
Appendix M

Market Review and Fiscal Impact Analysis

MEMORANDUM

To: Ocean Creek LLC
From: Economic & Planning Systems, Inc.
Subject: Ocean Creek Market Review and Fiscal Impact Analysis; EPS #214014
Date: May 31, 2022

The Economics of Land Use



Introduction

Ocean Creek LLC (Developer) is proposing the new Ocean Creek mixed-use residential and retail project (Project) in the City of Oceanside (City), near the intersection of Oceanside Boulevard and Crouch Street. The Project site (Site) is designated as Community Commercial (CC) and Open Space (OS) under the City's Zoning Ordinance, and is currently undeveloped. The Developer is applying for a Mixed-Use Development Plan for the Site to allow for the proposed Project uses. As part of the application, the City has requested the Developer submit a study demonstrating the market and economic impacts of developing the proposed uses in place of the allowed uses for the Site.

The Developer engaged Economic and Planning Systems (EPS) to prepare the requested study for the Site. The study contained herein includes two analyses:

- A review of real estate market trends in Oceanside and the surrounding North San Diego County region, focusing on multifamily residential, office, and retail development. This review provides insight into the opportunities and challenges associated with new development of these uses in the City.
- A fiscal impact analysis of the proposed Project and of a prototype commercial project that would be allowed under the Site's current zoning designation. This analysis estimates the annual net fiscal impacts of each scenario on the City's General Fund.

The analyses described above were conducting using data through the end of 2019 to assess the trends and impacts in stable market conditions, prior to the onset of the COVID-19 pandemic. EPS has included a qualitative discussion of the impacts of the pandemic on new land use development and how these impacts may relate to the Project.

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Key Findings

- 1. Demand for housing in Oceanside has remained strong over the past decade, keeping pace with the region overall.** In particular, rents for multifamily housing units rose consistently between 2010 and 2019, while vacancy rates overall fell in the same period. The City and region are adding households faster than new units are being built, suggesting that new residential developments will be successful in the market. While multifamily developments have taken a hit during the COVID-19 pandemic, the need for housing regionally remains acute. Further, with more flexible work arrangements likely in the post-pandemic economy, the exodus from metro centers to suburban and exurban locations is likely to continue.
- 2. Retail and office space demand in the City has been moderate in the past decade, and the market now faces uncertainty around development trends in those uses in the post-pandemic economy.** The City's inventory of office space grew by approximately six percent from 2010 to 2019, with no new space added in the three years before the onset of the COVID-19 pandemic. Retail inventory grew by less than two percent in the same time period, with additional space being developed in small footprints. Additionally, while the City saw significant growth in food services jobs and, to a lesser extent, retail jobs, it had a net loss of the professional services jobs that are most typical users of office space. Projections for the post-pandemic economy suggest that work and shopping behaviors will continue to be a hybrid of online and in-person, and future demand for these land uses will be focused on smaller, flexible footprints in walkable locations.
- 3. The development of the proposed Project would result in a greater positive fiscal impact on the City's General Fund than a project that could be developed "by-right" (e.g. without a variance) under the current zoning designation.** EPS's analysis finds that the proposed Project will generate annual General Fund revenues of approximately \$485,600 and annual General Fund expenditures of \$383,600, resulting in a net positive impact of about \$102,000 annually on the City's General Fund. At the same time, a prototypical project conforming to the permitted uses under Community Commercial zoning is estimated to generate approximately \$258,600 in annual revenues and \$179,100 in annual expenditures, resulting in a positive fiscal impact of approximately \$79,500 on the City's General Fund. The difference in revenue generation is attributable primarily to higher market values for multifamily projects relative to commercial products in the City, resulting in greater property tax generation; and the greater potential for sales tax generation attributable to spending by new Project residents. Although the Project is estimated to generate a greater level of General Fund expenditures than the prototypical project, due to higher City service demands of residents compared to workers, these are more than offset by the higher estimated revenues generated.

Project and Site Overview

The Project Site covers two parcels in the City, totaling 18.9 acres. It is located at the intersection of Oceanside Boulevard and Crouch Street, and is adjacent to the Crouch Street Station along the Sprinter hybrid rail line. It is currently undeveloped. The Project as proposed will be developed on approximately 13 acres of the Site, and include 295 rental apartments, with a mix of studio, one, two, and three-bedroom units, and approximately 3,000 square feet of

retail space on the ground floor. The remaining acreage includes open space and undevelopable land.

Market Trends Analysis

The first part of this analysis includes a review of market trends impacting Oceanside. The analysis considers trends in new inventory, vacancy and absorption rates, and rents—metrics which indicate the performance of the different land uses in the City. The review includes an overview of population and employment trends, and then looks at performance metrics specific to multifamily residential, office, and retail uses, which align with the proposed and allowable uses on the Site.

As indicated above, the following analysis only looks at data through the end of 2019, to provide a more stabilized view of local real estate market trends prior to the onset of the COVID-19 pandemic. While the development and distribution of vaccines and therapeutics for COVID-19 has led to a level of economic recovery, the exact pace and timeframe for reaching stabilized economic activity remains unclear, and the future of land use development patterns remains uncertain. Some potential considerations for post-pandemic conditions and how they relate to the proposed Project are included in the final part of this section.

While this analysis focuses on data metrics for the City, it also provides data on other geographic areas for context and comparison purposes. In particular, EPS has defined a North San Diego County Trade Area, which includes the cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista. The Trade Area represents the core area of economic and market activity that impacts Oceanside, and is defined based on geographical mobility considerations that tend to focus a large share of regional economic and development activity. The analysis also includes data on San Diego County for additional regional context.

Population and Employment Trends

The North San Diego County Trade Area saw significant growth in both population and employment from 2010 to 2019, outpacing the County overall in both metrics. In Oceanside, employment growth kept pace with the overall Trade Area, but population and household growth lagged the region, as shown in **Table 1**. The City's largest employment gains were in the manufacturing, healthcare, and accommodations and food services industries, while the most significant loss was in the professional services industry (see **Table 2**).

Table 1 Population, Household, and Employment Change, 2010-2019

Item	2010	2019	Ann. % Chg. '10-'19
Population			
Oceanside	164,709	175,622	7%
Trade Area [1]	576,065	637,216	11%
San Diego County	3,022,468	3,316,073	10%
Households			
Oceanside	58,377	61,600	6%
Trade Area [1]	197,088	212,171	8%
San Diego County	1,061,789	1,125,286	6%
Employment [2]			
Oceanside	33,934	41,474	22%
Trade Area [1]	189,657	229,644	21%
San Diego County	1,137,355	1,321,011	16%

[1] Trade Area is the cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista

[2] Employment data from Census LEHD is for 2010 and 2018.

Source: U.S. Census; American Community Survey; Economic & Planning Systems

Table 2 Jobs in Oceanside by Industry, 2010-2018

Industry	2018	2010	# Change	% Change
			'10-'18	'10-'18
Manufacturing	4,751	2,128	2,623	123%
Accommodation and Food Services	5,029	3,259	1,770	54%
Health Care and Social Assistance	6,175	4,518	1,657	37%
Educational Services	5,387	4,459	928	21%
Construction	2,013	1,342	671	50%
Retail Trade	5,269	4,726	543	11%
Administration & Support,	2,477	2,008	469	23%
Transportation and Warehousing	885	620	265	43%
Management	529	284	245	86%
Wholesale Trade	1,543	1,415	128	9%
Other Services (excluding Public Administration)	1,650	1,556	94	6%
Information	462	375	87	23%
Real Estate	536	532	4	1%
Public Administration	856	852	4	0%
Arts, Entertainment, and Recreation	893	893	0	0%
Mining, Quarrying, and Oil and Gas Extraction	0	2	-2	-100%
Utilities	193	216	-23	-11%
Agriculture, Forestry, Fishing and Hunting	724	812	-88	-11%
Finance and Insurance	526	685	-159	-23%
Professional, Scientific, and Technical Services	1,576	3,252	-1,676	-52%

Source: LEHD; EPS

From a real estate perspective, these trends suggest that the City has experienced moderate to strong demand for housing, industrial, and retail/hotel space over the past decade, while demand for office space has likely been more sluggish and focused on medical office space.

Housing Trends

While population and households have grown in all three geographies, production of housing units has not grown at the same pace. As demonstrated in **Table 3**, the number of net new housing units developed in Oceanside, the Trade Area, and County is only enough to serve a portion of new households in those areas. Oceanside's housing production from 2010 to 2019 served the lowest proportion of new households, approximately 85 percent.

Table 3 Change in Housing Units Compared to Change in Households, 2010-2019

Item	2010	2019	Total Change (#)	Household Change	% New Households Served By New Units
Oceanside					
Total Units	63,746	66,472	2,726	3,223	85%
Vacancy Rate	8.4%	7.3%			
Trade Area [1]					
Total Units	211,840	226,165	14,325	15,083	95%
Vacancy Rate	7.0%	6.2%			
San Diego County					
Total Units	1,154,874	1,213,891	59,017	63,497	93%
Vacancy Rate	8.1%	7.3%			

[1] Trade Area is the cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista

Source: U.S. Census; American Community Survey; Economic & Planning Systems

Focusing in on multifamily housing specifically, **Table 4** shows that Oceanside’s inventory of multifamily units increased by about 6.6 percent from 2010 to 2019, slightly slower than the Trade Area overall. The new inventory in the City accounts for a quarter of all new multifamily units in the Trade Area, and in 2019 over 30 percent of multifamily units in the Trade Area were located in Oceanside.

Table 4 Multifamily Inventory and Growth

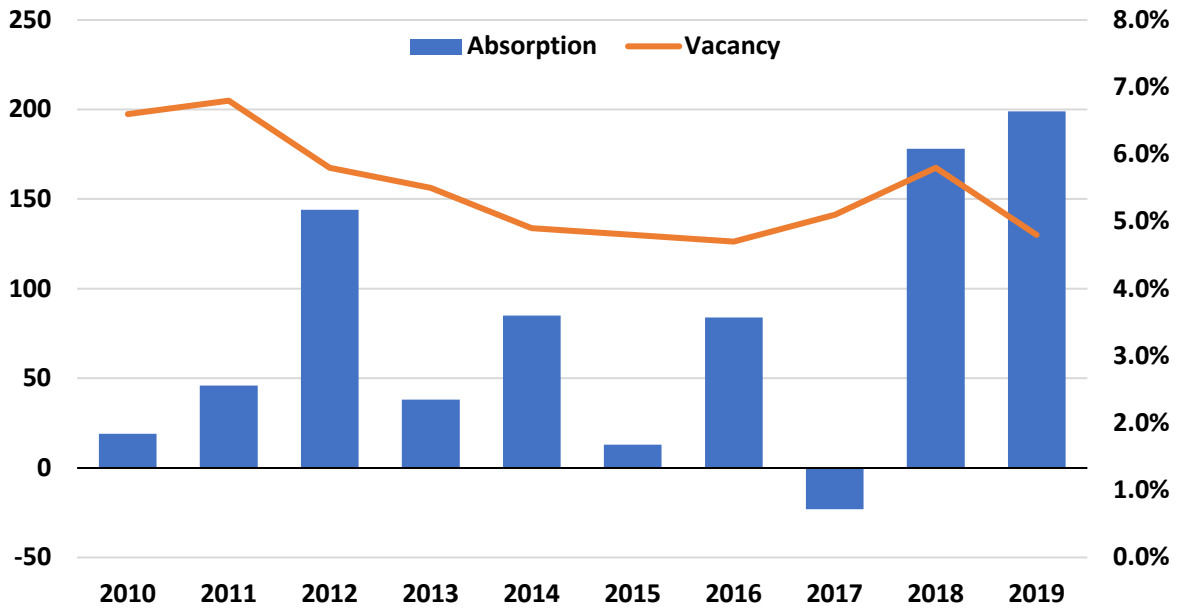
Item (as of 2019)	Oceanside	Trade Area [1]
Inventory		
Units	22,597	71,808
Share of Trade Area	31%	-
Growth 2010 - 2019		
Net New Inventory	1,404	5,631
% Growth	6.6%	8.5%
Share of Trade Area	24.9%	-

[1] Trade Area includes the cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.

Source: CoStar; EPS

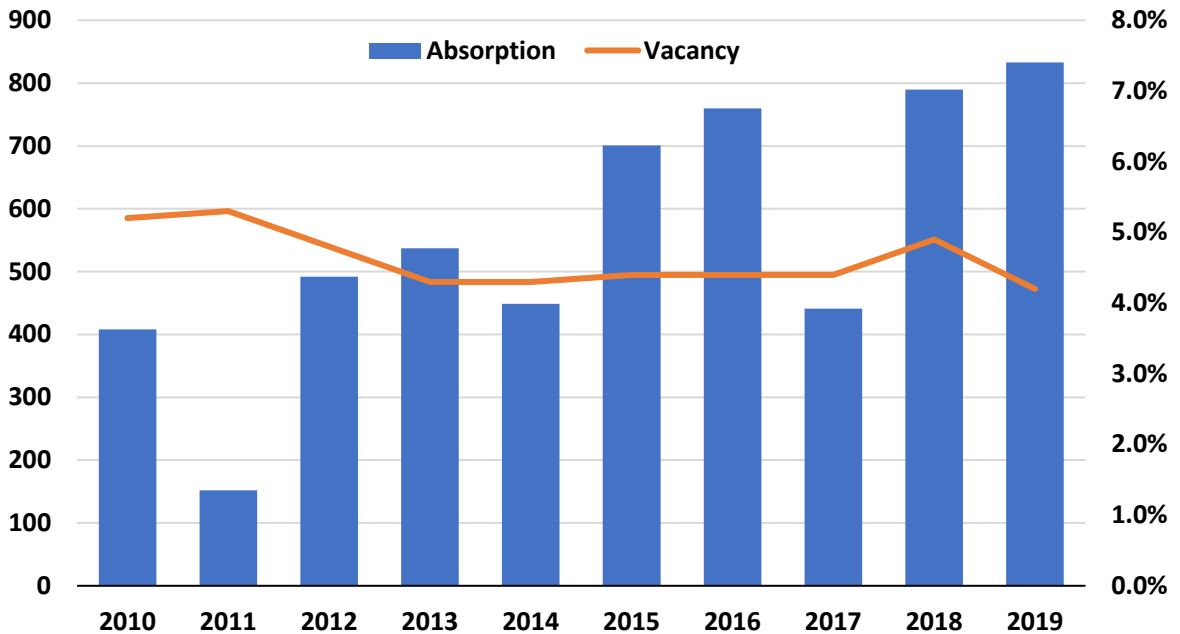
The growth of households in the City and Trade Area and associated demand for housing has led to overall falling vacancy rates and net positive absorption of units, shown in **Figure 1** and **Figure 2**. Oceanside has seen a more significant drop in vacancy rates in this time period—nearly two percentage points compared to one percentage point in the Trade Area. The region also saw consistent rent growth over the 2010 to 2019 time period, illustrated in **Figure 3**, with the City keeping pace with the Trade Area, and both slightly under the Countywide asking rent. All of these metrics underline that multifamily demand has been strong in the City and region. While EPS has not included information beyond 2019 in these charts, the data indicates that unit vacancy rates continued to drop through 2020 in all three geographies.

Figure 1 Vacancy Rates and Absorption for Oceanside Multifamily Units, 2010-2019



Source: CoStar; Economic & Planning Systems

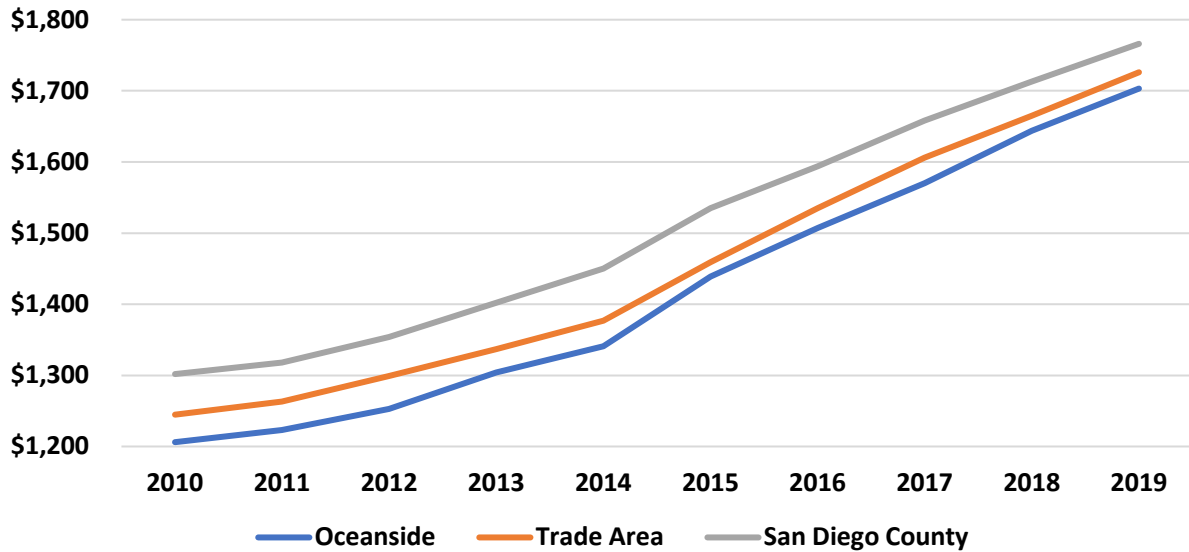
Figure 2 Vacancy Rates and Absorption for Trade Area Multifamily Units, 2010-2019



Trade Area includes cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.

Source: CoStar; Economic & Planning Systems

Figure 3 Asking Rents for Multifamily Units, 2010-2019



Trade Area includes cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.
 Source: CoStar; Economic & Planning Systems

Office Trends

The office sector in Oceanside represents the smallest segment of the City’s non-residential land uses (as compared to retail and industrial uses). It accounts for about ten percent of the Trade Area’s office space, including 7.5 percent of the Trade Area space developed between 2010 and 2019. As shown in **Table 5**, Oceanside’s office space has lower vacancy rates than the Trade Area overall, but also commands lower rents.

As with multifamily housing, office space in the City and Trade Area experienced an overall trend of declining vacancy and net positive absorption from 2010 to 2019, as shown in **Figure 4** and **Figure 5**. The decline in vacancy rates leveled off in both geographies from 2017 to 2019; however, in that same time period, Oceanside did not add any new office space, while the Trade Area added about 500,000 square feet. This indicates that while the Trade Area was actively absorbing new office space (although not faster than it was being built), existing office space in the City remained vacant. Office rents in the City have also remained consistently below Trade Area rents (see **Figure 6**), possibly reflecting that the City’s existing office space is older than the Trade Area’s overall. All of these trends point to relatively weaker demand for office space in the City, aligning with trends in jobs by industry discussed above.

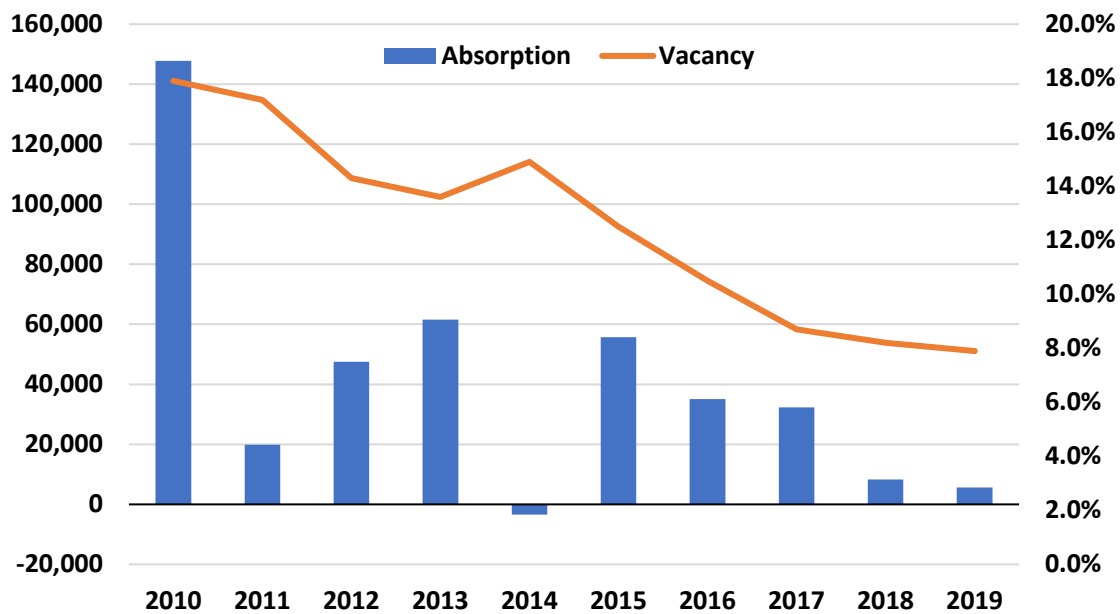
Table 5 Office Space Trends

Item (as of 2019)	Oceanside	Trade Area [1]
Performance		
Gross Rent per Square Foot	\$25.12	\$28.31
Vacancy	7.9%	12.1%
Inventory		
Square Feet	1,770,693	15,560,606
Share of Trade Area	11%	-
Growth 2010 - 2019		
Net New Inventory	105,365	1,401,849
% Growth	6.3%	9.9%
Share of Trade Area	7.5%	-

[1] Trade Area includes the cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.

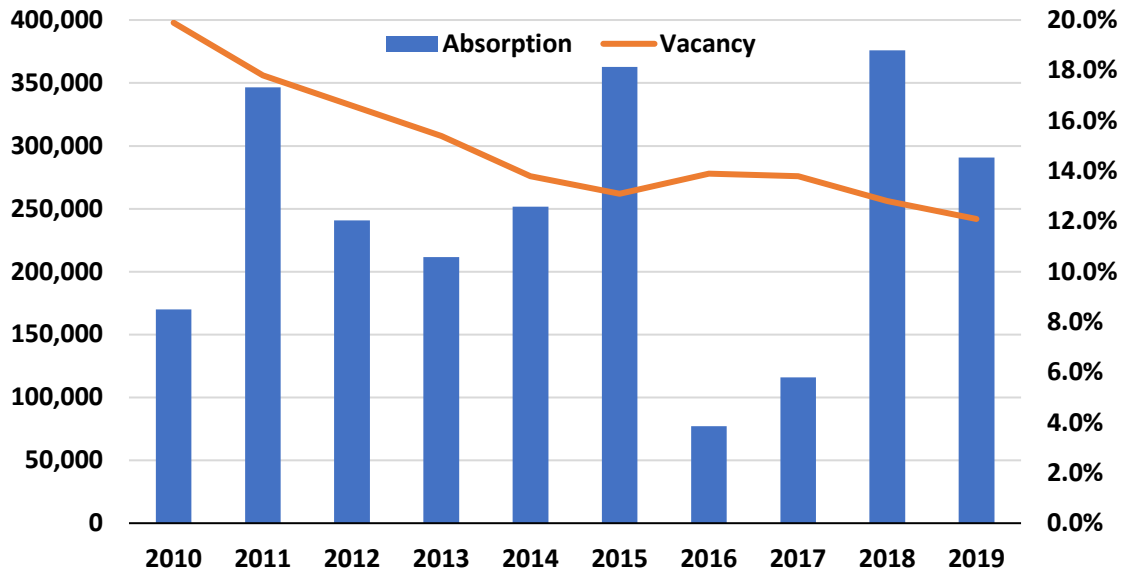
Source: CoStar; EPS

Figure 4 Vacancy Rates and Absorption for Oceanside Office Space, 2010-2019



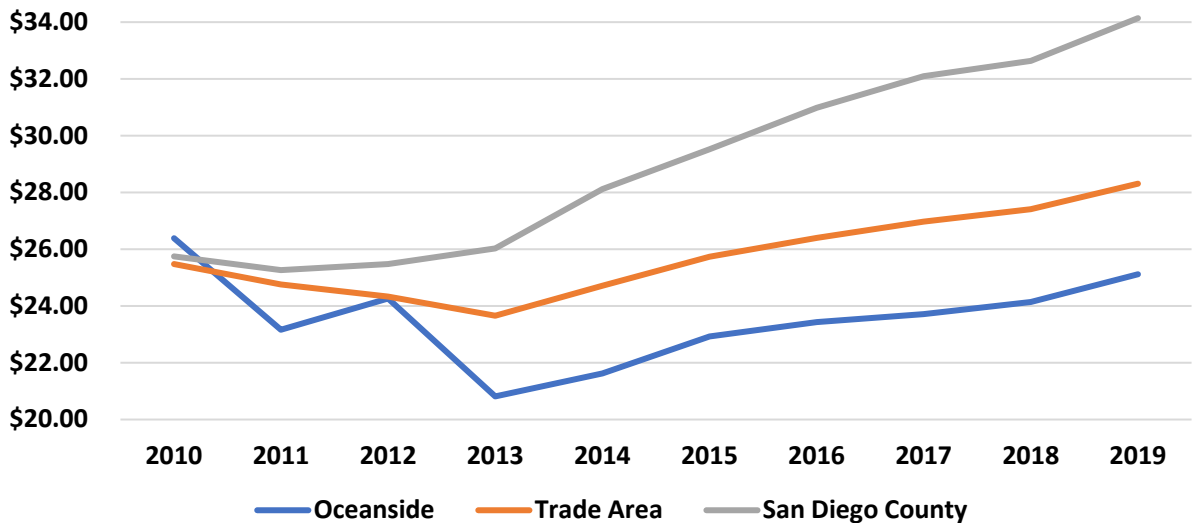
Source: CoStar; Economic & Planning Systems

Figure 5 Vacancy Rates and Absorption for Trade Area Office Space, 2010-2019



Trade Area includes cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.
 Source: CoStar; Economic & Planning Systems

Figure 6 Gross Annual Office Rents Per Square Foot, 2010-2019



Trade Area includes cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.
 Source: CoStar; Economic & Planning Systems

Retail Trends

Oceanside is a major location for retail space in the Trade Area, containing nearly one-quarter of total area space. However, the City saw limited net growth in retail square footage from 2010 to 2019, particularly as compared to growth in the Trade Area overall. The City commands slightly higher retail rents than the Trade Area average, but also has slightly higher vacancy rates, as shown in **Table 6**.

Table 6 Retail Space Trends

Item (as of 2019)	Oceanside	Trade Area [1]
Performance		
NNN Rent per Square Foot	\$20.36	\$19.70
Vacancy	5.7%	4.6%
Inventory		
Square Feet	7,399,037	32,546,180
Share of Trade Area	23%	-
Growth 2010 - 2019		
Net New Inventory	112,123	1,489,438
% Growth	1.5%	4.8%
Share of Trade Area	7.5%	-

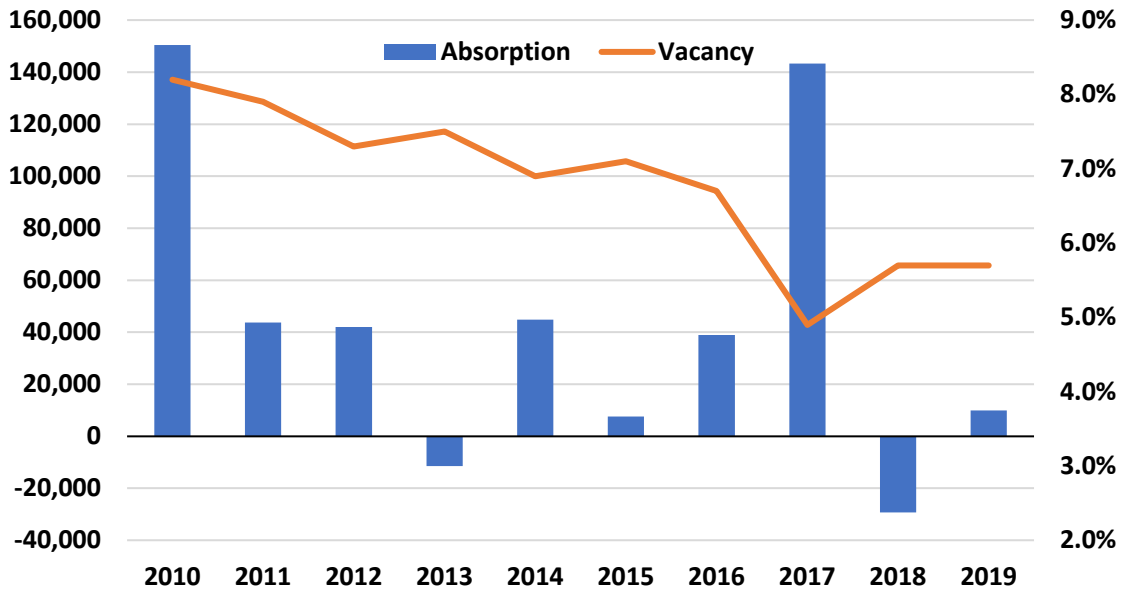
[1] Trade Area includes the cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.

Source: CoStar; EPS

As with other land uses, retail vacancy rates have declined overall in both the City and Trade Area, and both have experienced overall positive net absorption, as seen in **Figure 7** and **Figure 8**. The City's average retail rents diverged sharply from the Trade Area's in 2015 and stayed higher for several years, although the two rents have started to converge again (see **Figure 9**).

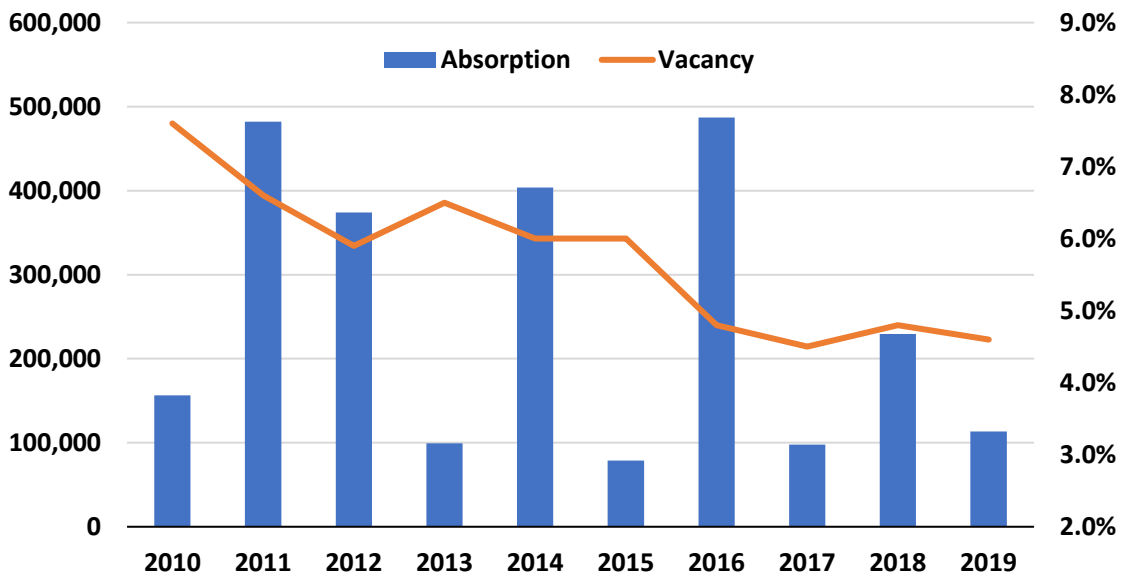
Honing in on the last couple of years of data, Trade Area vacancy rates have stayed relatively flat, again suggesting that new space is being absorbed at about the same rate that it is coming available. The City's vacancy rate has been a bit more volatile, and it experienced negative net absorption in 2018, suggesting a relatively weaker retail market as compared to the Trade Area. However, new retail space is still being delivered consistently in the market, albeit in small footprints (between 1,500 to 10,000 square feet per building). As discussed above, the City has seen significant growth in food service jobs, which, combined with the size of new space being built, may indicate that restaurant space is one of the segments with stronger demand within the City's retail market.

Figure 7 Vacancy Rates and Absorption for Oceanside Retail Space, 2010-2019



Source: CoStar; Economic & Planning Systems

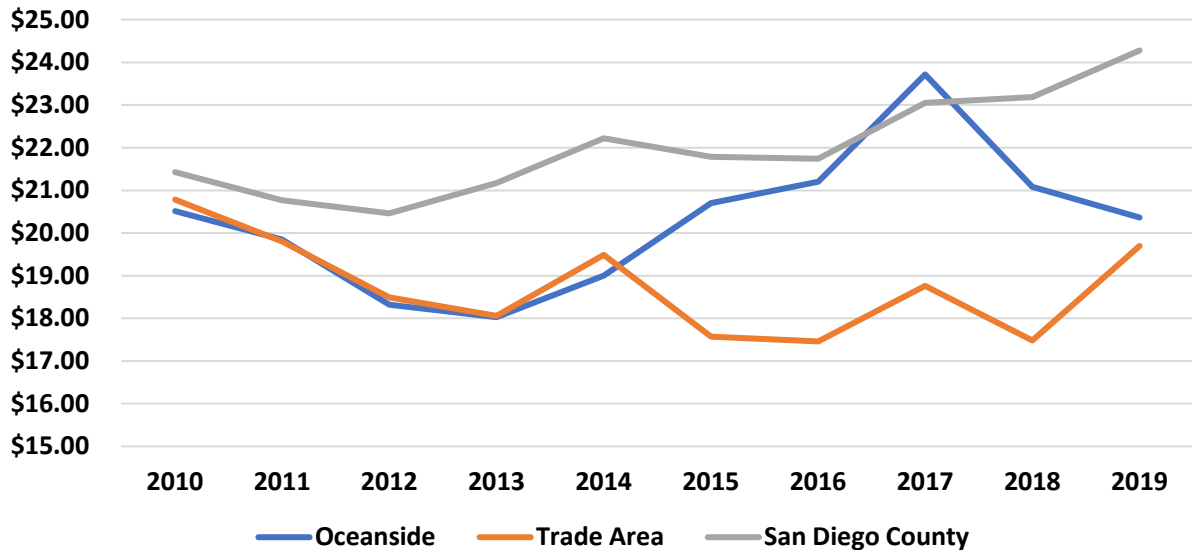
Figure 8 Vacancy Rates and Absorption for Trade Area Retail Space, 2010-2019



Trade Area includes cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.

Source: CoStar; Economic & Planning Systems

Figure 9 Triple Net Annual Retail Rents Per Square Foot, 2010-2019



Trade Area includes cities of Carlsbad, Escondido, Oceanside, San Marcos, and Vista.
 Source: CoStar; Economic & Planning Systems

Post-Pandemic Considerations

As we continue to re-open the economy and better understand the fall-out of the COVID-19 pandemic, clues to the shape of the recovery can be drawn through an understanding of labor market and other conditions manifesting geographically and topically. The digital divide, retail market tumult, and other trends already in motion have been accentuated and shaped by the current crisis.

A prevailing trend which is expected to strengthen in the post-pandemic period is the re-sorting of urban areas in regards to replacing marginal retail and other commercial strip centers with infill housing. Beyond inclusion of appropriate building amenities, other criteria for successful infill and adaptive reuse projects include regional economic elements (e.g. start-up culture), presence of major institutions, (e.g. universities), and sub-market infrastructure and amenities (i.e. transit, cultural and recreational amenities, etc.).

Industry projections for land use trends in the post COVID-19 economy suggest the following:

- While multifamily properties are incurring increased rent delinquencies in the near term, it is the sector of last resort and likely to remain stable, assisted by recent fiscal stimulus. Settlement patterns may be disrupted, and there will likely be a degree of exodus from metro centers to the suburbs and exurbs over time.
- Retail was already experiencing epochal change, and those trends have been punctuated and accelerated by the pandemic. On-line purchases will continue to increase as a percentage of total sales, and marginal mom and pop businesses are increasingly subject to repositioning.
- While there is an expectation that workers will return to offices at a greater rate in the coming months, it is likely that many companies will continue to allow a hybrid of in-person and remote working arrangements. This may result in a hub-and-spoke model for many, with

central offices located in metro centers and smaller satellite spaces in suburban and second-tier market locations. It remains to be seen whether the satellite space is likely to be in dedicated office buildings or in more formalized home offices. Design preferences for office buildings are also changing, with a move towards more open-air and well-ventilated space, less dependence on elevators, and walkable locations—trends likely to stay in place for some time.

Of additional relevance to the Project site is the future of transit-oriented development (TOD). While transit use has cratered nationally during the pandemic, recent fiscal support by the federal government is expected to greatly help transit authorities maintain service levels as recovery ensues. As such, TOD projects linked to viable regional employment centers and integrated with recreational/open space and other healthy lifestyle amenities may help jurisdictions establish new and viable patterns of land use that are more robust as complete communities. Oceanside benefits from many of these regional prerequisites and has an opportunity to play a pivotal role as a housing-based TOD now, and potentially a more balanced mixed-use environment as the market matures.

Fiscal Impact Analysis

Development Programs

For the fiscal impact analysis, EPS crafted a prototype all-commercial project that would be allowed under the current Community Commercial zoning designation. The prototype project includes approximately 190,000 square feet of office space, along with approximately 5,000 square feet of retail space. **Table 7** provides a description of the prototype project and the proposed Project.

As shown below, EPS made assumptions regarding the number of residents and workers likely to occupy each of the projects, as follows:

- Residential Density – EPS assumes an average residential density of 2.39 persons per unit. This assumption was developed by EPS based on 2019 American Community Survey data for number of multifamily housing units and population residing in multifamily units in the City.¹
- Employment Density – EPS assumes an average employment density of 2 employees per 1,000 square feet for retail uses and 4 employees per 1,000 square feet for office uses. This is based on industry standard estimates for retail and office uses.

The table also indicates the estimated service population for each project. In estimating service demands of the proposed and prototype uses, as well as those of the existing City population, EPS used a factor of 0.5 to estimate an employee's impact on services as compared to a resident's impact. This is a standard approach that EPS utilizes in its fiscal impact analysis work.

¹ Tables B25032 and B25033 from the 2019 American Community Survey.

Table 7 Development Programs for Proposed Project and Prototype Project

Item	Proposed Project	Prototype Allowable Use
Land Acres	12.87	12.87
Land Sq. Ft.	560,617	560,617
Floor-to-Area Ratio [1]	0.46	0.35
Building Sq. Ft.	260,427	196,216
Residential		
Units	295	0
Vacancy Rate	5%	0
Occupied Units	280	0
Average Household Size [2]	2.39	0
Total Residents	670	0
Retail		
Square Feet	3,000	5,000
Vacancy Rate	6%	10%
Occupied Bldg. Sq. Ft.	2,820	4,500
Employees Per 1,000 Sq. Ft. [3]	2	2
Total Employees	6	9
Office		
Square Feet	0	191,216
Vacancy Rate	0%	10%
Occupied Bldg. Sq. Ft.	0	172,094
Employees Per 1,000 Sq. Ft. [3]	0	4
Total Employees	0	688
Service Population [4]	673	349

[1] Floor-to-area ratio is calculated as building square feet divided by land sq. ft.

[2] Based on ACS 2025 data projections for persons per multifamily unit in the City.

[3] Employment density is based on industry standards.

[4] Persons served is calculated as total residents plus half of employees.

Source: ACS; EPS; JPI

The following sections describe EPS’s methodology, analysis, and estimates of the net annual fiscal impacts of the two projects on the City’s General Fund.

Key Assumptions

Municipal Service Provision

This analysis examines the Project’s ability to generate adequate revenues to cover the City’s costs of providing public services to the Project. The services analyzed in this Analysis comprise General Fund services (e.g., police, fire, public works, and general government).

The analysis excludes any services that may be funded privately, nor does it address activities budgeted in other Governmental Funds or Proprietary Funds, nor does it include an evaluation of capital facilities or funding of capital facilities needed to serve new development.

General Assumptions

The analysis is based on the City’s FY 2019-2020 Amended Budget, tax regulations, statutes, and other general assumptions discussed herein. This budget was chosen in order to represent pre-COVID-19 pandemic budgetary conditions. Each revenue item is estimated based on current State of California legislation and current City practices. Future changes by either State legislation or City practices can affect the revenues and expenditures estimated in this analysis. All costs and revenues are shown in constant 2020 dollars. General fiscal and demographic assumptions are detailed in **Table 8**.

Table 8 General Demographic and Fiscal Assumptions

Item	Assumption
General Assumptions	
Base Fiscal Year [1] Dollars	FY 2019-2020 2020\$
General Demographic Characteristics	
City of Oceanside	
Population [2]	177,335
Employees [3]	79,700
City of Oceanside Persons Served [4]	217,185

[1] Reflects the City of Oceanside Fiscal Year 2019-20 Amended Budget, as reported in the Fiscal Year 2020-21 Operating Budget Report. Revenues and expenditures are in 2020 dollars. This analysis does not reflect changes in value resulting from inflation or appreciation.

[2] From CA Department of Finance, January 2020

[3] From CA EDD, January 2020

[4] Defined as total population plus half of total employees.

Source: EPS; City of Oceanside; CA DOF; CA EDD

Revenue-Estimating Methodology

EPS used either an average-revenue approach or a marginal-revenue case-study approach to estimate project-related General Fund revenues:

- The **average-revenue approach** uses the City's FY 2019-2020 Amended Budget revenue amounts on a citywide per capita or per-persons served basis to forecast revenues derived from the projects' estimated service populations.²
- The **marginal-revenue case-study approach** simulates actual revenue generation resulting from new development. The case-study approach for estimating sales tax revenues, for instance, forecasts taxable sales generated by the projects' uses, as well as taxable spending from the projects' new residents and employees. Case studies are discussed in greater detail below.

Revenue sources not expected to increase as a result of development are excluded from this Fiscal Analysis, and marked as "N/A" in **Table 9**. These sources of revenue are not affected by development because they are either one-time revenue sources not guaranteed to be available in the future or there is no direct relation between project development and increased revenue. The analysis additionally excludes sales tax revenues from Measure X. While these revenues are a benefit to the City, they are specifically earmarked for infrastructure projects and do not remain in the General Fund to support spending on public services. A listing of all City General Fund revenue sources and the corresponding estimating procedure used to forecast future project revenues are shown in **Table 9**.

A summary of estimated annual General Fund revenues generated by the projects is provided in **Table 10**. As shown, the estimated annual General Fund revenue generation is approximately **\$485,600** for the proposed Project and **\$258,600** for the prototype project. Property tax is the largest revenue category for both projects. The proposed Project is also estimated to generate around three times more sales tax than the prototype project, due primarily to the potential taxable sales in the City generated by new residents.

² A *per capita* basis of estimating revenues is based on the assumption only residents have a fiscal impact on City revenues, which would therefore not be impacted by the projects, which contain no residential uses. A *per-persons-served* basis of estimating revenues is used to take into account that businesses (and their employees) have a fiscal impact on many City revenues but at a lower level than residential development's impact.

Table 9 Revenue Estimating Procedures for City General Fund

General Fund Revenue Category	Estimating Procedure [1]	FY 2019-20 Amended Budget Revenues	Service Population	Revenue Multiplier
Property Taxes		\$66,495,082	N/A	-
Secured and Unsecured	Case Study	\$43,929,001	N/A	-
In-Lieu	Case Study	\$19,383,426	N/A	-
Transfer	Case Study	\$943,643	N/A	-
Residual RPTTF and Tax Inc. Pass Thru	N/A	\$2,239,012	N/A	-
Sales & Use Taxes		\$42,241,700	N/A	-
County	Case Study	\$20,166,478	N/A	-
Prop 172	Case Study	\$1,975,000	N/A	-
Measure X Local	N/A	\$13,885,672	N/A	-
Transient Occupancy Tax	N/A	\$6,214,550	N/A	-
All Other Taxes		\$3,195,952	N/A	-
Card Room Tax	N/A	\$766,503	N/A	-
Business Licenses	Persons Served	\$2,429,449	217,185	\$11.19
Ambulance Billing	N/A	\$4,983,600	N/A	-
Charges for Service	N/A	\$12,131,084	N/A	-
Fines and Forfeitures	Persons Served	\$3,374,370	217,185	\$15.54
Intergovernmental	N/A	\$478,500	N/A	-
Licenses and Permits	Persons Served	\$5,144,126	217,185	\$23.69
Other Revenue and Transfers	N/A	\$21,858,607	N/A	-
Franchise Fees	Persons Served	\$4,185,332	217,185	\$19.27
Use of Money & Property	N/A	\$5,772,369	N/A	-
Investment Clearing	N/A	\$1,359,000	N/A	-
Total General Fund Revenues		\$171,219,722		

[1] Categories with an estimating procedure of "N/A" are not expected to be impacted by current use of potential redevelopment of subject site.

Source: EPS; City of Oceanside

Table 10 Estimated Project Revenues (2020\$)

General Fund Revenue Category	Proposed Project	Prototype Allowable Use
Property Taxes		
Secured and Unsecured	\$231,280	\$138,450
In-Lieu	\$91,410	\$54,721
Transfer	\$4,290	\$3,597
Sales & Use Taxes		
County	\$74,491	\$25,053
Prop 172	\$37,245	\$12,526
Business Licenses	\$7,526	\$3,900
Fines and Forfeitures	\$10,453	\$5,418
Licenses and Permits	\$15,936	\$8,259
Franchise Fees	\$12,965	\$6,720
Total	\$485,596	\$258,643

Source: EPS

The assumptions underlying the estimates for all revenue categories are included below.

Average-Revenue Categories

An average revenue multiplier was used to estimate business license taxes, fine and forfeitures, licenses and permits, and franchise fees. These sources were estimated using a per-persons-served revenue multiplier. Use of this methodology is based on EPS’s previous experience in forecasting these revenue sources.

Marginal-Revenue Categories

Secured and Unsecured Property Tax

Estimated annual property tax revenue resulting from the projects are presented in **Table 11**. To be consistent with the City’s budget data, the estimated assessed values for project land uses are assumed to remain static in 2020 dollar values—real growth in assessed value is not estimated. The share of property taxes the City is assumed to receive from the projects are derived from the total assessed values and the City’s property tax allocation share of the one percent ad valorem property tax, which is 19.6 percent.

The assessed value of the projects is based on EPS research on recent sales of similar projects in the North San Diego County area. For the proposed Project, EPS collected data on sales from the past five years of multifamily residential projects in the region, most of which included a ground floor retail component. There were no buildings in Oceanside included in the dataset. The average inflation adjusted sale price was approximately \$400,000 per unit. When applied to the Project, this results in a value of approximately \$118,000,000.

For the prototype project, EPS collected data on sales from the past five years of office buildings over 75,000 square feet in the region. There were no buildings in Oceanside included in the

dataset. The average inflation-adjusted sales prices per square foot was approximately \$360. When applied to the prototype, this results in a value of approximately \$70,000,000.

Property Tax in Lieu of Vehicle License Fees

A formula provided by the State Controller’s Office was used to forecast Property Tax in Lieu of Vehicle License Fees (PTIL VLF). PTIL VLF are calculated by taking the percentage increase of the City’s assessed value resulting from the projects and applying that percentage share to the City’s current assessed value. This calculation is also shown in **Table 11**.

Table 11 Estimated Property Tax Revenues (2020\$)

Item	Assumptions / Formula	Proposed Project	Prototype Allowable Use
1-Percent Property Tax			
Value Per Unit [1]		\$400,000	N/A
Value Per Square Feet [1]		N/A	\$360
Total Assessed Value of Project		\$118,000,000	\$70,637,767
Property Tax Revenue (1% of Assessed Value)	1%	\$1,180,000	\$706,378
City of Oceanside Property Tax Allocation	19.60%	\$231,280	\$138,450
Property Tax In Lieu of Vehicle License Fee Revenue (VLF)			
Total Citywide Assessed Value	a	\$25,021,714,685	\$25,021,714,685
Total Assessed Value of Project	b	\$118,000,000	\$70,637,767
Total Assessed Value	c = a+b	\$25,139,714,685	\$25,092,352,452
Percent Change in AV	d = b/a	0.47%	0.28%
Property Tax In Lieu of VLF [2]	e = d*\$19,383,426	\$91,410	\$54,721

[1] Project values based on EPS research on recent sales of similar properties in the North San Diego County area.

[2] Based on Fiscal Year 2019-2020 Assessed Value for the City of Oceanside of \$19,383,426, as reported by San Diego County Auditor Controller.

Source: EPS; Costar; San Diego County Auditor Controller; City of Oceanside

Real Property Transfer Tax

Real property transfer tax is calculated as \$0.55 per \$1,000 of the projects’ assessed value, and the annual revenue generation of the tax is estimated based on the anticipated turnover of industrial properties over time. This analysis assumes that multifamily residential and commercial properties will turn over once every 15 years, which is a standard assumption for these uses. Real property transfer tax revenue projections are identified in **Table 12**.

Table 12 Estimated Property Transfer Tax (2020\$)

Item	Proposed Project	Prototype Allowable Use
Transfer Tax Assumptions		
Rate per \$1,000 of AV	\$0.55	\$0.55
Turnover Rate [1]	7%	7%
Assessed Value	\$117,000,000	\$98,108,010
Annual Tax Transfer Revenue	\$4,290	\$3,597

[1] Assumes the analyzed projects will turn over once every 15 years.

Source: EPS; City of Oceanside

Sales Tax

Sales tax revenues are based on taxable sales generated in the City. The sales tax components examined in this Analysis are the Bradley-Burns 1 percent local sales tax rate, and the Prop 172 0.5 percent sales tax allocated to local public safety activities. As noted above, the City's Measure X 0.5 percent local sales tax is not included in this Analysis. Estimated sales tax revenues to the City are summarized in **Table 13**.

Table 13 Estimated Sales Tax Revenues (2020\$)

Item	Assumptions	Proposed Project	Prototype Allowable Use
Estimated Annual Taxable Sales (Rounded)			
New Market Support		\$7,167,054	\$1,255,280
Taxable Sales Space		\$282,000	\$1,250,000
Total Annual Taxable Sales		\$7,449,054	\$2,505,280
Annual Sales Tax Revenue [1]			
Bradley Burns Local Sales Tax	1%	\$74,491	\$25,053
Prop 172 Sales Tax	0.50%	\$37,245	\$12,526
Total Sales Tax Revenues		\$111,736	\$37,579

[1] Does not include Measure X revenues.

Source: EPS; City of Oceanside

The Analysis uses two methodologies to estimate taxable sales generated by the Project:

1. The **Market Support Method** measures taxable sales generated from the projects’ associated residents and/or employees.
2. The **Taxable Sales Space Method** measures taxable sales from the projects’ retail land uses.

Market Support Method

The market support analysis estimates taxable retail expenditures made by the new residents and employees generated by development of the projects, as estimated in **Table 15**. The assumptions related to each group are detailed below:

Residential Spending

In order to estimate taxable sales generated by new residents at the Project, EPS first estimated the average rents likely to be charged for the Project units. EPS research on similar multifamily properties in the City found that the average 2019 rent for these units in was \$3.25 per square foot. Based on Developer-provided plans for the Project, EPS estimated the average unit size to be 873 square feet. At the average rent per square foot, this results in an average per unit rent for the Project of \$2,837 per month or approximately \$34,000 per year.

EPS applied the standard affordability metric for housing costs—30 percent of household income—in order to estimate that the average income for households that could afford the Project’s units, approximately \$113,500. This would be affordable to approximately 31 percent of Oceanside households and 37 percent of San Diego County households.³ As shown in **Table 14**, this affordability level is aligned with the affordability levels of several comparable market-rate multifamily properties developed in Oceanside in the past five years.

Table 14 Average Rents and Associated Affordability for Comparable Multifamily Properties in Oceanside

Project Name	Address	Year Built	No. of Units	Average Unit Rent	Income Affordability [1]
Pierside South	115 N Cleveland St	2018	110	\$3,134	\$125,360
SALT	371 N Cleveland St	2019	52	\$2,814	\$112,560
Pierside	250 Mission Ave	2016	66	\$3,050	\$122,000

[1] Indicates household income at which the average unit rent represents 30% of household income, a standard metric of affordability.

Source: CoStar; EPS

Based on data from the Bureau of Labor Statistics’ Consumer Expenditure Survey, households earning between \$100,000 and \$150,000 per year in the western United States spend approximately 30 percent of their pre-tax income on taxable sales. Applying that metric, EPS calculated that households living at the Project would spend approximately \$34,000 per year on taxable sales.

Employee Spending

EPS estimated that employees at the proposed Project and prototype project would spend approximately \$10 per business day on taxable goods while at work.⁴

³ Based on household income data from the 2019 American Community Survey (Table S1901).

⁴ Assumes 240 business days per year.

The analysis assumes that the City’s businesses would capture roughly 75 percent of the new residents’ and employees’ daily retail spending. The resulting taxable sales generated by the new population is shown in **Table 15**.

Table 15 Estimated Annual Taxable Sales Generated by New Population (2020\$)

Item Description	Assumptions	Proposed Project	Prototype Allowable Use
Annual Taxable Sales from New Households			
New Households [1]		280	
Average Unit Size (Sq. Ft.) [2]		873	
Estimated Average Rent [3]	\$3.25 Per Sq. Ft.	\$2,837	
Estimated Household Income [4]	Ann. Rent / 30%	\$113,490	
Average HH Taxable Expenditures [5]	30% HH Income	\$34,047	
Total Annual Taxable Sales from New Households		\$9,541,672	
Annual Taxable Sales from New Employees			
New Employees		6	697
Average Daily Taxable Sales	\$10.00	\$60	\$6,974
Work Days per Year	240		
Total Annual Taxable Sales from New Employees		\$14,400	\$1,673,706
City Capture of Taxable Sales	75%		
Total City Taxable Sales from New Population		\$7,167,054	\$1,255,280

[1] Assumes a three percent vacancy rate for Project units.

[2] Based on planned unit distribution provided by JPI.

[3] Based on 2019 average asking rents per sq. ft. in similar recently-built multifamily developments in Oceanside, as reported by Costar.

[4] Standard affordability metric for housing cost is 30% of annual household income.

[5] Based on Bureau of Labor Consumer Expenditure Survey for Western region, 2018-2019

Source: JPI; Costar; BLS; EPS

Taxable Sales Space Method

EPS also estimated the annual taxable sales generated by the retail space within each project. EPS assumed that the retail space in both projects would be occupied by food service tenants. Average annual sales for dining space, as reported by industry publications, is \$500 per square foot. Of that, a portion of sales are not taxable—specifically, cold food, cold drinks, coffee, and tea that are purchased for take-out.

The Developer indicated that they are expecting a coffee shop and quick service dining establishment as tenants at the Project, primarily serving residents and commuters at the Sprinter station. Therefore, EPS assumed that a majority of food and drink sold at the Project retail space would be purchased for take-out and be non-taxable, and estimated a taxable sales generation of \$100 per square foot.

The prototype project’s retail space is assumed to include a mix of quick service and casual dining options, primarily serving potential workers in the prototype office space. EPS assumed this would include a mix of food purchased for take-out and food purchased for dine-in, which is taxable, and estimated a taxable sales generation of \$250 per square foot.

Total sales revenues and corresponding calculations for the Taxable Sales Space Method are shown in **Table 16**.

Table 16 Estimated Taxable Sales from On-Site Uses (2020\$)

Item	Proposed Project	Prototype Allowable Use
Occupied Retail Sq. Ft.	2,820	5,000
Taxable Sales per Sq. Ft. [1]	\$100	\$250
Annual Taxable Sales from On-Site Uses	\$282,000	\$1,250,000

[1] Assumes the Proposed project retail includes a coffee shop and quick service restaurant with mostly non-taxable take-away sales, and the prototype will include casual dining space for workers, with a mix of take-away and taxable dine-in sales.

Source: EPS

Expenditure-Estimating Methodology

Expenditure estimates are based on the City’s FY 2019-2020 Amended Budget. The projects’ fiscal impact analyses rely on an “average-cost” methodology to estimate all General Fund expenditure impacts of the projects on the City. An average-cost methodology is a common fiscal impact analysis methodology that divides the City’s net cost of service for a given service function by the service population to which that service is provided. In this manner, the average-cost method is based on the assumption the marginal cost of providing agency services to new project employees would equal the City’s existing average-cost structure.

A listing of all City General Fund expenditures and the corresponding estimating procedure used to forecast future project expenditures is shown in **Table 17**. As with the revenue analysis, Measure X costs are excluded here, as these costs are directly offset by any revenues generated through the associated Measure X tax.

An adjustment factor is applied to the average-cost multipliers for all categories to reflect the percentage of expenditures subject to increases based on new development of singular projects. This adjustment factor is based on EPS’s experience working in other cities. Categories with lower adjustment factors, such as General Government, are assumed to have a higher proportion of fixed costs and will be less marginally impacted by a single new development. Categories with higher factors, such as Public Safety, are those where new development has a more direct marginal impacts on costs.

Table 17 Expenditure-Estimating Procedures for City General Fund

Expenses	Estimating Procedure [1]	FY 2019-20 Amended Budgeted Expenditures	Service Population	FY 2019-20 Average Cost Per Person Served	Adjustment Factor [2]	FY 2019-20 Net Average Cost Per Person Served
General Government	Persons Served	\$31,311,752	217,185	\$144.17	25%	\$36.04
Public Safety		\$95,019,859				
Police	Persons Served	\$61,077,019	217,185	\$281.22	90%	\$253.10
Fire	Persons Served	\$33,942,840	217,185	\$156.29	90%	\$140.66
Public Works	Persons Served	\$17,602,687	217,185	\$81.05	75%	\$60.79
Development Services	Persons Served	\$10,026,506	217,185	\$46.17	50%	\$23.08
Community and Cultural Services		\$13,428,786				
Library	Residents Served	\$5,829,006	177,335	\$32.87	75%	\$24.65
Neighborhood Services	Residents Served	\$7,599,780	177,335	\$42.86	75%	\$32.14
Investment Clearing	N/A	\$1,359,000	N/A			
Measure X	N/A	\$13,893,625	N/A			
Total		\$182,642,215				

[1] Categories with an estimating procedure of "N/A" are not expected to be impacted by potential redevelopment of subject site.

[2] Adjustment factor recognizes some department costs are fixed and would not increase on a one-to-one basis with new growth in persons served.

Source: EPS; City of Oceanside

A summary of estimated annual General Fund expenditures required to serve the projects are provided in **Table 18**. As shown, the estimated annual General Fund costs generated are approximately **\$383,600** for the proposed Project and **\$179,100** for the prototype project. Since all costs are estimated on a per service population basis, the difference between the projects is directly attributable to the larger service population generated by the proposed Project.

Table 18 Estimated Annual Project Expenditures (2020\$)

Expenditures	Factor	Proposed Project	Prototype Allowable Use
General Government	Persons Served	\$24,249	\$12,568
Public Safety			
Police	Persons Served	\$170,284	\$88,253
Fire	Persons Served	\$94,634	\$49,045
Public Works	Persons Served	\$40,897	\$21,196
Development Services	Persons Served	\$15,530	\$8,049
Community and Cultural Services			
Library	Residents Served	\$16,512	\$0
Neighborhood Services	Residents Served	\$21,528	\$0
Total		\$383,635	\$179,110

Source: EPS

Fiscal Impact Analysis Findings

Based on the above analysis, EPS estimates that the annual General Fund revenues associated with both the proposed Project and prototype project exceed the annual associated General Fund expenditures. The proposed Project will generate approximately **\$485,600** in annual revenues for the City's General Fund, and annual General Fund expenditures of **\$383,600**, resulting in a net annual General Fund surplus of approximately **\$102,000**. By comparison, the prototype project will generate approximately **\$258,600** in annual revenues and annual General Fund expenditures of **\$179,100**, resulting in a net annual General Fund surplus of approximately **\$79,500**. **Table 19** details the estimated General Fund revenues and expenditures associated with the Project.

Table 19 Summary of Estimated Net Fiscal Impact of Projects

Item	Proposed Use	Prototype Allowable Use
Annual General Fund Revenues		
Property Taxes		
Secured and Unsecured	\$231,280	\$138,450
In-Lieu	\$91,410	\$54,721
Transfer	\$4,290	\$3,597
Sales & Use Taxes [1]		
County	\$74,491	\$25,053
Prop 172	\$37,245	\$12,526
Business Licenses	\$7,526	\$3,900
Fines and Forfeitures	\$10,453	\$5,418
Licenses and Permits	\$15,936	\$8,259
Franchise Fees	\$12,965	\$6,720
Total	\$485,596	\$258,643
Annual General Fund Expenditures		
General Government	\$24,249	\$12,568
Public Safety		
Police	\$170,284	\$88,253
Fire	\$94,634	\$49,045
Public Works	\$40,897	\$21,196
Development Services	\$15,530	\$8,049
Community and Cultural Services		
Library	\$16,512	\$0
Neighborhood Services	\$21,528	\$0
Total	\$383,635	\$179,110
Annual General Fund Surplus/(Deficit)	\$101,961	\$79,533

[1] Does not include Measure X revenues.

Source: EPS

Conclusion

The analysis contained in this study is intended to help the City understand the market and fiscal trade-offs associated with granting the Developer's request for a Mixed-Use Development Plan rather than waiting for a conforming use to be proposed for the Site. Recent demographic and development trends suggest that a multifamily residential development such as the proposed Project will be successful in the market and will help meet a demonstrated need for new housing units in the City. At the same time, the outlook for retail and office development is uncertain, particularly in the near-term as the economy recovers and realigns in the wake of the COVID-19 pandemic, although such development also has the potential to contribute more significantly to the City's economic development in the mid- to long-term. The analysis additionally finds that the strength of residential development would likely result in the proposed Project providing greater fiscal benefits to the City compared to an all-commercial project, even accounting for the demands of new residents on City services. Overall, the proposed Project would be an asset to the City from both a market and fiscal standpoint.