,900	1.7%
Durable Goods Mfg.	3,300	2,900	2,900	2,900	2,900	-2.6%
Nondurable Goods Mfg.	3,500	2,500	2,600	3,000	3,100	-2.4%
Wholesale Trade	4,900	4,400	4,600	4,800	4,800	-0.4%
Retail Trade	8,600	8,600	7,800	7,100	6,700	-4.9%
Transportation, Warehousing and Utilities	7,400	7,600	7,700	7,300	7,600	0.5%
Information	1,100	1,100	1,100	1,100	1,200	1.8%
Financial Activities	3,100	3,200	3,300	3,300	3,300	1.3%
Professional and Business Services	9,200	8,800	8,100	8,200	7,900	-3.0%
Educational and Health Services	5,000	5,600	5,800	5,800	6,100	4.1%
Leisure and Hospitality	5,600	6,000	5,900	6,200	6,500	3.0%
Other Services	1,700	1,800	1,900	1,900	1,900	2.2%
Government	29,300	30,300	32,100	34,300	35,300	3.8%
Total, All Industries (a)	**92,200**	**91,700**	**93,200**	**95,000**	**96,500**	**0.9%**

Notes: (a) The "Total, All Industries" field may not equal the sum of individual industry sectors due to rounding.

Sources: California Employment Development Department, 2006; Bay Area Economics, 2006.

Table 4: Yolo County and California Industry Employment Projections, 2002-2012

Industry Sector	Yolo County Annual Average Employment 2002	2012	Percent Change 2002-2012	California Annual Average Employment 2002	2012	Percent Change 2002-2012
Farm	NA	NA	NA	NA	NA	NA
Natural Resources, Mining, and Construction	4,900	5,700	16.3%	796,600	1,026,000	28.8%
Durable Goods Mfg.	2,900	3,600	24.1%	1,053,300	1,076,000	2.2%
Nondurable Goods Mfg.	2,600	3,800	46.2%	584,800	589,000	0.7%
Wholesale Trade	4,600	5,400	17.4%	652,100	770,100	18.1%
Retail Trade	7,800	10,800	38.5%	1,581,700	1,846,200	16.7%
Transportation, Warehousing, and Utilities	7,700	9,500	23.4%	491,000	576,300	17.4%
Information	1,100	1,400	27.3%	497,300	578,500	16.3%
Financial Activities	3,300	4,000	21.2%	852,800	985,500	15.6%
Professional and Business Services	8,100	10,300	27.2%	2,114,300	2,679,200	26.7%
Educational and Health Services	5,900	7,700	30.5%	1,498,800	1,911,300	27.5%
Leisure and Hospitality	5,900	7,800	32.2%	1,382,400	1,677,900	21.4%
Other Services	1,900	2,500	31.6%	505,700	575,300	13.8%
Government	32,100	38,600	20.2%	2,447,100	2,858,000	16.8%
Total, Nonfarm (a)	**88,700**	**111,100**	**25.3%**	**14,457,800**	**17,149,500**	**18.6%**

Notes: (a) The "Total, Nonfarm" field may not equal the sum of individual industry sectors due to rounding.

Sources: California Employment Development Department, 2006; Bay Area Economics, 2006.

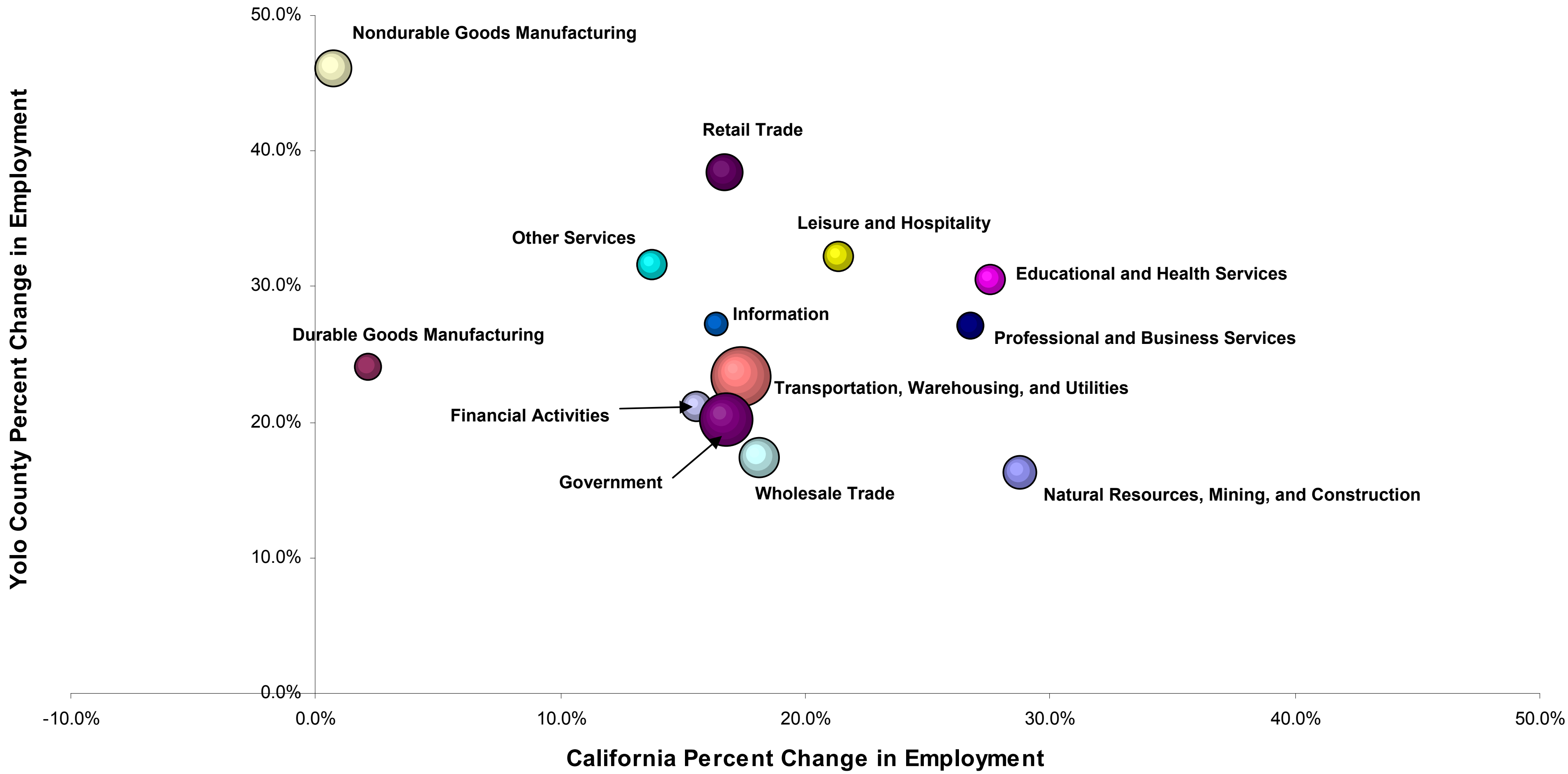
Table 5: Yolo County and California Location Quotients, 2012

	Yolo County		California		Location Quotient				
Industry Sector	Annual Average Employment 2012	Share of Total Employment	Annual Average Employment 2012	Share of Total Employment	Yolo County Share	/	California Share	=	Location Quotient
Farm	NA	NA	NA	NA					
Natural Resources, Mining, and Construction	5,700	5.1%	1,026,000	6.0%	5.1%		6.0%		**0.86**
Durable Goods Mfg.	3,600	3.2%	1,076,000	6.3%	3.2%		6.3%		**0.52**
Nondurable Goods Mfg.	3,800	3.4%	589,000	3.4%	3.4%		3.4%		**1.00**
Wholesale Trade	5,400	4.9%	770,100	4.5%	4.9%		4.5%		**1.08**
Retail Trade	10,800	9.7%	1,846,200	10.8%	9.7%		10.8%		**0.90**
Transportation, Warehousing, and Utilities	9,500	8.6%	576,300	3.4%	8.6%		3.4%		**2.54**
Information	1,400	1.3%	578,500	3.4%	1.3%		3.4%		**0.37**
Financial Activities	4,000	3.6%	985,500	5.7%	3.6%		5.7%		**0.63**
Professional and Business Services	10,300	9.3%	2,679,200	15.6%	9.3%		15.6%		**0.59**
Educational and Health Services	7,700	6.9%	1,911,300	11.1%	6.9%		11.1%		**0.62**
Leisure and Hospitality	7,800	7.0%	1,677,900	9.8%	7.0%		9.8%		**0.72**
Other Services	2,500	2.3%	575,300	3.4%	2.3%		3.4%		**0.67**
Government	38,600	34.7%	2,858,000	16.7%	34.7%		16.7%		**2.08**
Total, Nonfarm (a)	**111,100**	**100.0%**	**17,149,500**	**100.0%**					

Notes: (a) The "Total, Nonfarm" field may not equal the sum of individual industry sectors due to rounding.

Sources: California Employment Development Department, 2006; Bay Area Economics, 2006.

Figure 1: Projected Percent Change in Employment, 2002 to 2012



Sources: California Employment Development Department, 2006; BAE, 2006.

Table 6: Unincorporated Yolo County Population and Household Projections

	2005 (a)	2010	2015	2020	2025	2030
Scenario A (b)						
1.2% Annual Population Growth Rate	27,593	29,293	31,134	33,139	35,155	37,349
1.4% Annual Household Growth Rate	7,602	8,212	8,851	9,469	10,112	10,860
Scenario B (c)						
2.9% Annual Population Growth Rate	27,593	31,833	36,724	42,367	48,877	56,388
3.8% Annual Household Growth Rate	7,602	9,160	11,038	13,301	16,028	19,314
Scenario C (d)						
3.9% Annual Population Growth Rate	27,593	33,410	40,453	48,982	59,308	71,810
4.5% Annual Household Growth Rate	7,602	9,473	11,806	14,712	18,334	22,847

Notes:

(a) All 2005 estimates are based on SACOG minor zone data as reported in Table 1.

(b) Annual growth rates based on SACOG 2005-2025 minor zone-level population and household projections for unincorporated Yolo County.

(c) Annual growth rates based on SACOG 2005-2025 jurisdiction-level population and household projections for unincorporated Yuba County.

(d) Annual growth rates based on SACOG 2005-2025 jurisdiction-level population and household projections for unincorporated Sutter County.

Sources: SACOG, 2006; BAE, 2006.

Fiscal Implications of Growth

Having discussed opportunities for growth within the unincorporated areas of Yolo County, this portion of the report addresses fiscal impacts of growth. The General Plan Update process contemplates how the County will deal with growth of all types in the next 25 years, and raises the question of whether growth does in fact pay its own way, or might even be capable of generating a net revenue increase for the County. Information presented and evaluated in this section of the report addresses this issue in relation to the County's ability to fund ongoing service costs (operation and maintenance costs) attributable to new development and to fund one-time capital expenditures (public infrastructure and community facilities) made necessary by new development.

In regard to ongoing service costs, Yolo County, like most California counties, faces significant challenges each year to balance its expenditures with available revenues. Yolo County faces additional unique constraints that other counties do not, including a share of the countywide property taxes that is the lowest in California, except Orange County, relatively low sales tax revenues, agricultural preservation policies which discourage development of high property tax generating new development in the unincorporated area, and the fact that two-thirds of all land in the unincorporated area is under agricultural preservation contracts, which reduce the property taxes paid by the owners.[32]

Although it occurred almost 20 years ago, in 1997, the incorporation of the City of West Sacramento has had a lasting effect on the County's finances. As a result of the incorporation of the City of West Sacramento and State law governing incorporations at that time, a large portion of the County's property tax base was transferred to the new City of West Sacramento, leaving the County with a relatively low share of the total Countywide tax base. In addition, when West Sacramento incorporated, the County lost nearly 10 percent of its total revenue when the local share of sales taxes collected on transactions in West Sacramento was transferred from the County to the new city.

Over time, service demands change due not only to growth, but also due to changes in citizens' expectations about service standards. Additionally, the funding for county governments is largely out of the control of the local Board of Supervisors, and is instead controlled by laws that are either enacted by the federal government, the State legislature or by voters through the initiative process. At best, counties can try to use their land use decision-making authority to influence their fiscal situation by fine-tuning their land use plan to achieve a fiscally sustainable balance of development types.

Yolo County and other counties face a special challenge in regard to capital expenditures. Counties have the authority to collect impact fees to fully mitigate the impact of new development within the unincorporated area, and they work with cities to fund the impacts of

[32] Leary, Pat, County of Yolo Administrator's Office, August 16, 2006.

development that occurs within the incorporated areas of the County. In fact, the demand for public infrastructure and community facilities that the County must provide, in a county like Yolo, which has in the past directed growth to the incorporated cities, is directly linked to that growth in the cities. Although it is in the cities' interest to ensure that their residents have access to an adequate range of County facilities, this is balanced by the cities' concern that increases in developer impact fees competes directly with their ability to charge maximum development fees for their own use.

The remainder of this section explores these issues in order to provide the reader with an understanding of the fiscal implications of land use policies that could be enacted in the General Plan Update.

Current County General Fund Condition

This report focuses on the General Fund because it receives the County's general purpose discretionary revenues and this is the fund from which the County funds the basic services that it provides to county residents. As confirmed by the County Administrator's Office, the countywide overall future expenditure liabilities that would not be funded based on 2005-2006 revenue levels were approximately $4.1 million annually. In other words, as of the 2005-2006 budget, in order to cover then current expenditure levels plus increases in expenditures to which the County was already committed for future years, the County needed to obtain an additional $4.1 million in annual revenue. (Note that the County has recently adopted an updated budget for 2006-2007 and the information contained in this paper will be updated as determined necessary during the General Plan Update process.)

The bulk of the unfunded future expenditure liabilities ($3.4 million annually) was related to the County's need to reduce personnel vacancy rates to eight percent and to bring County staff salary levels to parity with the market. During times of budget stress, it is common for public counties to hold staff positions vacant as a means of saving on salaries and to limit salary increases. At best, these are temporary solutions and the County understands that balancing the budget in this manner is not sustainable because high personnel vacancy rates reduce service levels to county constituents and place extra demands on remaining employees. Coupling this with limiting employee salary increases strains employee relations and makes the County a less attractive employer.

Even absent temporary measures, as the county with the lowest per capita tax revenues in the region, Yolo County has experienced significant difficulties in employee attraction and retention. This is costly for the county which frequently trains new employees at significant cost only to have them leave to nearby counties with higher salaries. Similarly, large numbers of vacant positions dramatically impact both employees, which have to carry larger workloads and county residents who see service impacts from fewer staff performing services. Thus, if these expenditures are deferred on an ongoing basis, the County can expect considerable dissatisfaction to develop among county residents and county employees.

The remaining $661,000 in unfunded future expenditure liabilities was related to the anticipated loss of certain State revenues that fund various functions in General Government (Assessor's

Office) and in Law and Justice (Gang Suppression Program). The State previously contributed $661,000 annually towards these functions but discontinued this amount as of 2005-2006. Rather than cut those two programs back commensurately, the County believed that it was in the public's best interest to maintain current program levels, but this created the need to backfill the funding using other sources. There are other grant programs that the state has reduced and the County has chosen to backfill; however, the shift in funding has already been internalized into the County budget, so the increased county liabilities are not reflected in the figures just presented.

Key Factors Affecting Fiscal Impacts of New Development

In many communities, growth and the new revenues that it generates is seen as the solution to local fiscal problems. Not surprisingly, the question of whether new development in unincorporated Yolo County can generate net revenue increases has arisen during the Yolo County General Plan Update process. This is a complex question and it is one that does not have a single correct answer. The potential fiscal impact of new development projects in unincorporated Yolo County could likely range from significantly adverse to significantly positive, depending on a range of factors, including location, the specific type of project, and the County's existing service capacities in the vicinity of the project.

BAE has conducted preliminary analysis of 2005-2006 budget figures and found that single-family detached residential development in the unincorporated may generate modest net revenue increases under "average" County service cost and revenue assumptions. Retail development, because of the sales tax revenues that accrue to the County, can under many circumstances generate net revenue increases. Office and industrial type land uses are likely to be roughly fiscally neutral, depending on the assumptions one makes about the demand for services associated with commercial development.

Service Standards

A key assumption behind fiscal impacts of new development is the level of services that the County will provide to new residents and businesses. The generalizations about potential fiscal impacts of new development in the preceding paragraph assume that the County would incur General Fund costs that reflect current service standards when extending services to new development, and that any enhancements to service standards would be funded through a revenue enhancement mechanism such as a County Service Area (CSA) or other mechanism, such as a Mello-Roos Community Facilities District (CFD) that would raise additional revenues from the benefiting property owners to pay for the enhanced services. These types of mechanisms are widely used in unincorporated areas in order to fund enhanced public services within a defined area. CSAs can be established by the Board of Supervisors, but they can be repealed with a majority vote of the affected property owners. A 2/3 vote of the affected property owners is necessary to establish a CFD, and under the protest procedures, the CFD requires a 2/3 vote to affirm the district. Due to the less demanding voter approval requirements, it is most likely that enhanced services within Yolo County would be funded via a CSA.

In regard to commercial development in general, and retail development in particular, the

County will need to consider the effect of competition for economic development opportunities within the region on the ability to place the cost burden for enhanced service levels on new development. It is very likely that cities or counties will compete with Yolo County to attract new retail development, given its fiscal attractiveness. This may mean that the County could face pressure to enhance service levels and at the same time have little leverage to require developers and/or retailers themselves to pay for the increased costs via special taxes, assessments, or other mechanisms. If this turns out to be the case, then the County might need to absorb the cost of enhanced services; thus reducing the net revenue potential of the new development.

County Property Tax Share

As mentioned above, Yolo County is handicapped fiscally by the relatively small portion of property taxes collected within Yolo County that it receives. In fact, although the General Fund receives an average of just under 13 percent of the tax increment (the increase in taxes from the prior year) as shown above, the County only received about 7.4 percent of the total property tax revenues collected within the County overall during the 2005-2006 fiscal year. According to the Assembly Floor Analysis for SB 1909, a Bill that was pending in 2004, Orange County and Yolo County were the only California counties that received less than 11 percent of the property taxes collected in their respective counties (at that time), while all other Counties received on average 19 percent of the property taxes.[33,34]

For new development within the unincorporated area, the actual portion of the new property taxes generated by the development that accrues to the County general fund will depend on the specific Tax Rate Area (TRA) in which the development is located. The County is divided into numerous TRAs that account for the unique combination of governmental entities that provide services within each respective TRA and receive a share of the property taxes. According to data furnished by the Yolo County Auditor-Controller's office, the Yolo County General Fund's share of property tax increment in the unincorporated area TRAs ranges from as low as 5.5 percent to as high as 15.4 percent. This means that certain locations within the County will be more attractive for new development from a fiscal impact standpoint than other locations, and this will be an important factor in the analysis of General Plan land use alternatives. For example, the basic property tax on a house with an assessed value of $400,000 would be $4,000 per year. The County General Fund's share would be $220 in a TRA where the allocation is 5.5 percent, or $616 in a TRA where the allocation is 15.4 percent. Variation of this magnitude is sufficient to make the difference between a project that creates net revenue decrease and a project that creates a net revenue increase.

[33] State of California, *Assembly Floor Analysis, SB 1909*, August 27, 2004

[34] California cities and counties now also receive an additional allocation of property taxes in exchange for the State taking away most of the Vehicle License Fee revenues formerly allocated to cities and all of the Vehicle License Fee revenues formerly allocated to counties. This allocation is made in a lump sum amount that is calculated on the basis of the overall change in assessed valuation within a jurisdiction (in this case, the entire County of Yolo, including the cities).

Assessed Value of New Development

Combined with the share of property taxes allocated to the County within a given TRA, the assessed value of new development drives the amount of property taxes that new development generates for the County General Fund. Because of the diversity of housing types, ranging from very small, spartan multifamily rental units to residential estates on rural acreage, the assessed value of a new housing unit can vary tremendously. In contrast, new retail, office, or industrial developments tend to fall within narrower bands of value. Therefore, assumptions about the type of residential development that would occur in the unincorporated area under the proposed General Plan Update will be critical to understanding potential fiscal impacts.

Based on the preliminary analysis of 2005-2006 budget figures mentioned earlier, BAE was able to calculate that the average assessed value of new residential development in the unincorporated area necessary for the County to break even from a fiscal impact standpoint is approximately $360,000. In areas where the County's share of the property tax increment is less than about 13 percent, the average home value would need to be greater, and in areas where the County's share of the property tax increment is greater than about 13 percent, the average home value could be less. The County's approach to complying with State law requiring that the County provide opportunities for housing development to serve all economic segments of the community will have a significant influence on whether the future average value of new homes in the unincorporated area is at or above this average. County General Plan Update land use plans should accommodate not only housing at this average value, but also significant portions of new housing units that are much more valuable than this in order to offset the lower value of more modest housing units that will be necessary in order to provide housing opportunities that are affordable to the segments of the population that do not have sufficient income and assets to purchase a $360,000 home. During the General Plan alternatives analysis process, it will be important to consider whether market conditions will support land use plans that include enough high-value housing units to offset needed affordable housing units.

If the County's goal is not just to break even, but to generate net revenue increases from new residential development, the average home values will need to be even greater than $360,000. For example, in order to generate a $500 annual net revenue increase per housing unit in a location where the County receives an average of about 13 percent of the property tax increment share, the average assessed value would need to be $565,000. With an annual net revenue increase of $500, it would require approximately 8,200 new homes for the County overcome the unfunded budget liabilities identified in the 2005-2006 budget. Unless the County is willing to aggressively pursue development of a very large number of relatively high value homes, this clearly shows that residential development is not likely to be a successful fiscal strategy for the County. Particularly considering the time frame that could be required to plan, develop, and absorb this many new homes.

Net Revenue Generation from Retail Development

The potential for new retail development in the unincorporated area to generate net revenue increases is based on the premise that the increase in sales tax revenues is generally large enough that it offsets normally foreseeable increases in service costs. There are two important considerations in this regard. The first is the extent to which the new retail development actually generates a net increase in taxable sales within the local government's jurisdiction. For example, although a given retail development may generate $100,000 in retail sales taxes, if

$40,000 of those sales taxes will be the result of the new store taking business away from existing stores that generate sales taxes for the local government, the net increase in sales taxes is only $60,000 instead of $100,000. This can occur in areas where the retail market is already saturated (i.e., the supply of retail stores is already adequate to serve the existing demand). In Yolo County as a whole, including the supply of retail space in the cities, market saturation may be an issue during the General Plan time horizon; however, at present because the unincorporated area itself has such a small amount of retail activity, the potential for new retail development to significantly reduce the sales in existing retail establishments is fairly low.

The second factor to consider in regard to net revenue generation from new retail development is the extent to which new retail development may demand new services, and the cost of such services. This may be a significant factor in Yolo County, where the existing services such as law enforcement and fire protection are limited. For example, in order to make a site in the unincorporated area attractive for large scale regional retail development, the County might have to ensure that the site was provided with upgraded road maintenance to handle wear and tear from high shopper traffic volumes; enhanced Sheriff patrols to provide law enforcement at a level that is more typical of urban areas; and 24 hour per day, seven day per week paid fire department coverage in place of the volunteer fire protection currently provided in many parts of the County. Because the County is not currently set up to provide these levels of service in most areas, doing so could be costly. As mentioned previously, due to competitive forces, it is possible that rather than passing the cost of new services on to the retail development, the County would have to absorb those costs, thus reducing its net revenue.

For example, if the County were to identify a suitable location and develop a 700,000 square foot "lifestyle" retail center that combined big-box retail tenants (e.g., Target, Home Depot) along with mid-box tenants such as Circuit City, Linens 'n Things, and Office Depot, along with a range of restaurants and smaller specialty retailers, it might expect overall average taxable sales in the range of $300 per square foot, or $210 million in annual sales. This would translate to $2.1 million in annual sales tax revenues. It would then be necessary to determine the cost of the services that the County would have to provide to the project in order to determine the net revenue increase. For example, if the project required the establishment of a new fire station that was professionally staffed for round the clock fire protection and emergency medical service coverage, the annual cost would be approximately $1.2 million, based on costs in nearby cities. New law enforcement officers typically cost in the range of $100,000 to $150,000 per year, depending on salary levels, equipment and vehicle costs, and departmental overhead. Particularly if large new costs cannot be shared with other nearby development that also contributes revenues, the net benefit to the County from new retail could be reduced substantially.

Conclusion

The primary conclusion from this review of fiscal issues is that given the constraints of the County's current revenue structure, new development in the unincorporated areas is not likely to provide a solution to the County's current or future fiscal problems. While residential development is likely the land use that could capture the greatest quantity of demand within the General Plan time horizon, its fiscal benefits to the County are not assured. In a best case scenario, residential development in unincorporated areas may be slightly positive after considering the fiscal effects of providing housing at a full range of affordability levels; however, it is unlikely that the County would be able to develop sufficient numbers of new housing units over the near to mid-term to make a significant impact on the un-funded budget liabilities identified as of the 05-06 budget year.

An average new home price of approximately $360,000 would be necessary for the County to break even on residential development under 2005-2006 budget conditions, in a development location where the County General Fund receives a share of property taxes which is equal to the average share that the County receives in the unincorporated areas (about thirteen percent of the basic property taxes). To generate net revenue increases, the County would need to develop housing with significantly greater average assessed values. Further analysis is necessary to substantiate market feasibility of any particular General Plan land use alternative, and analysis of the recently adopted 2006-2007 County budget may reveal a different fiscal break even point. At any rate, given the time required to plan, develop, and absorb substantial numbers of new homes, residential development is not a viable fiscal strategy for the County.

Because property tax is a significant piece of the General Fund revenue picture, and because the County's share of property taxes varies substantially by geographic location within the unincorporated area, the location of new development will have an important effect on its potential net revenue benefits. This aspect of fiscal impacts will be considered in the evaluation of land use alternatives for the General Plan Update.

There may be opportunities for the County to attract new retail development, but a very large quantity of retail space would be necessary to address current unfunded budget items. A 700,000 square foot "lifestyle" retail center example provided in the discussion above would generate gross sales tax revenues equal to about half of the un-funded budget liabilities identified for the 2005-2006 budget, before accounting for service costs. Competition with other jurisdictions to attract such a development may require incentives that further reduce net revenue increases. One such retail center would be larger than the County Fair Mall in Woodland, and the County would likely require multiple developments of this size in order to address the current un-funded budget liabilities, not to mention future budget challenges that may arise. Thus, although strategic retail development could make a significant contribution to the County budget, retail development alone is not a viable strategy for the County to address its budget problems.

Given these findings, it should be clear that while developing high value residential development in locations where the County receives a substantial share of property taxes and opportunistic development of highly productive retail establishments may provide net revenue increases for the County budget, these types of land use strategies would only serve as one component of an overall approach to addressing the County's budget challenges. The County's long-term fiscal health will also require other measures that could involve enhancing existing revenues, developing new revenue sources, or reducing costs.

City/County Revenue Sharing Agreements

There are a number of different mechanisms for the County and its cities to cooperate to share in revenues generated from new development. This portion of the study discusses three key mechanisms in use in Yolo County.

Redevelopment Tax Increment Pass-Through Agreements

Over the years as a result of various negotiations with the Cities of Woodland, West Sacramento, Winters, and Davis, the County has established revenue sharing agreements with the cities. Each of these agreements contain provisions for the County to receive property tax revenues that it would have received in the absence of redevelopment project areas established by the cities, provided that the County does not approve urban development on the edges of the cities. According to the Yolo County Auditor-Controller's Office, the pass-through amounts for the 2004-2005 fiscal year were as follows:

From	To County
Davis	$1,729,534
West Sacramento	$1,511,087
Winters	$242,758
Woodland	$102,458

Based on a review of copies of the agreements furnished by County staff, it appears that the two agreements with fiscal implications for new development in the unincorporated areas include the agreements between the County and the City of Winters and the City of Davis. In the case of Davis, this portion of the agreement continues as long as the City's Redevelopment Agency continues to collect tax increment, or until 2025 and it applies to the portion of tax increment that would otherwise have accrued to the County General Fund, the County accumulated capital outlay fund, and the County Library Fund. In the case of Winters, the portion of the agreement dealing with pass-through payments appears to say that only the portion of the tax increment attributable to the County General Fund is subject to this restriction through the 15th year that the Winters Redevelopment Agency Collects tax increment (approximately 2007/2008)[35].

The presence of these agreements means that the potential fiscal benefits to the County from approving urban development on the edges of Winters and Davis would be reduced from the levels discussed in the previous section of this report regarding fiscal impacts of new development if the development violates the terms of the agreements. Depending on the amounts of pass-through revenues that the County would forfeit, it is possible that the net effect of developing on the edges of these two cities would be negative. Analysis of specific General Plan Alternatives will provide insight as to the circumstances under which it may or may not be fiscally advantageous for the County to make land use decisions that would jeopardize the existing pass-through agreements.

[35] Agreement No. 92-153 Agreement Between the Redevelopment Agency of the City of Winters and the County of Yolo Pursuant to Health and Safety Code Section 33410. August 25, 1992. Page 5.

Annexation Revenue Sharing Agreements

Much of the future Yolo County development that will create fiscal impacts on Yolo County will actually occur within cities. This is because the County is responsible for the provision of certain social and judicial (among others) services to residents of both the incorporated and unincorporated areas. Therefore, it is reasonable for the County to consider the potential impact of development within cities on its future fiscal health.

The County doesn't have any opportunity to influence infill development within cities, but some new development projects that cities undertake during the General Plan time horizon will likely involve annexing previously unincorporated land. When this occurs, the annexing city must establish a property tax revenue sharing agreement with the County. This agreement specifies how much of the property tax share historically allocated to the County will be transferred to the city. The theory behind this is that when the city annexes the land, the city will assume responsibility to provide certain services previously provided by the County and therefore, a portion of the property tax revenues should be transferred to help support those service expenditures.

As summarized by the Yolo County Local Agency Formation Commission (LAFCo) executive officer, the law on this subject requires that the city and the County establish a property tax revenue sharing agreement prior to the incorporation. If the city and County do not establish a property tax revenue sharing agreement within a statutory 45-day time period, then LAFCo starts the process over again. This process gives the County significant power in the negotiations, because the implication of the procedure is that the city will need to offer the County a revenue sharing agreement or other concessions that are attractive enough to make the County want to enter into an agreement so that the annexation can proceed.

Historically, Yolo County has maintained master property tax revenue sharing agreements with each of the cities, excluding West Sacramento. These master agreements specify how property tax revenues will be split between each city and the County under annexation scenarios. The master agreements are efficient, because they remain in place and, presuming both parties find them acceptable, they obviate the need for revenue sharing discussions each time an annexation is requested. More recently, Yolo County has exercised its option not to use the master agreements and instead to establish property tax revenue sharing agreements on a case-by-case basis. While this has complicated the annexation process, due to the need to negotiate tax sharing formulas on a case-by-case basis, it has allowed for a detailed analysis of how proposed projects would affect the County from a fiscal standpoint, since fiscal analysis is needed for both parties to approach the tax sharing negotiations from an informed position. Through this process, the County has placed a spotlight on the issue of how growth within the cities affects the County's fiscal health.

Capital Facilities Impacts of New Development

In addition to bringing demand for ongoing public services, new development in the unincorporated areas brings with it the need for infrastructure and community facilities. In

California's post-Proposition 13 era, local jurisdictions typically address these needs through a combination of development impact fees and various exactions that are imposed on developers, following the general principal that new development must pay its fair share of the costs of these facilities. However, counties, including Yolo are in a challenging position in that they must provide county facilities for their constituencies located in both the unincorporated area as well as the cities, but they do not direct control over the decisions regarding development within cities and how impacts should be mitigated. As a result, since the inception of its impact fee program in 1991, Yolo County has relied upon the cities within the county to agree to collect development impact fees on its behalf in order to ensure there is adequate funding to expand County facilities to serve new development.

In total, the County collected approximately $15.4 million in impact fees between 1991 and March 2005. The County has recently updated its impact fee program. This includes updating the schedule of current fees and also establishing new fee components for parks and open space and for roadway facilities. The County established the new fee component for parks and open space in the unincorporated areas only. The County is currently working with the cities to develop a proposal for the roadway component of the fee program. The fee program updates approximately doubled when approved, according to an April 25, 2006 report on the topic. The County reports that this increase was due to several factors, including linking the development impact fee program to a recently completed master facility plan, increases in construction costs, and the addition of the new parks and open space component.

The updated impact fees (total per unit) are as follows:

Land Use	**Davis**	**W. Sac.**	**Winters**	**Woodland**	**Unincorp.**
Single-Fam.	$3,032	$3,088	$3,088	$2,440	$5,139
Multifamily	$2,231	$2,273	$2,273	$1,793	$3,794
Commercial	$493	$493	$493	$493	$869
Office	$561	$561	$561	$561	$1,063
Industrial	$312	$312	$312	$312	$562
Warehouse	$206	$206	$206	$206	$356

Per state law governing development impact fees, the County must not set the amount of its impact fees at a level that is greater than the amount that can be justified through an analysis of the nexus between the amount of the fees, the developments to which the fees are charged, the demand for new facilities the development creates, and the cost of providing the facilities to mitigate the impacts. The County staff report on the updated fees indicates that the County has set these fees to the maximum that could be justified. This means, that if implemented properly, the impact fee program should generate revenues to balance out against the County's costs to provide infrastructure and facilities to meet the increased demand.

Because the vast majority of the development occurring within the County has been in the incorporated cities, the County is very dependent upon the cooperation of the cities to impose the impact fees on the County's behalf. This is in addition to any fees that the cities themselves may impose in order to mitigate capital facilities needs within their own jurisdiction. With the proposed increases in the County's impact fee schedules, it is understood that the cities have expressed some reservation towards imposing the two new components of the County fees (parks and OS in the unincorporated area and countywide roadway fees). The cities have indicated that they are concerned that the total fee burdens might make development in their jurisdictions unattractive. If, for some reason, one or more of the cities decided not to impose the impact fees on the County's behalf, then the fee schedule above could be read to indicate the one-time deficit in capital facilities funding that is created with each new unit of development that is permitted within the incorporated areas within the County, because the fees represent each new housing unit's fair share of the project costs.

The implications of this information are two-fold. First, the County has identified significant capital costs that will accompany growth in the County. The County has a clear ability to collect impact fees and mitigations from new development in the unincorporated area but the County relies on cooperation from the cities in order to collect impact fees from new development within the cities.

Although the cities might not necessarily link the issues in this way, there is the possibility that if the County broke ranks with the agreements not to approve urban development adjacent to the cities, not only would it stand to lose tax increment pass-through funds (in the case of Winters through 2007, and Davis through as late as 2025), but it might also lose the impact fee revenues on development occurring in the cities. Recognizing this, the County faces a significant risk in making land use decisions adjacent to the cities that would be contrary to the cities' interests.

Conclusion

Developing certain land uses within the unincorporated area may bring the potential for fiscal benefits to Yolo County; however, certain land use decisions in the unincorporated areas might jeopardize the redevelopment pass-through funds that the County receives from Winters and Davis, or the development impact fee revenues that Davis, Woodland, Winters, and West Sacramento collect on behalf of the County. The County must then balance the potential financial benefits of any land use decisions that it may make with the potential financial risks in the event that the cities disagree with the County. Aside from considering the fiscal impacts of new development in the unincorporated areas, a large piece of the fiscal impact picture for Yolo County is the balance of service costs and revenues associated with development within the cities. Thus, the County must also seek to work collaboratively with the cities to ensure that adequate fiscal mitigations can be established for growth in the incorporated areas.

Growth Models

The consultant team has identified six generic "Growth Models" that reflect the spectrum of possible ways in which the county could grow. These Growth Models serve as a useful tool for analysis, since they provide a means to conceptualize county growth in general, and also provide a lens through which to view the alternatives relative to their general approaches to development. The potential growth strategies under discussion include: scattered rural development, scattered suburban development, infill growth in the existing unincorporated towns, edge development in the unincorporated towns, the creation of a new town, and development near city boundaries. These six growth models are not mutually exclusive and can be combined in various ways to create different comprehensive approaches to accommodating growth within Yolo County.

Overview of the Six Growth Models

Following are brief descriptions of each of these Growth Models as described in the August 2006 *Yolo County General Plan Alternatives Overview and Analysis* prepared by DC&E:

Scattered Rural Development

This Growth Model consists of development of single-family homes and individual businesses on parcels that are currently zoned for agriculture in areas of the county outside the existing communities. Employing this model alone requires that the bulk of new growth would continue to be directed into the existing cities, as presently occurs.

Scattered Suburban Development

Under this Growth Model, the County would allow some existing land to be subdivided to create suburban residential developments and employment centers. This type of growth could be accommodated on scattered sites throughout the County.

Town Infill

In this Growth Model, the County would encourage development to occur on vacant and underutilized sites within the boundaries of its existing unincorporated communities.

Town Edge Development

This Growth Model relies on growth at the edges of existing unincorporated communities. This Growth Model assumes new development next to (and not inside of) existing unincorporated communities.

New Towns

This Growth Model would concentrate growth into one or more new towns. Under this scenario, the County would work jointly with local landowners and developers to focus development in a single area, and to create a new community that is large enough that it could provide a full range of services and jobs for its residents.

City Edge Development

This Growth Model would allow new development in currently unincorporated areas at the edges of the incorporated cities of Davis, West Sacramento, Winters, and Woodland. Such development could occur solely under the auspices of the County, or it could occur under cooperative arrangements with the cities.

Economic Evaluation of the Growth Models

The following section explores economic aspects of each of the six growth models described above in terms of housing, job-generating land uses, fiscal considerations, and the overall economic outlook. The analysis presented in this section is based on the SACOG projections reported previously in this report, combined with qualitative information based on regional market trends and developer interviews.

Scattered Rural Development

Housing: As described in the "Yolo County Real Estate Development Trends" section of this report, there has been a recent trend of people buying large agricultural lots throughout the unincorporated County and building single-family homes on the sites, often taking the agricultural acreage out of use. In these cases the scattered development is merely a by-product of market demand for larger lot housing products in the absence of projects more comprehensively planned to accommodate demand. Due to land and construction costs for this type of housing, it can be expected that this type of development will cater primarily to upper-income households that prefer a rural lifestyle. As a result, demand for this type of development will likely be more limited than demand for more urban or suburban styles of development. Urban and suburban housing are representative of the residential settings in which most people attracted to Yolo County generally reside, and which can accommodate various housing types for households at all points on the income spectrum.

Job-Generating Uses: With the exception of some highway-commercial uses geared towards drive-by traffic at highway interchanges, this growth model is most suitable for large lots for single-family homes. Small quantities of job-generating land uses, if any, could be accommodated with this model. Retail, office, and industrial spaces would not be supportable on these sites as a consequence of the large distances between these locations and existing infrastructure, potential customers/clients, employees, as well as suppliers.

Moreover, if the new residents do remove the land from agricultural use, this growth model could conflict with agricultural-based economic development activities promoted by the County. New residents may also be less tolerant of other farming activities on adjacent land, thus conflicting with existing job-generating uses.

Fiscal Implications: A scattered growth pattern may result in higher service costs. In particular, providing sufficient public safety protection for dispersed homes and businesses is not likely to be cost-effective for the County. On the other hand, the average value of these homes may be quite high, meaning that increased property tax revenues may offset increased service costs. Also, the ability to establish a CSA or other revenue enhancement mechanism could address potential fiscal concerns.

Overall Economic Outlook: By nature, lots sold to individual buyers for custom construction of large-single-family homes, or ranchettes would probably not capture substantial amounts of demand because this development model does not cater a large swath of prospective homebuyer demographics. This growth model provides little in the way of opportunity for job-generating uses outside of highway oriented commercial development, which might provide some revenue potential for the County. Commercial development under this model would most likely involve convenience retail such as service stations and convenience stores.

Scattered Suburban Development

Housing: This development pattern is inefficient from a development cost standpoint due to higher infrastructure costs; and therefore, must rely on either selling relatively high-cost homes on large lots or building a large volume of homes. Developments planned within the rural County are considered to be relatively more risky in terms of infrastructure requirements and marketing challenges. Absent a very large development, this strategy typically would not yield sufficient numbers of housing units in any given location to support any significant retail and services. Under this growth model, homeowners would not experience the advantages of large-lot rural developments such as increased privacy and the ability to keep livestock on the premises, and might not realize advantages of more suburban development, such as convenient retail and services. The success of the 340-unit Wild Wings development may be fuelling some of the developer expectations for market absorption. However, it is noteworthy that the two proposals for residential developments in the vicinity of Wild Wings include a nine-hole golf course and equestrian facilities into the project designs, possibly addressing potential marketing limitations attached the rural locations by adding high-end amenities. This will, in turn, increase housing costs and decrease the pool of potential buyers who can afford the units.

Job-Generating Uses: Beyond small, local-serving retail attached to a larger housing development as well as some convenience retail supported by drive-by traffic at highway interchanges, the population base associated with this growth model is not sufficiently concentrated to support other retail or office development. Some light industrial or warehouse functions could be accommodated with this growth model, most likely in business parks near major transportation corridors. However, infrastructure issues would need to be addressed. Also, a significant factor in the marketing of office, light industrial, or warehouse developments is the ability to establish an identity within the regional marketplace and development under this growth model would likely be too small to do so. As a result, these sites would be less competitive than other available sites near Woodland and West Sacramento, or other locations within the Sacramento region.

Fiscal Implications: The findings of the fiscal model presented in the report would hold for this growth model. The potential to establish a County Service Area (CSA) could address fiscal concerns associated with development under this model.

Overall Economic Outlook: The required infrastructure investments for developing in a scattered suburban pattern may be prohibitive for many real estate developers. To achieve financial feasibility and to provide some local-serving convenience retail, developments would have to be large enough to capture economies of scale and absorb the investment costs. As a result, development proposals following this growth model would likely involve either a large number of residential units or higher-end large-lot housing products. Significant job-generating uses are not likely beyond the afore-mentioned convenience retail serving either the limited population base or drive-by traffic if located near a busy highway or freeway.

Town Infill

Housing: Several sources have suggested that younger generations in unincorporated towns are being forced to move away due to a lack of housing options in the towns. Employees from the expanded Cache Creek Casino have also added to housing pressures in some of these towns. Esparto is currently experiencing the greatest amount of infill housing development with increased densities as compared to other towns in unincorporated Yolo County. This is largely due to infrastructure improvements implemented over the years in order to accommodate new growth. Developments in other unincorporated towns will require significant upgrades to current infrastructure. The smaller infill sites limit the number of units that developers can build, thus constraining developers' ability to design projects that are big enough to absorb infrastructure costs and other up-front project costs. All other things being equal, development models focused on placing housing in or near cities is likely to attract more demand than models focused on placing housing in or near the existing towns, because the location of the cities offers better access to jobs than the towns.

Job-Generating Uses: Significant amounts of commercial and light industrial uses are not anticipated for the unincorporated towns. Some increase in retail, concentrated in Esparto and Madison, is projected through 2030. The potential magnitude of infill development potential in the existing towns is assumed to be relatively small, such that the growth from infill would not generate growth sufficient to create a base of population necessary to support expanded ranges of local retail and services. The County should explore the ability of agricultural-based economic activities to produce jobs in nearby towns. Such activities could include small-scale, high-end agricultural product manufacturing like wineries and olive oil production.

Fiscal Implications: The findings of the fiscal model presented in the report hold for this growth model. Because the towns represent a concentration of service population in a limited geographic area, there are likely efficiencies in providing county services to growing towns versus development patterns that are more scattered, and at presumably lower densities.

Overall Economic Outlook: Except for the Scattered Development models, this model is probably the least attractive from a market standpoint. Excluding Dunnigan, none of the existing unincorporated town boasts immediate access to a major freeway. Also, many of the unincorporated towns lie in the western part of Yolo County; thus, access to Sacramento region job centers is not ideal. While the expansion of the Cache Creek Casino has increased the demand for housing in the Capay Valley, the future job generation potential of this single employer may be limited as the Casino is unlikely to continue expanding in such large degrees. Also, none of the existing unincorporated towns is large enough that the addition of new housing would immediately bring the potential for significant new retail and local-serving businesses. With residential infill alone, it is questionable whether any of the existing towns would reach an adequate size to support expanded local-serving retail and businesses.

Town Edge Development

Housing: Demand for housing at town edges mirrors demand for town infill development. However, these developments have the ability to be much larger due to the availability of larger parcels and the larger projects can better absorb the costs of necessary infrastructure improvements.

Job-Generating Uses: Not much commercial and industrial development is projected for the unincorporated towns through the General Plan planning time frame. These locations will not be as competitive as locations in or near cities due to the cities' superior access to labor pools and also to potential customers. As described above, some increase in retail uses is anticipated for Madison and Esparto; however, the limited sizes of the towns and their isolation from larger concentrations of population in the cities will limit their competitiveness for retail other than strictly convenience service retail oriented local residents. Larger development plans for projects at the edge of unincorporated towns may also include some local-serving retail and business uses. As with development within the towns themselves, retail

Fiscal Implications: The findings of the fiscal model presented in the report hold for this growth model. However, as with the Town Infill model, growth under this model may be more efficient to serve, because it is building on services already provided to a concentration of development. There are likely economies of scale and serving this type of development, as opposed to scattered, lower-density development involving relatively small numbers of housing units or small quantities of commercial development in a given location.

Overall Economic Outlook: This growth model is slightly more viable from an economic standpoint that the Town Infill model due to the ability of this model to accommodate larger housing developments that are more financially feasible. If these larger housing developments are built and infrastructure issues within the towns are addressed as a result, it is likely that infill developments, both residential and commercial, will follow.

New Towns

Housing: Previous discussions of a potential new town during the General Plan process have focused on the Dunnigan area, although at this point in the General Plan Update process, a new town could be considered in any number of locations. After the Town Edge Development growth model discussed above, this model is probably the next most attractive from a market standpoint. Dunnigan has the advantage of being located on I-5 and I-505. Development in this area may attract people who otherwise would have considered locations elsewhere in the Sacramento region or the Bay Area, meaning that the potential pool of demand is likely large.

Other potential locations for a new town include an area south of Dunnigan along I-505, as identified in the SACOG Blueprint, as well as the Monument Hills area. Neither option offers the freeway transportation access found in Dunnigan, making them slightly less competitive sites.

Job-Generating Uses: With a size planned to number in excess of 4,000 housing units, a new town could support a range of basic, local-serving retail and services that residents expect when they would otherwise choose to live in a city but for a lack of available homes. In addition, the spokesperson of a development proposal consistent with a "new town" concept indicated that the developers plan to phase projects in a way that achieves a housing-jobs balance. To ensure such an outcome, the County would likely need to establish requirements for concurrency of commercial development with housing development; however, this goal may not be feasible due to the availability of more competitive sites for job-generating land uses in and around Woodland and West Sacramento. Absent controls to the contrary, a new town, regardless of location, will develop in a manner that follows regional historic trends with retail, office, and industrial uses only following a significant amount of new housing development.

Fiscal Implications: The development of a new town represents a concentrated service population that is likely more efficient to serve than scattered rural development. Thus, fiscal impacts may be reduced with a growth model like this. To the extent that residents choosing to live in a new town setting have expectations for suburban if not urban levels of public services, they may demand a higher level of service than currently provided in most unincorporated areas, notwithstanding service levels thresholds established by the County. Establishment of a CSA may address these service demands and also provide funding to ensure that there are no adverse fiscal impacts. To the extent that a new town might choose to incorporate at some point in the future, it should be noted that recent state law[36] requires the newly incorporated city to make the County whole for any adverse fiscal impacts the incorporation might create, including loss of fiscal surpluses that the County derives from the area to be annexed. This requirement under state law is termed "fiscal neutrality." However, the definition of fiscal neutrality and the conditions under which this is achieved has been the subject of debate in a number of recent incorporations, including Citrus Heights and Rancho Cordova in Sacramento County. In addition, the law does not address the "opportunity cost" to the County from having an area that could have offered potential for future economic development. It only requires mitigation for the level of fiscal impact experienced at the year of incorporation. Therefore, the County must carefully weigh its risks under a land use scenario involving creation of a community that might be fiscally viable as an incorporated city.

Overall Economic Outlook: A new town presents several locational advantages from an economic perspective if located in Dunnigan. On the other hand, other potential new town sites may not differ significantly from edge developments along existing towns from a market perspective. One important characteristic of this model is that would not directly affect the quality of life in the County's incorporated cities, making is much less susceptible to a fiscal backlash. However, as the new town develops and the community grows, new residents may become averse to continued growth. While job-generating land uses are anticipated to be more supportable with this growth models as compared to the four previous models discussed above, any growth restrictions imposed by new residents could jeopardize a new town's ability to support job-generating land uses.

[36] California Government Code Section 56845.

City Edge Development

Housing: From a market standpoint, this may be the most attractive of the four growth strategies. These types of developments give prospective residents many of the advantages of being located in an incorporated area (e.g., access to shopping and services within the city) and make an attractive option when land supplies are constrained in a city. For example, certain development on the outskirts of a city would be located within the school districts primarily associated with the incorporated city. Particularly in the case of the Davis Joint Unified School District, this could be viewed as a key drawing point for people who would otherwise buy homes within the city limits. Because the existing cities are all located on major freeways, these locations should also offer superior access to regional job opportunities compared to developments in more rural areas. A non-market risk with this type of strategy is that the existing base of voters within the incorporated cities may see this as a threat to their own quality of life and enact County land use measures that would preclude or severely limit the extent of this development. For example, voters in Napa County cities were able to vote on a countywide ballot measure that placed significant constraints on urban development outside of incorporated cities.

Job-Generating Uses: This growth model is the most competitive of the six options for this type of development. Retail uses could capture consumer dollars from nearby city residents while light industrial, warehousing, and distribution activities could benefit from nearby suppliers of inputs, including labor, as well as existing infrastructure and synergy with other businesses located within the cities.

Fiscal Implications: Generally, the results from the fiscal analysis will hold for this growth model; however, as indicated before, the provisions of the redevelopment pass-through agreements between the County and the cities of Davis and Winters which specify that the cities may withhold pass-through monies from the County if the County approves development on the urban edge. In the case of Winters, these provisions appear to apply only for limited locations and only for the next two to three fiscal years. After that, the pass-through withholding provisions expire. In the case of Davis, the prohibitions apply to the whole planning area surrounding the city, and they continue through 2025 or until the City no longer collects redevelopment tax increment. Analysis of specific General Plan land use alternatives would be necessary to determine whether it might be advantageous for the County to make land use decisions that might jeopardize the existing pass-through agreements.

Overall Economic Outlook: Overall, this is the most competitive of the six growth models. It allows new developments to capitalize on existing infrastructure, services, and amenities. Fiscally, however, this model may prove infeasible, and the pass-through agreement between the City of Davis and Yolo County is likely an effective financial deterrent to the County approving growth on the periphery of Davis; however, analysis of a specific General Plan Update land use alternative would be necessary to determine if this would be the case, or if potential fiscal benefits from new development would outweigh any lost pass-through revenues.

Conclusion

Having discussed the different residential Growth Models, it should be made clear that the assessment of the marketability of the different options is relative to each other and even though options like the Scattered Development models and Town Infill may have ranked low in relation to other options, they could still be expected to capture market demand over time, particularly in the absence of more attractive regional options. Thus, if the County were to only embrace Scattered Suburban Development as its growth strategy and the same constraints on supply existed within the County and the region, then this strategy might still be able to meet land use demand to a certain degree in Yolo County.

An increasingly constrained supply of residential land within the region is pushing development outwards from the urban centers. This, along with constrained residential land supplies in Yolo County's existing cities means that unincorporated Yolo County faces potential demand for significantly more residential growth than indicated by SACOG's current projections for the area. Meanwhile, based on the list of preliminary development proposals before the County, demand for pushing commercial development into Yolo County's unincorporated areas is much less evident at this time.

The conceptual development proposals in unincorporated Yolo County may amount to a potential of nearly 21,000 new housing units. In comparison, the SACOG projections estimate around 3,350 new housing units in this geography between 2005 and 2030. Furthermore, the SACOG projections estimate that unincorporated Yolo County will comprise about one percent of regional housing through 2025. If all 21,000 units contained in the speculative proposals for the unincorporated County were built, combined with the estimated 1,050 housing units built in the unincorporated County between 2000 and 2005, this would represent just under eight percent of the 277,196 new housing units the Center for Continuing Study of the California Economy projected for the SACOG region between 2000 and 2030.

As a result of land constraints in established urban areas and Yolo County's location at the western edge of the Sacramento region and the eastern edge of the Bay Area region, from a market perspective, it seems feasible that unincorporated Yolo County could capture substantially more new residential growth than indicated by the baseline SACOG projections; however, capturing eight percent of the regional housing growth over the next 25 years, as would be necessary to absorb all of the currently planned and proposed units in unincorporated Yolo County is probably aggressive from a market perspective.

Large-scale developments underway in south Sutter and Yuba Counties as well as other examples such as the northern San Joaquin Valley and south Orange County demonstrate that development in unincorporated areas outside of established cities finds strong market acceptance when it presents a viable alternative to constrained development environments nearby that can be accessed relatively easily by auto.

Using the projected growth in the unincorporated portions of Sutter and Yuba Counties as an indicator of the growth potential in Yolo County if land use restrictions are relaxed suggests potential demand for up to 12,000 to 15,000 new housing units in unincorporated Yolo County through 2030. Locations within unincorporated Yolo County offer a range of attractive attributes, depending on the site. Probably the most important of these are access to Sacramento and Bay Area job centers via the existing freeway networks, and proximity to services and amenities in adjacent cities. Based on this, growth models that appear to have the most potential from a marketability standpoint include growth on the periphery of the existing cities, and/or development of a new town in a strategic freeway location that provides access to both Sacramento and Bay Area job markets. In either case, large developments that can achieve economies of scale in planning, developing infrastructure, constructing houses and non-residential structures, and marketing within the larger region are likely to capture the greatest demand due to their ability to reduce costs and offer competitive products at lower prices than found elsewhere in the Sacramento Region.

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