APPENDIX A

NORTHEAST ANTIOCH ANNEXATION FEASIBILITY STUDY: STRATEGIC PLAN FOR PHASED ANNEXATION

NORTHEAST ANTIOCH ANNEXATION FEASIBILITY STUDY

Strategic Plan for Phased Annexation

January 2005
(as amended July 18, 2005)

Prepared for:

City of Antioch
Third and "H" Streets
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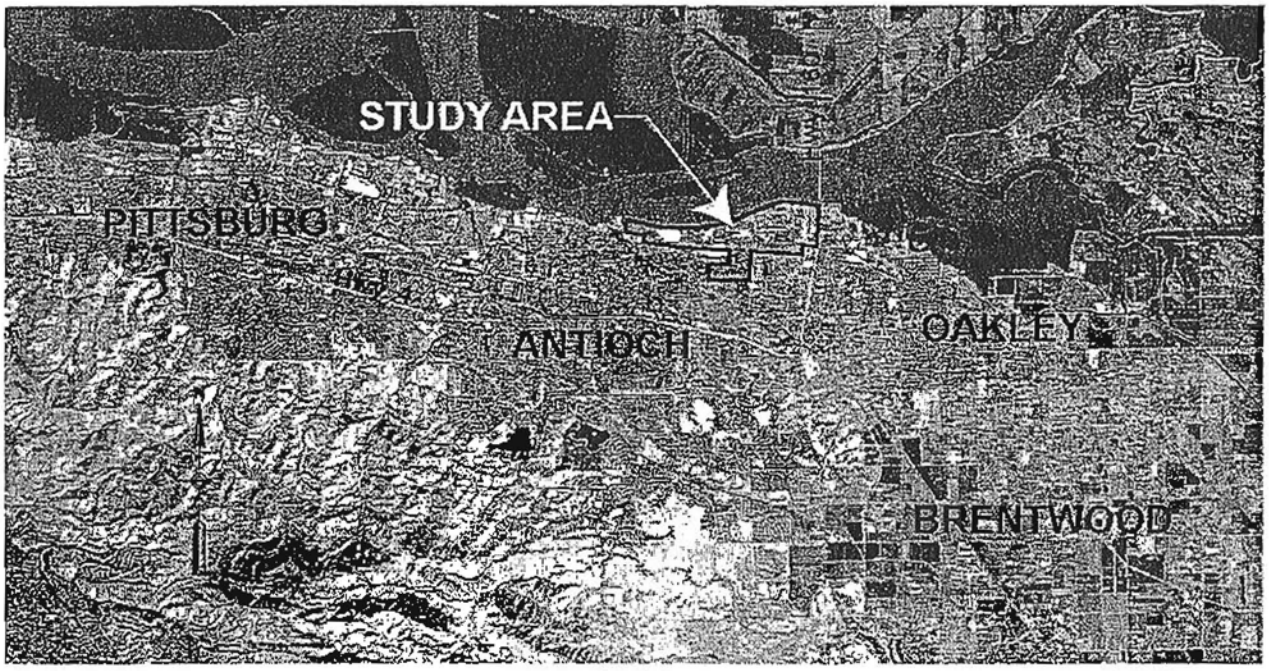
1. Introduction

Over the past several years, the City of Antioch has received interest from private companies for expansion of existing industrial plants, or development of entirely new facilities within the currently unincorporated area north of the Wilbur Avenue / Burlington Northern Railroad corridor. This interest has precipitated a number of questions about the scope of potential development within this area, as well as the timing and ability of the City to coordinate the delivery of services to future projects. In order to establish a cohesive long-term economic development strategy for this area, the City's General Plan calls for a closer examination of available land resources, current uses and possible municipal service requirements. The remaining unincorporated area which is the subject of this study (shown in Figure 1.1) is situated along the San Joaquin River, immediately west of Highway 160 within Antioch's Sphere of Influence.

Figure 1-1: Location Map

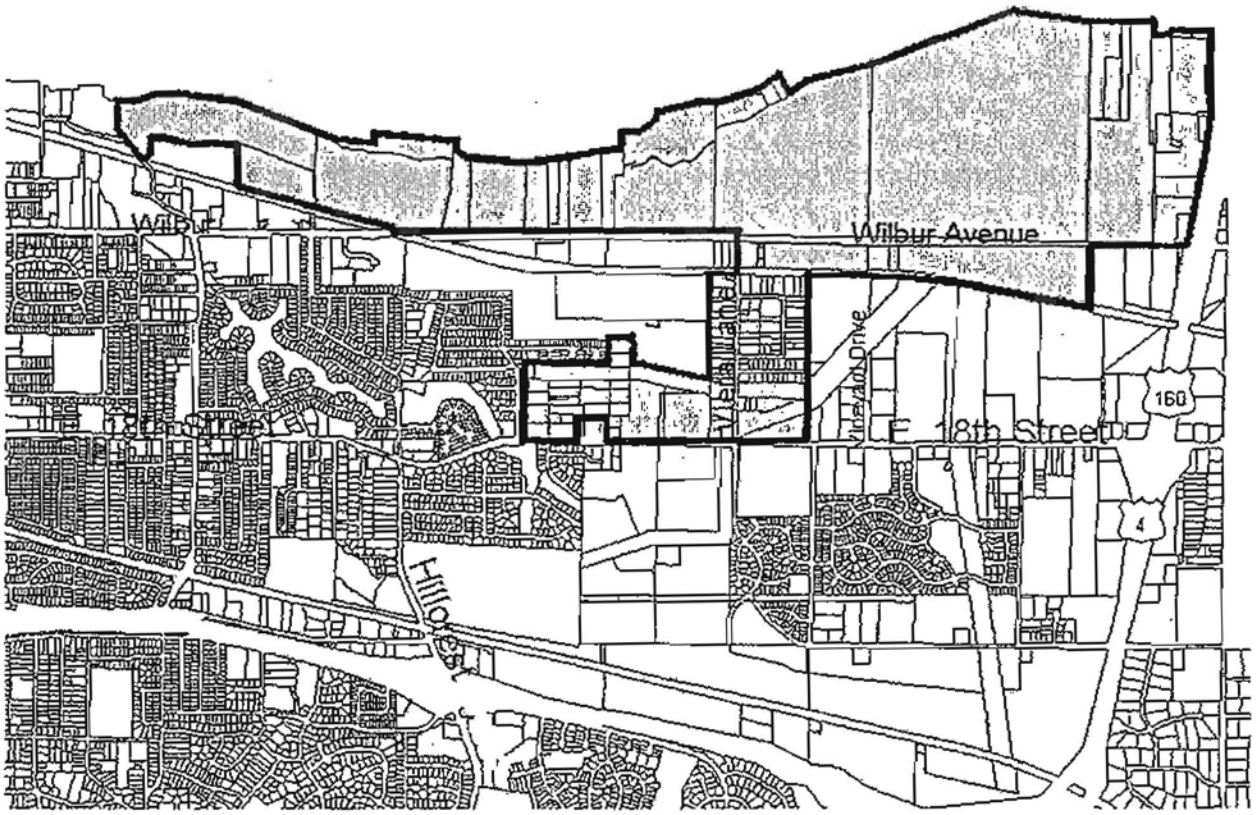


An initial report was prepared in March of 2003 providing a summary of existing land uses, available land resources, the current public and private utility services and infrastructure within the Study Area, and the regulatory context to be considered in addressing the possible future annexation of this area.

Based on an assessment of current City General Plan land use and development policy, the initial report outlined three preliminary options for annexation of the 600+ acre study area (shown in Figure 1-2). The first option contemplated a phased annexation of two groupings of industrial properties located at the eastern end of the Planning Area, initially identified as containing fewer than 12 registered voters (defined as legally uninhabited), followed by the balance of the Study Area (including approximately 100 residences) at a later date.

The second option separated the Study Area into a northerly (primarily industrial) annexation area, and a southerly (primarily residential) area. This second option contemplated concurrent processing of both areas, with the northerly portion structured as a land owner-supported annexation, while the southerly portion would be processed as a registered voter-supported annexation.

Figure 1-2: Study Area Boundary



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The initial report was presented to the City Council in April of 2003. Based on review of the technical information in the report and testimony from affected land owners and residents within the entire Study Area, Council directed that additional research be carried out to answer a number of remaining questions. This current study was initiated by the consultant with support from City engineering staff late in 2003 to investigate the following key issues:

(1) ***Documentation of Registered Voters:*** Verify the number and location of registered voters within the study area through current information from the County Registrar of Voters and by conducting a follow-up field verification.

(2) ***Verification of Procedural Requirements with LAFCO:*** Based on registered voter information, explore with the LAFCO executive officer the validity of processing concurrent applications for legally inhabited and uninhabited annexations.

(3) ***Configuration of Annexation Boundaries:*** Using the foregoing updated information, develop refined boundaries for the legally inhabited and uninhabited annexation areas, and discuss implications of special requirements outlined by LAFCO staff.

(4) ***Adequacy of Existing Infrastructure:*** Based on the final boundary configurations, investigate options and recommend a level of service for potable water, roadway, sewer, storm drainage and related infrastructure to serve each of the areas. Identify capital costs for contemplated improvements and discuss relative timing and funding options.

(5) ***Fiscal Impact of Extending Municipal Services:*** Investigate the anticipated cost of providing City services to the area, including revenues and expenditures based on current City Finance Department methodology. Develop forecast of net fiscal impacts based on development and tax sharing assumptions.

(6) ***Assessment of Potential Environmental Impacts:*** Provide an updated preliminary assessment of potential environmental effects associated with implementation of the annexation program, and discuss application processing implications.

Chapter 2 of this report presents a current summary of registered voters and assessed valuations for properties within the Study Area. Based on analysis of Contra Costa LAFCO policy and applicable requirements under State Law, Chapter 2 identifies three distinct Annexation Areas, and describes the steps to be followed in processing applications. Finally, an assessment of future development potential is included in Chapter 2 for use in analyzing future service needs and costs.

Chapter 3 provides a detailed assessment of capital facility needs for each of the three Annexation Areas, based on current City standards and minimum service levels required to facilitate development of remaining vacant and underutilized properties. An evaluation was conducted in cooperation with the City's Engineering Division to determine the critical timing needs and estimated costs of each utility system within each of the three Annexation Areas.

The findings of a preliminary fiscal impact analysis are presented in Chapter 4. The analysis was prepared using the existing land use inventory and future development assumptions presented in Chapters 1, 2 and 3. The fiscal analysis takes into consideration the geographic scale of, and diversity of services to be provided within, the three Annexation Areas. It also assesses the range of public facilities to be maintained by the City following annexation, and explores the implications of potential future residential and non-residential development. Chapter 4 relies upon a set of defined assumptions to quantify and compare projected City service expenditures and revenues on an annual basis, immediately following annexation and at full build-out of each of the Annexation Areas. However, since no development projects are currently contemplated, the particular property tax increment and sales tax potentials for future land uses within the three Annexation Areas are not well-defined. Consequently the analysis presents range of potential revenues which have been calculated based on alternative assumptions.

Chapter 5 provides a preliminary assessment of potential environmental impacts associated with implementation of the contemplated phased annexation program. Because no defined physical development projects have been contemplated as part of this feasibility study, a preliminary evaluation of environmental effects has been prepared at a programmatic level. As discussed in this report, future infrastructure improvements will be linked to possible development of vacant or underutilized properties. The report recommends that a complete Initial Study be prepared, should the City decide to proceed with implementation of the annexation program. As noted in Chapter 5, the Initial Study will likely call for the preparation of a Mitigated Negative Declaration to address potential effects of the program. In addition, the report identifies the need for separate project-level environmental impact assessments in conjunction with each such future project or subsequently proposed improvement.

The major conclusions regarding opportunities and constraints associated with annexation of the three defined Areas are summarized in Chapter 6. This concluding section of the report describes the next steps to be followed, should the City determine that it wishes to proceed with annexation.

1.1 Summary of Initial Report Findings

Figure 1-2 identifies the boundary of the Study Area. An inventory of existing land uses within the Study Area was completed in 2003, and updated for this current report. As shown in Table 1-1, nearly 40% of the 678 total acres are fully developed and occupied by industrial or commercial uses. These include a power generation facility with its ancillary fuel storage tanks (Mirant), a container fabrication plant (Gaylord Container Corp.), a gypsum plant (Domtar Gypsum America) smaller manufacturing facilities and warehousing uses. Both the Gaylord and Mirant sites contain a substantial supply of remaining undeveloped or underutilized land, potentially available for future development. Nearly all of these uses are located along the Wilbur Avenue corridor.

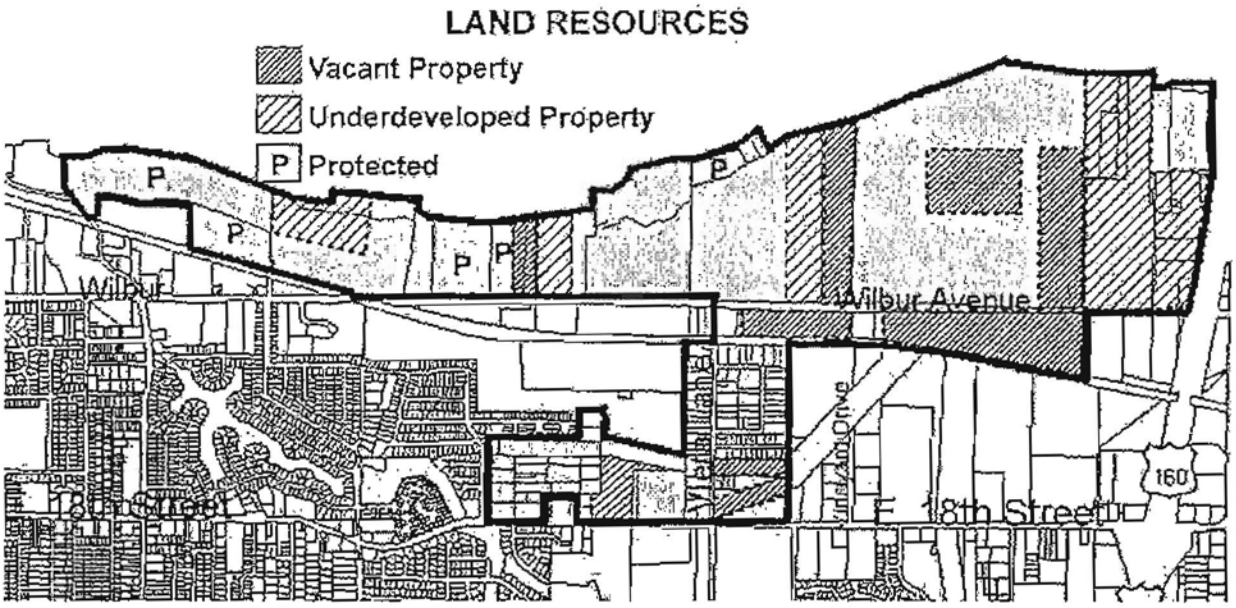
An additional 11% of the total land resources within this Study Area are committed to existing residential uses. The unincorporated residential neighborhood located north of East 18th Street, along and westerly of Viera Avenue and along Trembath Lane / Lipton Street, includes 74 acres of improved residential properties, consisting primarily of older single-family homes. Also located within this neighborhood north of East 18th Street are the Holly Cross Cemetery (8.27 acres), a small commercial use fronting on East 18th Street (0.92 acres), a total of approximately 18.5 acres of PG&E right-of-way, a vacant 8.0-acre parcel owned by the Gaylord Container Corporation, and a total of approximately 2 acres of vacant residential properties.

Table 1-1: Existing Land Use Summary

Land Use	Total Acres	Percentage	Description
Industrial & Commercial (fully developed)	266	39.2	Container, gypsum, and power plants, along with and other uses north of Wilbur Ave and railroad line; cemetery north of E. 18th Street.
Residential (fully developed)	74	10.9	Neighborhoods along Viera Ave. & north of E. 18th Street, currently served by private water wells and septic systems.
Underdeveloped Non-Residential	137	20.2	Open storage or inactive unenclosed uses, potentially suitable for development subject to clearing of site and delivery of services.
Vacant Non-Residential	103	15.2	Undeveloped or cleared property with limited outdoor storage (including unused portions of larger parcels), potentially suitable subject to delivery of services.
Vacant Residential	2	0.3	Scattered lots located within two neighborhoods north of E. 18th Street; water and sewer services lacking.
Protected Dunes	77	11.4	Antioch Dunes National Wildlife Preserve; property owned by Federal Government.
OS/Outside ULL	19	2.8	Includes portions of properties along waterfront, owned by Federal and State Governments and private companies.
Total:	**678**	**100.0**	**Approximate Total for Study Area.**

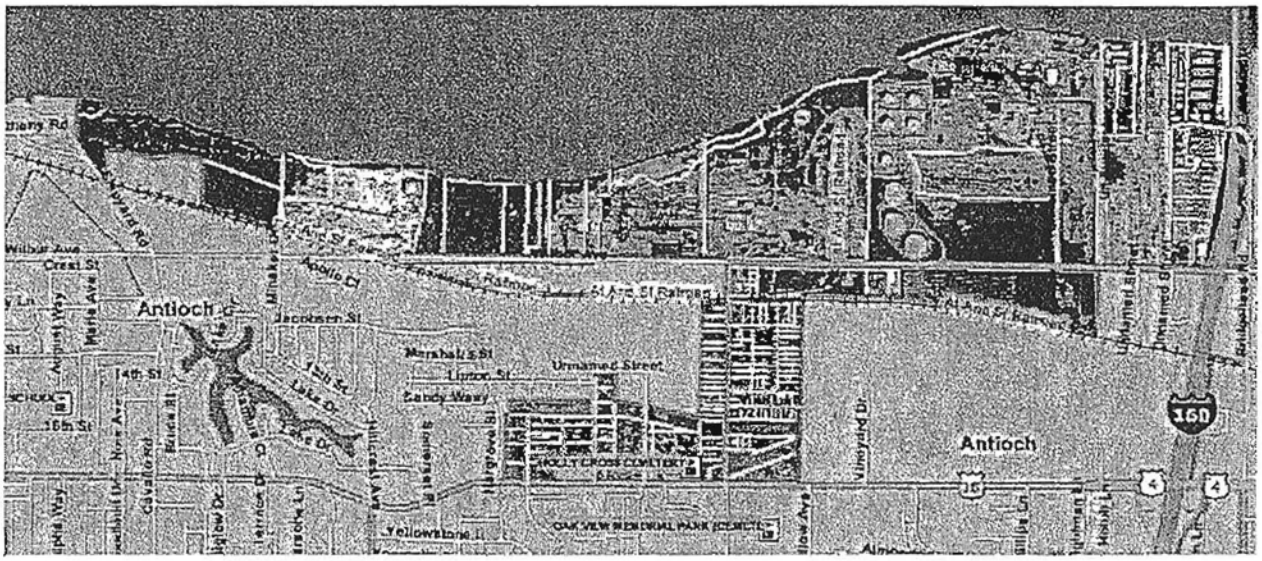
Figure 1-3 shows the distribution of remaining vacant and underutilized non-residential properties within the Study Area. The vast majority (250 acres) of these properties are located along the Wilbur Avenue corridor, within the northerly portion of the Study Area.

Figure 1-3: Vacant and Underdeveloped Properties



The pattern of existing land uses within the Study Area is visible in Figure 1-4 below. In addition to the vacant and underutilized non-residential properties identified in Figure 1-3, additional protected natural habitat areas north of Wilbur Avenue are visible in the aerial view.

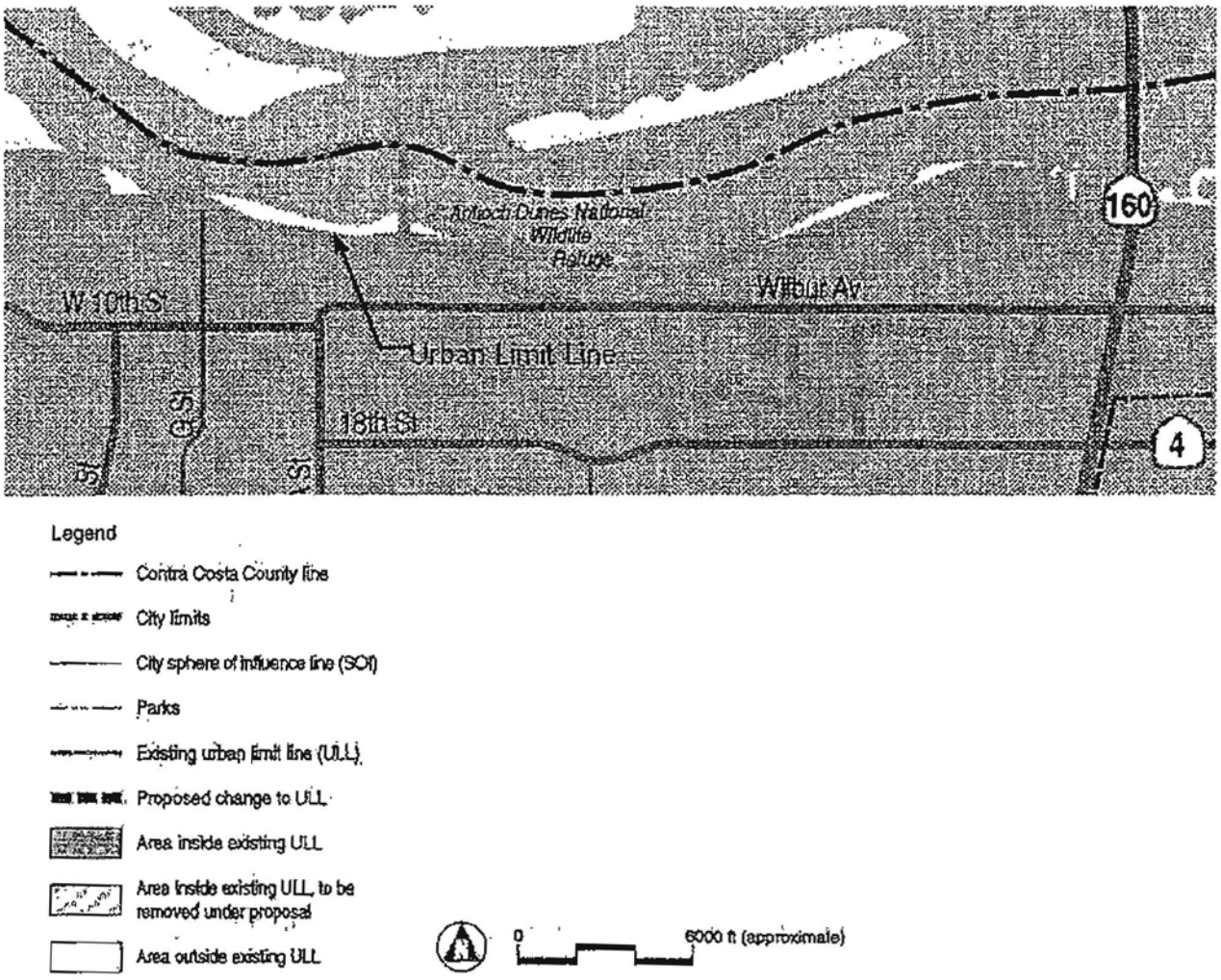
Figure 1-4: Aerial View of Study Area Properties



The Antioch Dunes National Wildlife Refuge (shown as "protected" in Figure 1-3) is habitat under management by the U.S. Fish & Wildlife Service for several endangered or threatened insects and plants, and represents an important consideration for planning of nearby industrial facilities. Two property groupings, as shown in Figures 1-3 and 1-5, comprise the 77 acres of protected dunes, owned by the Federal Government.

Urban development is strongly discouraged outside the Contra Costa County Urban Limit Line. Affected are portions of the Antioch Dunes, as well as portions of State and privately-owned parcels along the frontage of the San Joaquin River, as shown in Figure 1-5.

Figure 1-5: Properties Excluded from ULL



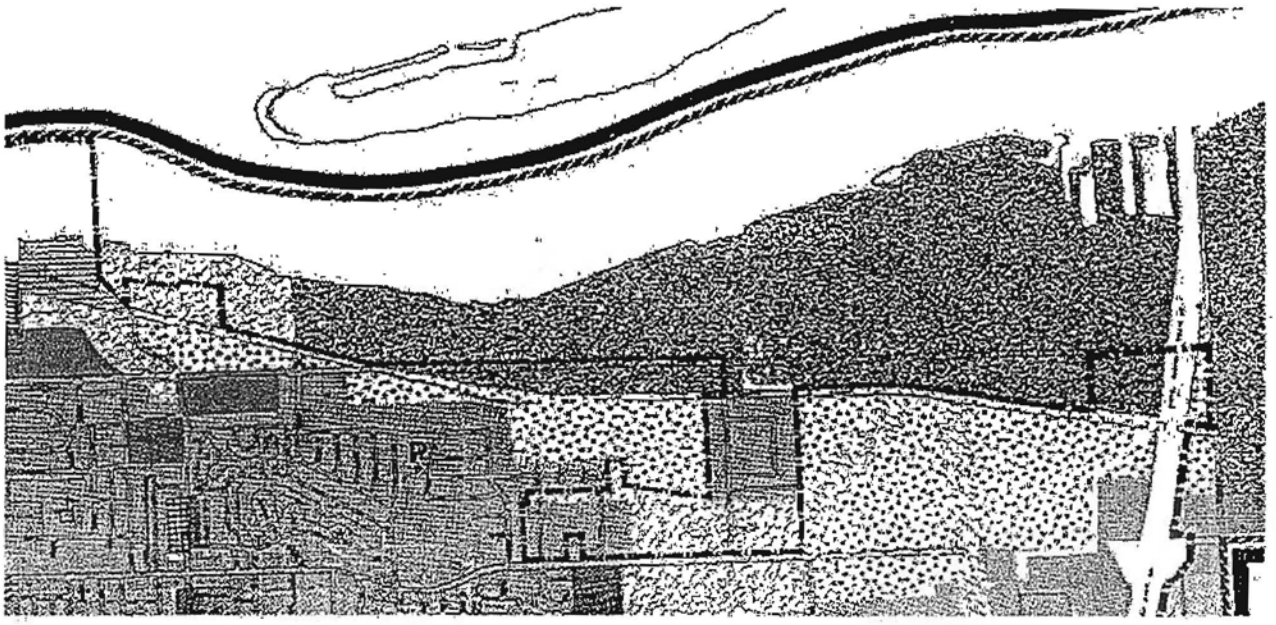
Source: Contra Costa County Draft EIR for Modifications to Urban Limit Line (April 2000)

Figure 1-6 shows a representative portion of the Antioch Dunes National Wildlife Refuge discussed above.

Figure 1-6: Protected Federally-Owned Lands

As shown in Figure 1-7, all developed and remaining vacant or underutilized non-residential properties within the northerly portion of the study area are classified in the City's General Plan for Heavy Industrial use. The existing residential neighborhoods north of East 18th Street are classified as Medium Density Residential, and the remaining 16 acres of vacant lands north of East 18th Street are classified partially as Medium Density Residential and Open Space on the General Plan Land Use Map.

Figure 1-7: Antioch General Plan Land Uses



Heavy Industrial
Light Industrial
Medium Density Residential
Open Space
City Limit Line
City Sphere of Influence
Planning Area Boundary

Overall, this report shows that the Study Area may be annexed as part of a three-phase approach in which Areas 1, 2a and 2b are processed as separate but concurrent applications. As discussed in Chapter 2, since concurrent annexation is required to the Delta Diablo Sanitary District (DDSD), the applications will be processed as integrated Boundary Reorganizations. Should the City elect to proceed with the Boundary Reorganizations, all three applications would be City initiated. However, approval by LAFCO of Area 1 would be subject to the support by a majority of property ownership interests, whereas Areas 2a and 2b would ultimately be subject to support by a majority of the registered voters.

Based on the alternative assumptions as discussed in Chapter 4, the fiscal analysis shows that the City is likely to see revenues for Annexation Area 1 which are either slightly above or below expenditures in the initial year following annexation ("base year"). The Area 1 revenues will exceed service costs by the time the area builds out; however the extent of the surplus will be influenced by several factors, including potential sales tax revenues and employee service costs.

Annexation Area 2a is projected to show a small initial net City deficit, which is projected to converted into a net surplus at the time of build-out. The size of this surplus, however, will vary based on the future growth in sales tax revenues and other related factors as discussed in Chapter 4. The predominantly residential Annexation Area 2b is expected to require greater City expenditures than revenues in the initial year following annexation, and this deficit is expected to grow over time as the cost of services increase.

In aggregate, the City will experience an initial net fiscal deficit following annexation. This deficit is likely to be reduced as development takes place; however whether or not a net surplus occurs by the time the Study Area as a whole builds out will be influenced by such variables as growth in retail sales and the financial burden on municipal services from a growing daytime population.

2. Analysis of Annexation Phasing

This study focuses on 165 parcels which comprise a total of roughly 678 acres located within the unincorporated Sphere of Influence outside of, but contiguous to the Antioch City boundaries. This "Study Area" includes existing industrial facilities and residences, as well as vacant and under-utilized acreage which may be suitable for future development. The purpose of the study is to identify the range of opportunities and constraints associated with potential annexation of part or all of the Study Area. This section of this report provides the updated background information to be used in evaluation of a phased future annexation program, including the delineation of three Annexation Areas, identification of current land uses within these Areas, and a preliminary estimate of available land resources for future development. Other relevant information presented in this chapter includes a current inventory of registered voters and assessed valuation of parcels, by Annexation Area, and an estimate of future development potentials.

2.1 Identification of Phasing Options

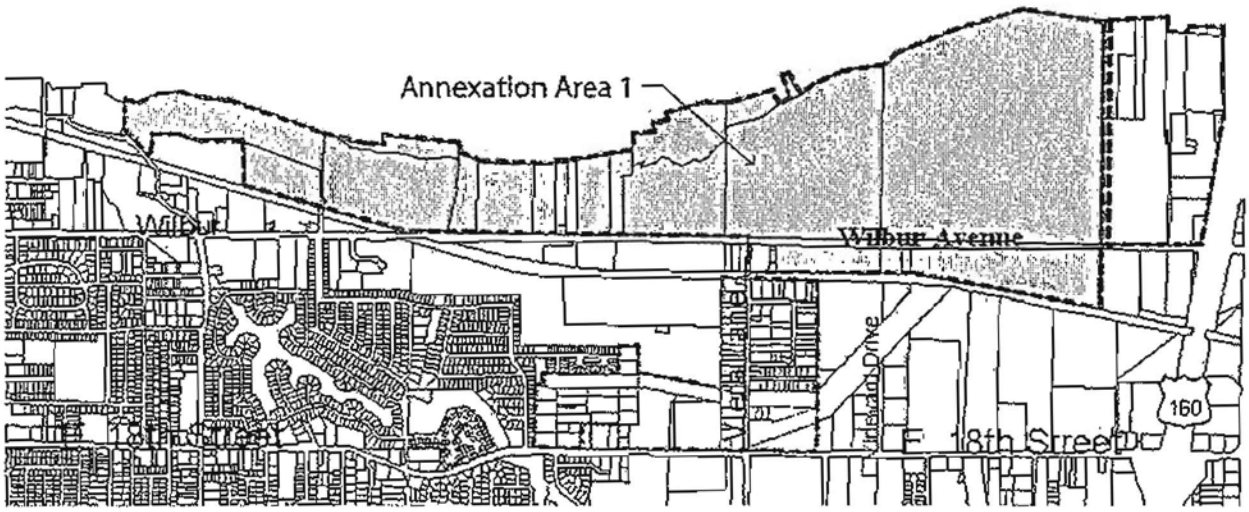
As shown in Figure 1-2 above, the 678-acre Study Area is located west of State Route 160 and north of East 18th Street. The Area adjoins the San Joaquin River to the north, and the City of Oakley Planning Area to the east. All Study Area properties are directly or indirectly accessible from Wilbur Avenue or East 18th Street, both of which have freeway access to State Route 160. These properties are entirely within the City's Sphere of Influence, and form a contiguous boundary with the current City Limit Line. As documented in the EIR prepared by Contra Costa County for amendments to the County Urban Limit Line (ULL) in April of 2000, all but a very small portion of these properties are also inside the adopted ULL. The only areas placed outside the ULL include small portions of the Antioch Dunes National Wildlife Refuge and small portions of other parcels adjoining the San Joaquin River. These excluded properties are depicted in Figure 1-5.

A portion of the Study Area also adjoins the East 18th Street Planning Area, for which a specific plan and environmental analysis were completed and adopted by the Antioch City Council in 2001. The East 18th Street Specific Plan identifies a set of office, commercial and light industrial uses on properties located north of East 18th Street, south and east of the Study Area. The adopted specific plan encourages annexation of approximately 14 acres at the northeast corner of Viera Avenue and East 18th Street, consisting of four single-family residences, along other vacant properties classified under the Plan for light industrial use.

Contra Costa LAFCO policies and applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act (as discussed in Section 2.6) require that local government annexations and boundary reorganizations be processed differently, depending on whether the affected territory includes 11 or fewer (a legally uninhabited territory) or 12 or more registered voters (legally inhabited). Based on updated documentation from the County Registrar of Voters, as verified in the field and discussed with the LAFCO executive officer,

the boundaries of three separate "Annexation Areas" have been delineated. As shown in Figure 2-1 below, Annexation Area 1 includes the unincorporated industrial area along Wilbur Avenue, from the power plant to the west. As further detailed in Sections 2.3 and 2.5 below, this 481-acre area includes no registered voters, but contains over 150 acres of vacant or underdeveloped industrial lands, suitable for future development.

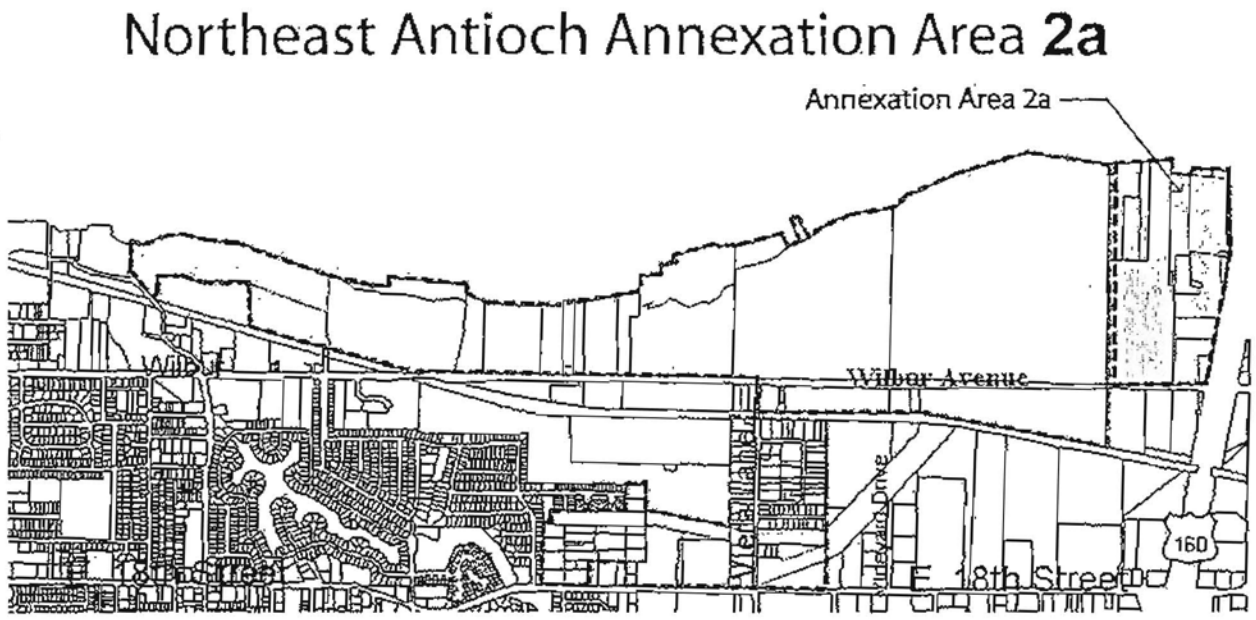
Figure 2-1: Annexation Area 1



The remaining industrial and commercial lands north of Wilbur Avenue and east of the power plant have been grouped into Annexation Area 2a. Despite the intensity of existing non-residential land uses, records show the presence of 31 registered voters within Area 2a. The land use analysis shows that up to 76 of the 94 acres within Area 2a may be suitable for long-term redevelopment.

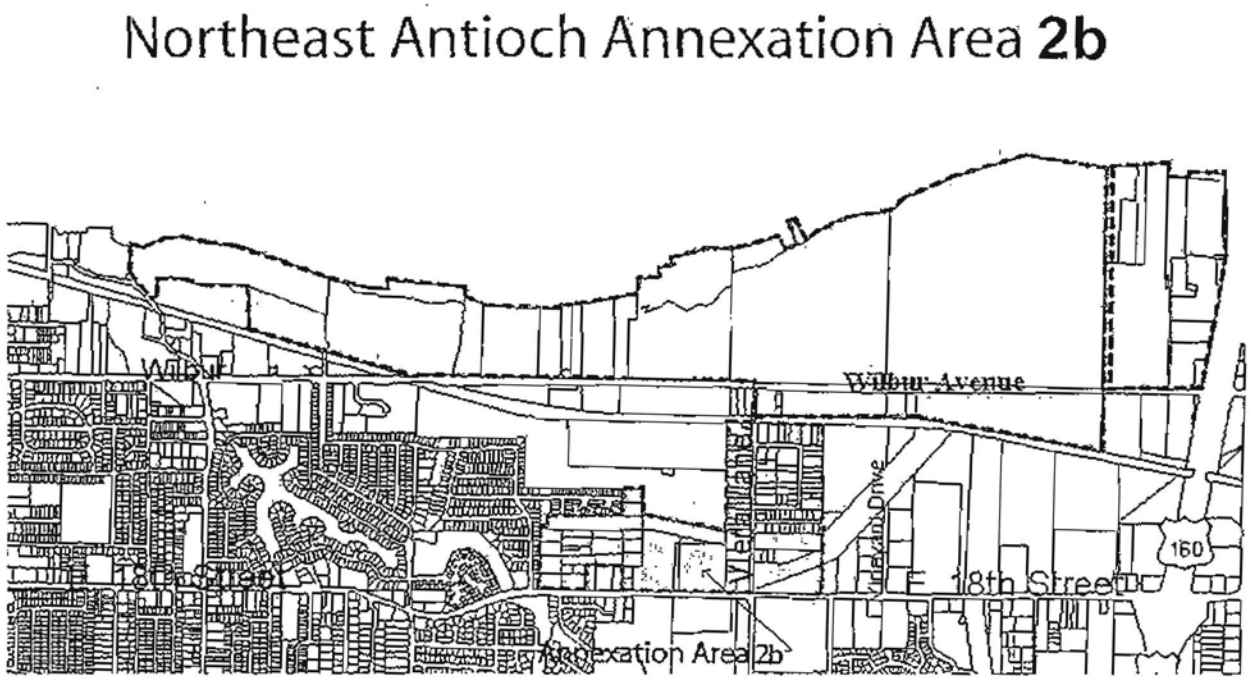
As shown in Figure 2-2, Area 2a adjoins Area 1 on the west, and the existing City boundary on the south. Figure 2-6 shows a portion of the under-developed property within Area 2a. Given its immediate freeway access to Highway 160 from on Wilbur Avenue, proximity to utility extensions (as discussed in Chapter 3), this area may be well-suited to further development subject to annexation and delivery of services.

Figure 2-2: Annexation Area 2a



The third Annexation Area comprises the remaining 103 acres of land north of East 18th Street and south of Wilbur Avenue. Current records show a total of 138 registered voters residing within residential neighborhoods along Viera Avenue and Trembath / Lipton Lanes.

Figure 2-3: Annexation Area 2b



2.2 Land Resources

This section summarizes the existing development and available land resources within the three Annexation Areas shown in Figures 2-1, 2-2 and 2-3. According to State law and local LAFCO policy, Area 1 could be processed as an independent property owner-controlled annexation, with the decision on annexation of Areas 2a and 2b controlled by a majority of the registered voters present. It is possible that the entire Study Area could annex together, or that land owners within the uninhabited area would support annexation, while voters within one or both of the inhabited areas might elect not to annex. The analysis of land resources and all subsequent evaluation of development potential and service needs has therefore been segregated by Annexation Area, in order to independently assess the implications of these various scenarios.

As summarized in Table 2-1 below, Area 1 includes 234 developed non-residential acres, along with 87 vacant and 64 underdeveloped non-residential acres. An additional 77 acres in Area 1 are protected habitat areas, and 19 acres are outside the County Urban Limit Line. No residential properties and no developed or available residential properties exist within the 481-acres of Area 1. Figure 2-4 is representative of the vacant industrial lands along the Wilbur Avenue corridor available for development in Area 1, subject to the delivery of services.

Figure 2-4: Vacant Land South of Wilbur Avenue, Area 1

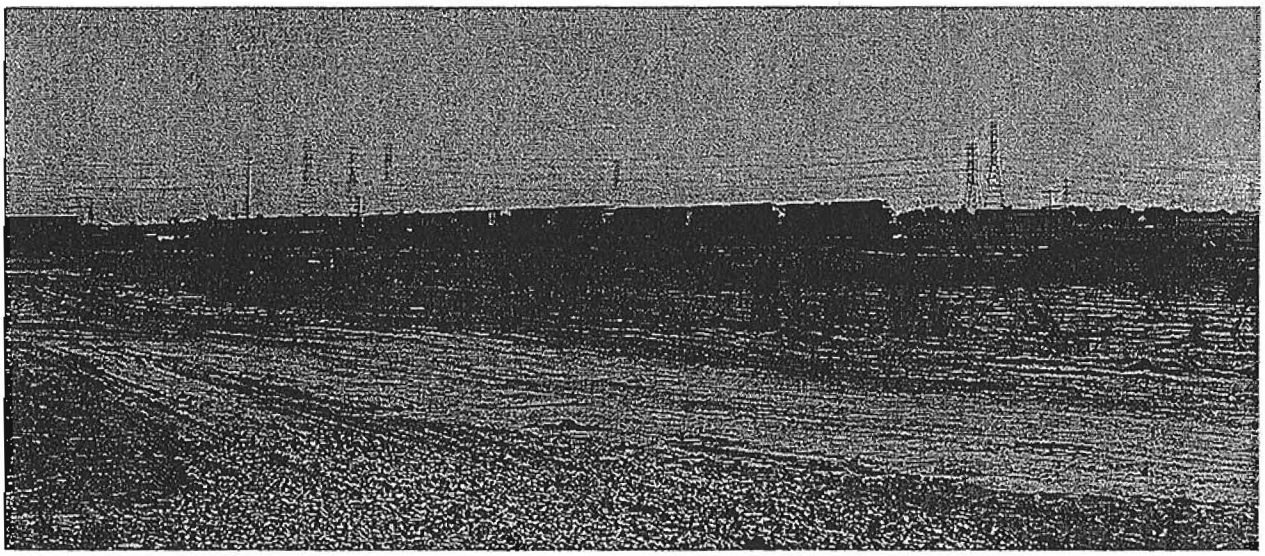
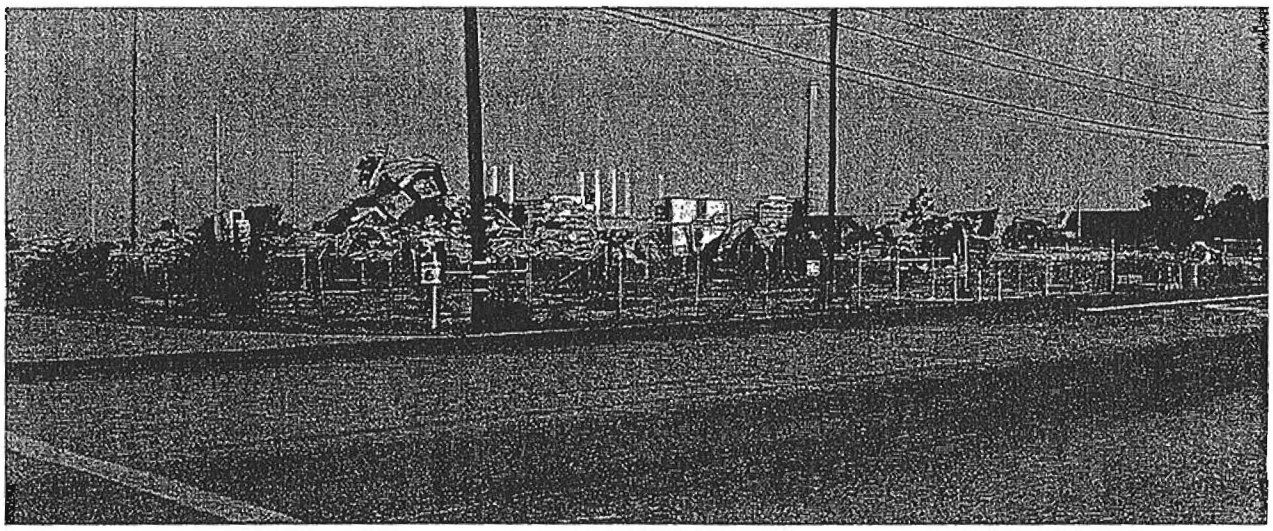


Table 2-1: Existing Land Uses, by Annexation Area

	Area 1	Area 2a	Area 2b	Total
Developed Non-Residential	234	18	14	266
Vacant Non-Residential	87	0	16	103
Under-Developed Non-Res.	64	73	0	137
Developed Residential	0	3	71	74
Undeveloped Residential	0	0	2	2
Protected Lands	77	0	0	77
Outside ULL	19	0	0	19
Total	**481**	**94**	**103**	**678**

Figure 2-5 shows the condition of partially demolished industrial buildings on property north of Wilbur Avenue in Area 1, classified in this study as "underdeveloped". This site could be made available for future industrial development, subject to completion of site clearing and utility delivery as discussed in Chapter 3.

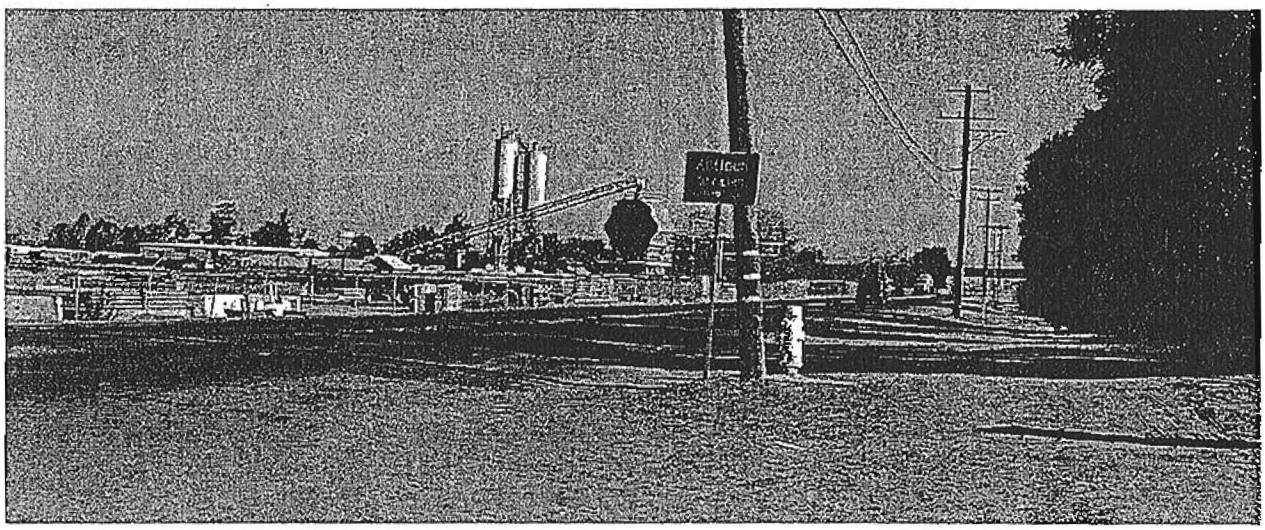
Figure 2-5: Underutilized Land North of Wilbur Avenue, Area 1



As reflected in Table 2-1, Area 2a includes 18 fully developed non-residential acres, along with 73 acres currently utilized by open storage or unenclosed building materials construction operations. Given the potential for further development on property occupied by these low-intensity uses, they have been classified as "underdeveloped". Residential uses currently occupy 3 of the 94 acres within Area 2a. Residents living in permanent structures, in the marina compound and in mobile homes collectively account for a total of 31 registered voters.

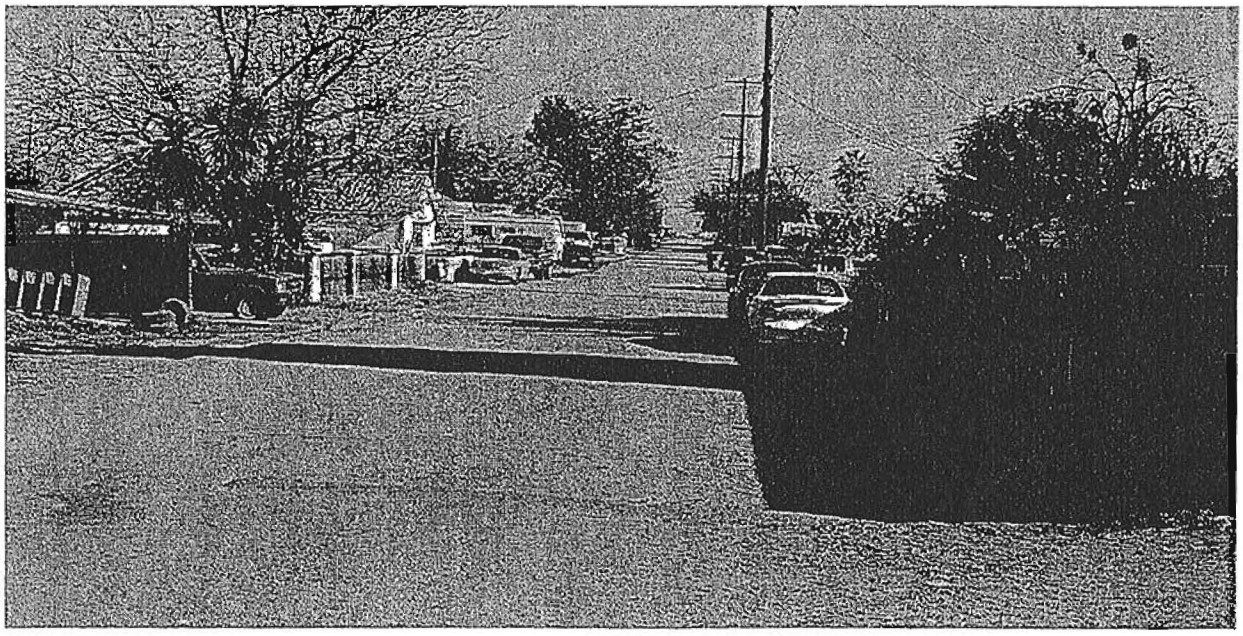
Figure 2-6 provides an example of a currently operating building materials fabrication facility and storage yard classified as underdeveloped in this land use analysis.

Figure 2-6: Underutilized Land North of Wilbur Avenue in Area 2a



Area 2b includes 71 developed residential acres and 14 acres of developed non-residential uses. Only 16 acres of vacant non-residential lands exist within the 103-acre Area. Figure 2-7 below is reflective of the older residential properties within the area, located on narrow streets and served predominantly by private wells and septic systems.

Figure 2-7: Improved Residential Properties in Area 2b Along Vine Lane



2.3. Registered Voters

A combined 74 acres within the Study Area (just under 11% of the total area) are currently developed with residential uses. As reflected in Table 2-1 above, 71 of these residential acres are situated in Area 2b, with the remaining 3 acres in Area 2a. As shown in Table 2-2, these uses account for a total of 169 registered voters within the Planning Area as a whole, and make Areas 2a and 2b voter-controlled annexations.

The physical separation of Areas 2a and 2b (see Figures 2-2 and 2-3) have prompted LAFCO staff to identify these as separate legally inhabited annexation "areas" which must be addressed in separate processing proposals. Where such an inhabited annexation results in a registered voter protest of 25-50%, an election is required to determine the outcome. Protests or elections in which more than 50% of the registered voters oppose the annexation result in a termination of proceedings, according to State law.

The annexation of legally uninhabited Area 1 is controlled by support from a majority of the record owners who also represent a majority of the assessed valuation. Assessed values are discussed in Section 2.4 below.

Table 2-2: Registered Voters, by Annexation Area

	Area 1	Area 2a	Area 2b	Total
Registered Voters	0	31	138	169

Source: Contra Costa County Registrar of Voters, January 10, 2005

2.4. Assessed Valuations

Current records from the Contra Costa County Assessor are reflected in Table 2-3. As noted above, the current assessed values within inhabited Areas 2a and 2b are not pertinent to the process of confirming an annexation. The relationship between current valuations and development potential, is significant to the relationship between municipal service costs and revenues, however, as discussed in Chapter 4. Since Area 1 is uninhabited, annexation of this area is determined by the support of by those property owners in control of a majority of the $116+ million in assessed value.

Table 2-3: Assessed Values, by Annexation Area

	Area 1	Area 2a	Area 2b	Total
Total Assessed Values	116,684,792	8,869,849	10,037,262	141,591,903

Source: Contra Costa County Assessors Office, January 10, 2005

2.5. Future Development Assumptions

Following is a summary of the parcel configurations and status of improvements within the study area, broken down by Annexation Area. Current employment levels within the Study Area are estimated based on land use type and assessed valuation of improvements. As noted, future non-residential development is estimated on the basis of a floor area ratio of 0.3. Employment estimates are conservatively estimated on the basis of one employee per 2,000 square feet of future building area. These estimates are preliminary, and have been conservatively determined as a basis for estimating future revenues and municipal expenditures for delivery of services.

Table 2-4: Study Area Statistical Summary

	Annexation Areas			
	Area 1	Area 2A	Area 2B	Total Area
Number of Parcels	30	18	117	165
Total Acreage	480.78	94.05	103.1	677.93
Developable Non-Res. Acres[1]	151	76	16	243
# Residential Parcels	0	2	103	105
Potential Future Res. Units[2]	0	0	4	4
# Non-Res. Parcels	30	16	14	60
Future Non-Res. Const.[3]	1,973,268	993,168	209,088	3,175,524
Residential AV	0	159,325	13,526,361	13,685,686
Non-Residential AV	116,684,792	8,710,524	2,510,901	127,906,217
Total Assessed Valuation	116,684,792	8,869,849	16,037,262	141,591,903
Base Property Tax Revenue	1,143,196	88,698	160,372	1,392,266
Est. Current Employment	247	75	12	334
Future Employment Added	987	497	105	1,589
Registered Voters[4]	0	31	138	169
Classification	Uninhabited	Inhabited	Inhabited	-

[1] Please see Appendix B for a complete inventory of individual parcel ownership and valuation data. All figures are approximate, based on preliminary information and subject to verification.
[2] Based on vacant parcels classified in Antioch General Plan for single-family uses.
[3] Square footage based on total developable (vacant and underutilized) acreage assumed to develop under ultimate buildout conditions at an FAR of 0.3.
[4] Registered voter information is preliminary, calculated on the basis of Registrar of Voters Records as of January 10, 2005.

The foregoing assumptions lead to the potential for up to approximately 1,600 additional employees within the Study Area as a whole. Roughly two-thirds of this added employment is assumed to occur within Area 1 (987 new jobs) where a potential for up to an additional 2 million square feet of industrial building is assumed to exist. An additional 500 jobs are also possible from development of almost 1 million additional square feet of industrial buildings on 76 currently underdeveloped acres in Area 2a. New development within Area 2b would be limited to the 16 vacant non-residential acres located north of East 18th Street, accounting for up to approximately 100 new jobs.

2.6. Procedural Requirements

The City of Antioch has recently updated its General Plan. The General Plan provides land use policy to guide future development within the Study Area. Although advisory with respect to land use entitlements granted by Contra Costa County for projects within the unincorporated area, the City's General Plan provides a mandatory framework for discretionary land use decisions upon annexation. The Antioch General Plan currently classifies properties within the Study Area for Heavy Industrial, Open Space or Medium-Low Density Residential (maximum 6 units per acre) use. As shown in Figure 1-7, these Land Use Classifications correspond generally to the existing land uses. As discussed below, future pre-zoning for the Study Area must be consistent with the General Plan.

The configuration and processing of annexations are regulated pursuant to both Division 3 of the California Government Code (Cortese-Knox-Hertzberg Local Government Reorganization Oct of 2000, as amended), and local Contra Costa County Local Agency Formation Commission (LAFCO) policies. The available choices for phasing of annexation are limited based on the unique configuration and mix of both residential and industrial uses within the approximate 678-acre study area. The three Annexation Areas may be processed as separate but concurrent proposals. It is possible that Area 1 could be approved, based on support from property owners (as discussed above), with the fate of Areas 2a and 2b separately determined by the respective groups of registered voters.

Municipal annexation will require concurrent annexation into the Delta Diablo Sanitary District (DDSD) accomplished through a boundary reorganization, as provided for under Government Code §56072 and §56375. This would provide treatment services for the additional effluent collected by the City within the selected annexation area. According to Government Code §56857, the reorganization proceeding would need to be filed jointly by both agencies, with the City of Antioch serving as the lead agency.

Properties within the Study Area are currently situated within the boundaries of the Contra Costa Water District (CCWD), the Antioch Unified School District (AUSD) and the Consolidated Fire District (CFD). Annexation would result in police, general administrative functions, parks, maintenance, planning, building and public works services transferring from Contra Costa County to the City of Antioch, with sewer treatment services being provided by DDWD.

As summarized in our initial report, extension of sanitary sewers to residential properties within Area 2b would help to mitigate for the ongoing contamination of ground water supplies brought about through concentrated use of private septic systems over many years.

Reorganization applications must be accompanied by lead agency plans for the delivery of services within the affected areas. Such service plans must be consistent with the City's general and specific plans. Where an initial study and Negative Declaration or EIR are required pursuant to the California Environmental Quality Act (CEQA - see Chapter 5 below), the service plan may be incorporated into the Initial Study. The ability of DDSD to provide treatment services for effluent collected by the City within the area must be verified by a "will serve" letter, evaluated in the Initial Study, and submitted as part of the application process. Antioch, however, has a capacity reservation in place with the District to address future needs.

Prior to placing a completed application for reorganization on an agenda for action by LAFCO, the Executive Officer must confirm that an applicable tax sharing agreement between the City and Contra Costa County is in place. Although Antioch has an existing master tax sharing agreement with the County, preliminary indications are that this project will require a separate negotiation with the County Administrator's office. As further discussed in Chapter 4, this is due to the fact that assessed valuations for each of the primary options exceed the $10 million threshold set in the master agreement.

The Contra Costa LAFCO Executive Officer has been consulted to determine the applicability of LAFCO policies, and to review the history of similar annexations over the past several years. In particular, there appears to be precedent in Contra Costa County for concurrent processing of contiguous inhabited and uninhabited annexations, where the final outcome is determined jointly by owners of properties in the uninhabited area, as well as the registered voters in the inhabited area. As noted above, it is therefore possible that Area 1 (and possibly 2a) could be annexed, with the remaining predominantly residential land in Area 2b remaining under County jurisdiction and without sanitary sewer service.

3. Public Infrastructure

The City of Antioch is the primary service provider to be affected by any potential annexation; DDSD would be impacted to a lesser extent. This Chapter provides a detailed assessment of capital facility needs for each of the three Annexation Areas, based on current City standards and minimum service levels required to facilitate development of remaining vacant and underutilized properties. An evaluation was conducted in cooperation with the City's Engineering Division to determine the critical timing needs and estimated costs of each utility system within each of the three Annexation Areas.

3.1. Summary of Servicing Options and Recommendations

The need for municipal infrastructure facilities is primarily a function of demand from new development, but is also influenced by the condition of private wells and septic systems within Annexation Area 2b as discussed above. It is possible to complete annexation and to defer extension of major infrastructure improvements, until such time as engineering designs and estimates have been completed, and a funding mechanism has been approved. The residential portion of the study area (Area 2b) consists primarily of older single-family residences, without any significant vacant or underdeveloped land resources for further development. Consequently, the cost of capital facility improvements, if made, would be borne either by current City resources, or a local improvement district (requiring landowner approval). Potential land resources within this area are limited to two property groupings on the north side of East 18th Street: (a) Roughly 8 vacant acres west of Viera Avenue (owned by Gaylord); and (b) 8 acres of underutilized property located east of Viera Avenue within the East 18th Street Specific Plan Area. Both Annexation Areas 1 and 2a include a substantial supply of potentially developable land. Future development on the remaining available sites identified in Table 2-4 could fund the cost of sanitary sewer, water supply and roadway improvements within these areas.

Table 3-1 provides a summary of all new capital facilities needed within the three Annexation Areas. These facilities have been grouped according to improvement type (e.g. sewer, storm drain, water, roadway etc.), and evaluated as to their timing needs, estimated costs and potential sources of funding. Improvements were identified as "critical" (in the case of water in Area 2b) where a public health risk was identified. Otherwise, improvements were classified as "long term" where needed to support planned future development, or "optional" where considered to improve the service to existing developed areas.

Similarly, the potential funding for all identified improvements were classified as coming from one of there sources. These included the "City of Antioch", for critical improvements where a development source could not concurrently be identified (subject to possible reimbursement from benefiting land owners); "developers" where an available land resource suitable for future development was dependent on the facilities; and "property owners" where non-critical facilities were identified to improve service to developed properties. The estimated costs of these facilities are summarized below.

3.2 Sanitary Sewer Facilities

The City of Antioch currently maintains trunk lines within Wilbur Avenue and East 18th Street. New sanitary sewer facilities would be needed within the industrial portions of the Annexation Areas 1 and 2a, in order to support further economic development efforts in these areas. A primary sewer service line would be located within Wilbur Avenue. Additional localized improvements would also be needed to support light industrial development of the 16 acres within Area 2b. In addition to these development induced facilities, new sanitary sewer services may be desirable to serve the existing residential neighborhoods in Area 2b.

According to preliminary cost estimates prepared by the City's Engineering Division (summarized in Table 3-1 and detailed in Appendix A), just over $1.2 million in sewer costs have been identified to serve potential new development within Areas 1 and 2a together, and roughly an additional $800,000 in improvements would be needed to service the two residential neighborhoods north of East 18th Street (currently on septic systems).

3.3 Storm Drainage Facilities

New public storm drainage facilities identified in this study include: (a) a trunk line in Fleming Lane to service future Area 2a development, estimated at roughly $600,000; and (b) optional retrofit efforts within the residential neighborhoods of Area 2b, having a combined cost of estimated at approximately $1.2 million.

3.4 Treated Water Facilities

Area 1 is currently served by as treated water main, and would not require additional major capital facilities. Area 2a would need $200,000 in new facilities to serve future development. The cost of "critically" needed water system improvements within Area 2b is estimated at just over $600,000. As noted above, these local residential supply lines are important to replace well water drawn from shallow depth in proximity to operating septic systems.

3.5 Roadway and Related Improvements

The largest capital cost item, by far, is the widening of Wilbur Avenue over a length of nearly 2 miles, from two lanes to four lanes, along with concurrent under-grounding of overhead power lines. Representing nearly $11 million in estimated costs, these improvements would serve both Annexation Areas 1 and 2a. Although the roadway capacity increase represented by these improvements could be deferred for a period of time, it would be inefficient to complete these major improvements on a phased basis. These costs are expected to be borne by the developing properties within Areas 1 and 2b, should annexation and development take place. An additional $1 million in roadway widening is identified for Area 2a (Fleming Lane), and roughly $60,000 in overlay costs have been projected to stabilize and help arrest further deterioration of roadway improvements on the residential streets in Area 2b.

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Figures 3-1 and 3-2 below reflect the condition of roadway improvements within the easterly portion of Area 2b, where a relatively inexpensive pavement overlay is recommended as an optional item.

Figure 3-1: Roadway Improvements Along Viera Avenue in Area 2b

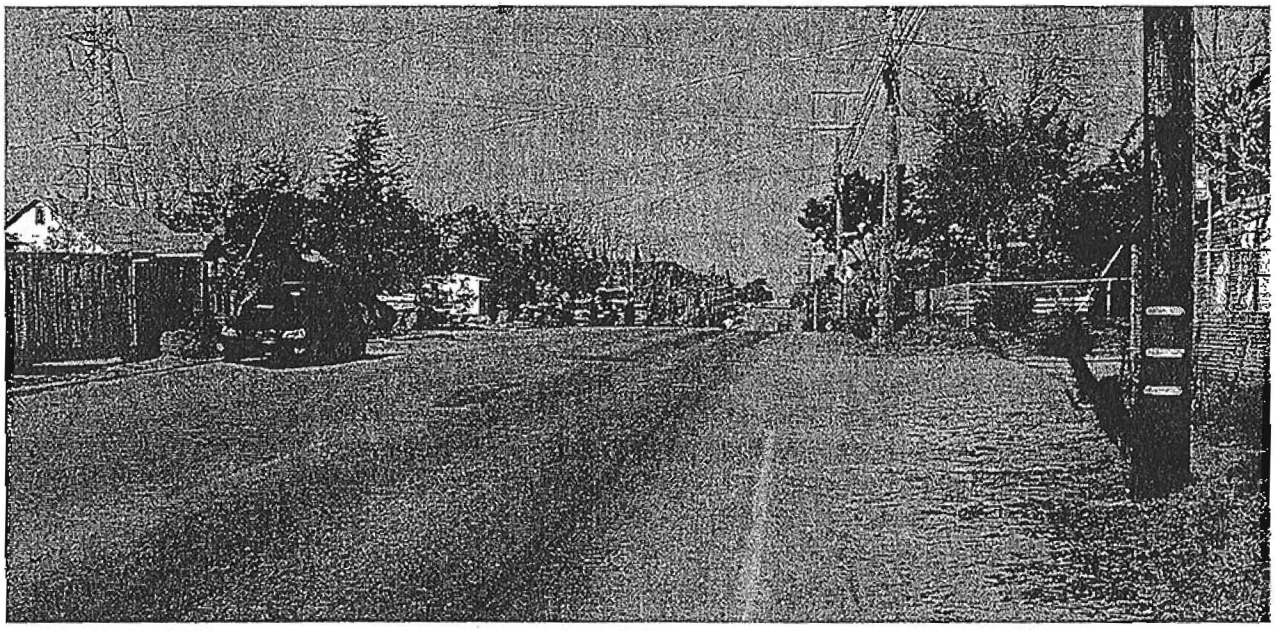
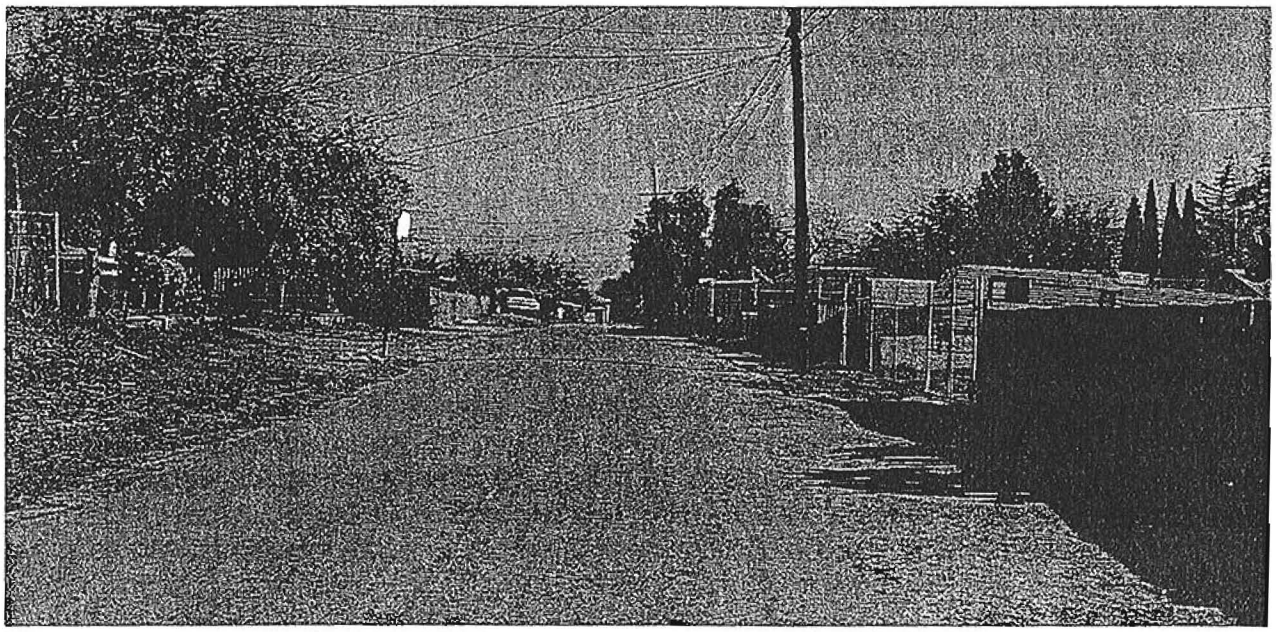


Figure 3-2: Roadway Improvements Along Brown Lane in Area 2b



3.6 Needs Assessment and Funding Options

Estimates of capital facility improvement needs were jointly developed by the consultant and City engineering staff. As identified in Table 3-1, the need for various improvements range from "critical;" to "optional". Following is a summary of the classifications utilized in Table 3-1:

(1) ***Critical Immediate Need (C):*** Improvements which should be funded and constructed to serve existing public needs within a period of approximately 5 years, regardless of future development.

(2) ***Long-Term Need (L):*** Improvements upon which future development is dependent (note that the timely completion of such improvements could serve as an incentive to attract future development).

(3) ***Optional (O):*** Those items which would normally be provided to deliver the same level of services currently enjoyed by residents and property owners within established City neighborhoods, but which are not necessarily needed for health and safety purposes.

Potential funding for each of the improvements listed in Table 3-1 has been assigned as follows:

(1) ***City Funded (A):*** Those items which the City would pay for using general fund monies or specifically targeted sources of funding, such as available grants. These funds could be reimbursed by property owners who hook up to the completed facilities.

(2) ***Developer Funded (D):*** Construction work to be paid for by future development projects in the vicinity.

(3) ***Property Owner Funded (P):*** Local serving improvements to be paid for either by individual property owners, or through an assessment district.

Table 3-1: Potential Northeast Annexation Study Area Improvements

Improvement Item		Annexation Area[5]			Need Assessment[6]			Funding Source[7]			Approx. Cost ($)
		1	2	3	C	L	O	A	D	P	
1.	Sanitary Sewer										
a	800 l.f. 6" VCP in Trembath Ln.			x		x				x	68,800
b	700 l.f. 6" VCP in Lipton St. (south)			x		x				x	60,200
c	275 l.f. 6" VCP in Lipton St. (north)										23,650
d	1,450 l.f. 8" VCP in E. 18th St. (west)			x		x			x		108,750
e	4,188 total l.f. 6" VCP in Viera Av., Vine Ln., Steward Ln., Brown Ln., Santa Fe Ave., and Walnut Ave.			x		x		x			475,408
f	800 l.f. 8" VCP in E. 18th St. (east)			x		x			x		60,000
g	420 l.f. 8" VCP in Minaker Dr.	x				x			x		31,500
h	920 l.f. 8" VCP in Wilbur Ave (west)	x				x			x		69,000
i	8,720 total l.f. 12" VCP in Wilbur Ave (east) and south to 36" trunk line	x	x			x			x		959,200
j	2,700 l.f. 8" VCP in Fleming Ln.		x			x			x		202,500
2.	Storm Drainage										
a	2,126 l.f. 24" CP on Vieira & adjoining streets, connecting to 60" trunk line			x			x			x	1,116,250
b	800 l.f. 24" CP in Trembath Ln			x			x			x	152,000
c	800 l.f. 24" CP in Lipton Ln.			x			x			x	152,000
d	2,700 l.f. 36" CP in Fleming Ln.		x				x		x		594,000
3.	Treated Water										
a	4,605 l.f. 6" C-900 loop, Santa Fe, Walnut, Brown to Viera Ave.			x	x			x			345,375
b	900 l.f. 8" C-900 in Vine Ln.			x	x			x			70,200
c	355 l.f. 8" C-900 in Steward Ln.			x	x			x			26,625
d	800 l.f. 8" C-900 in Trembath Ln			x	x			x			62,400
e	800 l.f. 8" C-900 in Lipton Ln.			x	x			x			62,400
f	420 l.f. 8" C-900 in Minaker Dr.	x				x			x		32,760
g	2,700 l.f. 8" C-900 in Fleming Ln. (loop to Bridgehead Rd.)		x			x			x		210,600
h	370 l.f. C-900 in E. 18th Street			x		x			x		28,860
4.	Roadway										
a	Widen Wilbur Ave. from 2 to 4 lanes within 102' R/W (672,465 s.f. total)	x	x			x			x		6,954,552
b	Widen Fleming Ln. to collector standard (add paving 88,808 s.f.)		x			x			x		1,088,478
c	New local street north of E. 18th 300 l.f. (between Viera and Willow)			x		x			x		300,000
d	4,800 l.f. of 1.5" overlay of Viera Av. and adjoining streets			x			x	x			62,865
5.	Power and Cable										
a	Underground power lines along approx. 10,000 l.f. of Wilbur Ave.	x	x			x			x		3,900,000
	Total:										17,218,373

[5] Corresponds to three Annexation Areas as identified on map Figure 1.
[6] Three categories include Critical (C), Long-Term (L), and Optional (O); see text for further description.
[7] Possible funding sources identified include the City of Antioch (A), Developers (D), and Property Owners (P).

A summary of capital facilities to be maintained within the Northeast Antioch Annexation Study Area was developed, based on the post-development infrastructure system expansion. This information has been prepared for use in preparing the fiscal impact analysis presented in Chapter 4.

Table 3-2: Maintained Capital Facilities, by Annexation Area

Facility	Area 1	Area 2A	Area 2B	Total
Maintained Streets	1.67 miles	0.75 miles	1.25 miles	3.67 miles
Sanitary Sewer (6-12" VCP)	1.67 miles	0.75 miles	1.81 miles	4.23 miles
Water (6-8" C-900)	0.08 miles	0.75 miles	1.24 miles	2.07 miles
Storm Drain (24-36" CP)	0	0.51 miles	1.42 miles	1.93 miles

Sanitary sewer, water and storm drain facilities listed are all new improvements which may be constructed to serve the study area properties. Street improvements reflect lineal distance based on existing facilities. Note, however, that Wilbur Avenue would be widened from 2 to 4 lanes as new development occurs. In addition, a 1.5" pavement overlay is planned throughout all of the streets in Area 2b, due to their very poor current condition.

4. Municipal Services and Operational Costs

The annexation area descriptions included in Section 2 of this report delineate the available phasing options for consideration by the Antioch City Council. Section 3 provides a preliminary analysis of land resources and potentially available development opportunities. Section 4 builds on the land use and development analysis, by examining the scope and potential cost of public infrastructure which may be extended to service both existing and anticipated future development. The Municipal Services and Operational Costs Section utilizes the same land use and development information from Sections 2 and 3 to evaluate the potential costs and revenues associated with extending City services to each of the three areas. This Section provides a comparative fiscal impact analysis of anticipated City revenues and expenses both during the first year following annexation and at full build-out of the annexed lands. Unlike previous City studies involving fiscal analysis of predominantly vacant residential and commercial properties, this study focuses on primarily on developed and redeveloping residential and industrial properties.

Two important variables are included in this analysis, leading to a range of potential revenues and expenditures. As described in greater detail below, two separate revenue and expenditure models were prepared for this analysis utilizing different assumptions about employee service costs and potential future sales tax revenues. These assumptions were built into the modeling scenarios to arrive at a range of possible net City revenues or deficits for each of the three Annexation Areas and the Study Area as a whole.

4.1 Methodology

This section of the Feasibility Study assesses the fiscal impact of annexing each of the three Study Areas to the City of Antioch, based on the revenues and expenditures expected in the City's General Fund and the Gas Tax fund. This analysis focuses on the impact of annexing the Study Areas on the operating budget of the City (General Fund), and the impact on the City's Gas Tax Fund. Infrastructure costs (such as sewer and water facility improvements) are discussed in a separate section. The analysis does not examine the impacts on rate-based enterprise funds, as they are assumed to be self-supporting. As discussed below, different assumptions have been developed and utilized to calculate employee service costs and potential sales tax growth, and reflected in two separate fiscal modeling scenarios.

Land Use - Base Year and Build-Out Year Analysis: Two scenarios are analyzed. First, the Study analyzes the impact of the existing residential and commercial land uses (base year). Second, the Study analyzes the impact of the annexation area after full build-out of all vacant land (as described in Table 4-2). The second scenario estimates the expected revenues and expenditures in the year of full build-out of all properties in the Study Area. It assumes a 0.30 floor area ration build-out of vacant and under-utilized properties. Both analyses use 2005 dollars.

Average Cost Approach: A fiscal analysis typically assumes that existing City service levels will be provided to the annexed areas, and accordingly, utilizes the existing average cost of providing City services as the basis for projecting the cost of providing similar City services to the annexed areas. The impact of the annexation and subsequent development on most city departments is determined by calculating the average cost per current resident (and employee, as noted below), and projecting that average cost for future residents (and employees).

While an annexed area may not generate a requirement for a full time City employee in any individual department, on average, it will impose incremental costs similar to existing costs, in order to maintain existing service levels. For example, a City may have an existing service level standard of one police officer per thousand residents. An annexed area of 500 residents would generate the need for one-half of one additional officer. Obviously, the City cannot hire one-half of a police officer to serve this new area. However, while the particular annexation may not actually trigger the hiring of the new officer, it is appropriate to allocate one-half of the cost of one officer to that area in a fiscal analysis. This logic and approach is carried through for each city service and department in this analysis.

Including Employees as "Employee Resident Equivalents": New residents will impact City services. In addition, commercial and industrial land uses, and their employees also place demands on City services. However, one employee is generally not considered to have the same impact on City services as one resident. This analysis utilizes two alternative assumptions about the impact of full-time employees on City services. Scenario 1 utilizes the number of hours a fulltime employee is present (40) divided by the number of hours in a week (168) as the ratio of the impact one employee will have on City services, as compared to one resident. Thus, for purposes of the fiscal analysis, one employee is considered to have the impact of .24 residents (40/168) in Scenario 1.

Since the City does not yet have a well documented cost burden rate for employees, an alternative approach to estimating full-time employee service costs was included in Scenario 2. This alternative assumes that the employee service cost burden to be one-half that of a resident. This ratio is equal to the most conservative approach identified in other comparable studies prepared for other Bay Area communities. In Scenario 2, the "employee resident equivalent" rate is therefore 0.50. That is, one employee is considered to equal .50 resident equivalents.

Scenarios 1 and 2 utilize these two alternative methodologies which result in a range of impacts from development of commercial and industrial land uses on City services. In both instances, the methodologies assume separate and additive costs for employees, regardless of whether they may or may not also be City residents. The analysis assumes one new employee for each 2,000 additional square feet of non-residential space within the Study Area at build-out. This employee density ratio is consistent with heavy industrial development expectations for the Study Area. Combined, the Study Area residents and the "employee resident equivalents" equal the total "resident equivalents" in each Study Area (see Table 4-1, below).

Population Assumptions: Since an accurate population count was not available to match the boundaries of the three Annexation Areas, population estimates were developed using two alternative assumptions. Scenario 1 estimates population based on factors related to the number of registered voters in the annexation areas. There are 169 registered voters in the Study Area as a whole (see Table 4-2). In 2004, there were 2.45 residents per registered voter in Antioch (source: Contra Costa County Clerk; State Controllers Office). Based on this data, the analysis similarly assumes that there are 2.45 residents for each registered voter in each of the Study Areas. Therefore in Scenario 1, the base year number of residents for purposes of fiscal impact analysis is equal to 2.45 times the number of registered voters.

In Scenario 2, the number of "resident equivalents" is estimated based on the number of current and potential future dwelling units. An average conservative factor of 3.0 persons per dwelling unit was utilized to calculate the residential population for each of the Annexation Areas.

Table 4.1 presents the range of residents and employee resident equivalents estimated for Areas 1, 2a and 2b under base year conditions, as calculated under Scenarios 1 and 2. The range of total resident equivalents for the Study Area as a whole, as shown in Table 4.1, varies by 63.

Table 4-1: Base Year Residents and Employee Resident Equivalents, by Annexation Area for Scenarios 1 and 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1				
Residents (registered voters x 2.45)	0	76	338	414
"Employee resident equivalents" (employees x .24)	59	18	3	80
Total resident equivalents	59	94	341	494
Scenario 2				
Residents (dwelling units x 3.0)	0	45	345	390
"Employee resident equivalents" (employees x .50)	124	38	6	167
Total resident equivalents	124	83	351	557

(Note: Independent rounding may cause details and totals to differ)

The build-out year "resident equivalents" have been calculated in Table 4-2 using the same methodology for Scenarios 1 and 2. The range of future build-out resident equivalents is greater in Table 4-2 (1,352 in Scenario 2 versus 891 in Scenario 1), because of the projected employment growth within the Study Area.

Table 4-2: Build-Out Year Residents and Employee Resident Equivalents, by Annexation Area for Scenarios 1 and 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1				
Residents (registered voters x 2.45)	0	76	353	429
"Employee resident equivalents" (employees x .24)	296	137	28	462
Total resident equivalents	296	213	381	891
Scenario 2				
Residents (dwelling units x 3.0)	0	45	345	390
"Employee resident equivalents" (employees x .50)	617	286	59	962
Total resident equivalents	617	331	404	1,352

(Note: Independent rounding may cause details and totals to differ)

4.2 Revenue Assumptions and Analysis

Each major General Fund and Gas Tax Fund revenue source has been analyzed and estimated for the Study Area. Some revenues are best projected on a per capita basis, using fiscal year 2004-05 budget estimates as the base. For these factors, Table 4-3 indicates the per capita amount that has been used to estimate base year and build-out year revenues. Other specific revenues have been determined to be more accurately projected based on factors other than per capita. The analyses for these revenues are described in the case studies in this section of this report.

In the case of sales tax revenues, the base year revenues are calculated for the Study Area using the average dollar per aggregate non-residential square footage rate from the current City Budget. Scenario 1 increases the sales tax revenues for all three Annexation Areas based on two factors: (a) increased spending resulting from additional employees within the study area, and (b) an assumed increase in overall retail sales proportionate to the increase in development at the time of build-out. As a more conservative estimate of revenues from

sales tax, Scenario 2 includes the employee-based spending increase, but eliminates all sales tax revenue increases from expansion of businesses (no new or enlarged relates sales operations). As reflected in Table 4-3 (and detailed in Appendix E) these alternative Scenarios result in a significant difference in total projected revenues at build-out. Scenario 1 shows retail sales throughout the Study Area increasing from just over $31,000 to over $189,000 (with proportionately expanded retailing), whereas Scenario 2 shows sales tax growth peaking at only $118,000. As discussed in Section 4.4, despite the City's modest rate of local revenues from total retail sales tax, this range is an important factor in determining whether service costs can adequately be met at build-out of the Study Area.

Property Tax Analysis: The City of Antioch and Contra Costa County have negotiated a Master Property Tax Exchange Agreement for annexations where the total assessed valuation is less that $10 million, to determine the percentage of the property tax dollar that will be transferred to the City upon annexation. However, in the aggregate, the assessed valuation of the Northeast Antioch Study Area exceeds $10 million, so the Master Property Tax Exchange Agreement will not automatically apply. Consequently, the City and County will need to reach agreement as to whether the current Master Agreement rates should be applied, and if not, what percentage of the property tax dollar should be transferred to the City upon annexation.

In the absence of an agreement covering the Northeast Antioch Study Area, this analysis uses the framework provided by the Master Property Tax Transfer Agreement as a guideline. Under that agreement, 19.5% of the County's share of the property tax resulting from the existing (base year) assessed valuation of the area is transferred to the City, and 39% of the County's share of the property tax resulting from future growth of assessed valuation (the increment) will be transferred to the City. The County's current share of the property tax in the annexation areas is approximately 18.47%. Therefore, the factor used for the existing (base year) property tax is 3.6% (19.5% x 18.47%). The factor used for future property tax (the increment) is 7.2 % (39% x 18.47%).

The Contra Costa County Auditor's office reports that 10.1% of each one dollar in property tax revenue from property already within the city limits is received by the City of Antioch. If the 10.1% factor was used for the base year, the property tax revenue in that year alone would increase by $92,035. If the 10.1% factor was used for the build-out year, the property tax revenue in that year would increase by $184,125.

The actual percentage and amount of property tax revenue transferred will be subject to negotiations between the City and the County, and is a significant factor in the fiscal analysis of the annexation areas.

The build-out year square footage for non-residential property has been estimated by applying a floor area ratio of 0.30 to each acre of developable land. Future industrial/ commercial property assessed value is calculated at a conservative average of $100 per square foot of new gross floor area.

Franchise Tax Analysis: Franchise taxes are governed by state statutes and local agreements. The State Broughton Act and the Franchise Fee Act regulate franchise payments for gas and electric services, and are calculated at two percent of gross annual receipts. Cable franchise fees are limited to a maximum of 5% of gross annual receipts. While franchise payments are based on a percentage of gross receipts, the fiscal analysis uses a per capita calculation of $21.85, based on the City of Antioch budgeted revenues.

Business License Tax Analysis: The analysis assumes a $312.50 flat rate business license tax on commercial businesses in the Study Areas.

Build-out business license tax revenues are assumed to grow proportional to the increase developed acres.

Property Transfer Tax Analysis: A tax on the transfer of property (documentary transfer tax) occurs each time real property is sold. The City's rate is 27.5 cents per $500 value ($.55/$1,000). On average, property transfer tax receipts are .0000925 multiplied by the total assessed value of properties in Antioch. This factor is used to calculate the property transfer tax revenue for the annexation areas.

Sales Tax Analysis: There are a few existing sales tax generating businesses in the Study Area. The analysis assumes that 1% of the sales from these businesses will be received by the City of Antioch in the form of sales tax revenue. Actual sales and sales tax information on specific individual businesses are not available. The sales tax estimates in the analysis are based on State Board of Equalization statewide taxable sales data for similar types of businesses.

The additional residents brought into the City as a result of future annexation of the Study Area are not assumed to generate any additional sales tax revenue for Antioch, as their existing buying habits will be unaffected by the decision to annex their property into Antioch. Base year revenues have been estimated in Appendix E (and incorporated into Table 4-4) for the Study Area as a whole at roughly $37,000. Build-out estimates rely on two alternative assumptions to arrive at a range of potential revenues. Scenario 1 and 2 both increase build-out sales tax revenues for all three Annexation Areas based on an increase in spending linked new employees' added incidental shopping, lunch time expenditures and other purchases in Antioch. These employee purchases are estimated on the basis of approximately ten dollars per day per employee in Scenario 1 (using the equivalent of .24 residents per employee), and at approximately $21 per employee per day in Scenario 2 (using the equivalent of .50 residents per employee).

In addition, Scenario 1 includes an assumed increase in overall retail sales at build-out, which is proportionate to the increase in overall development square footage. Scenario 2 assumes no such increase in commercial development at the time of build-out, and therefore limits growth in sales tax revenues to the employee-based spending increase only. Consequently, the range in sales tax revenues between these alternatives shows roughly a $70,000 greater net gain for Scenario 1 at the time of build-out (see Appendix E and Table 4-5).

Motor Vehicle In-Lieu License Fee (VLF) Analysis: The 2004 State Budget Act reduced the amount of VLF revenues to local governments for a period of two years, ending after fiscal year 2005-06. The Budget Act also permanently shifted approximately 91% of the VLF revenues from local governments to the State, in return for an equivalent permanent local government revenue source called "property taxes in-lieu" of VLF. Future growth in the "property taxes-in lieu" component of VLF will be based on growth in assessed valuation in each jurisdiction. However, the Act does not allow the base assessed valuation of annexed areas to be included in the calculation of future growth of assessed valuation. Only the increase in assessed valuation in years subsequent to the base year of the annexation can be included for purposes of calculating the future growth in the "property taxes in-lieu" component of VLF.

The result is that only the remaining 9% component of the former VLF revenue distributed on a per capita basis ($5.18 per capita) will be received in the base year as a result of the annexation.

For the build-out year, VLF per capita increases by the percentage increase in total assessed valuation over the base year (note that there is only a very slight difference in population and related revenues between Scenarios 1 and 2).

Miscellaneous Licenses and Permits: General Fund miscellaneous reimbursements are fixed revenues and are not increased as a result of annexation. Building permit fees and costs are assumed to be equal and are not included in the analysis. Planning fees and costs are assumed to be equal and are not included in the analysis.

Homeowner's Property Tax Relief Reimbursement Analysis: The State grants a $7,000 assessed valuation exemption for each owner occupied unit, and reimburses local agencies for some of the loss of property tax revenue resulting from the exemption. The reimbursement averages $2.78 per residential unit in Antioch.

Transfers from Other Funds: Only those transfers from other funds where revenues are variable with population are assumed to be increased on a per capita basis.

Revenue Assumption Table: Table 4-3 summarizes the case studies discussed in this section, and provides the per capita revenue factors incorporated in the fiscal analysis.

Table 4-3: Study Area Revenue Assumptions

Revenue	Assumptions	Source
Property tax – current secured	Case study used to estimate property tax percentage of 3.6% of base year and 7.2% of increment over base year	Antioch/Contra Costa County Master Property Tax Transfer Agreement
Property tax – unsecured and other	8.6% of secured property tax revenue	City of Antioch budget
Franchise tax	$21.85 per capita	City of Antioch budget
Business license tax	$312.50/business	City of Antioch.
Property transfer tax	Case study	City of Antioch budget
Sales tax	Case study	State Board of Equalization
Motor vehicle tax (VLF)	Case study	State Controllers Office
Transient lodging taxes	None	Sinclair & Associates
Building permit	No net impact	Sinclair & Associates
Miscellaneous permits	$0.91 per capita	City of Antioch budget
Fines and penalties	$2.18 per capita	City of Antioch budget
Homeowners property tax relief	Case study – $2.03/residential parcel	Sinclair & Associates
Plan check & inspection fees	No net impact	Sinclair & Associates
Miscellaneous service charges	$8.07 per capita	City of Antioch budget
Miscellaneous revenue	$1.19 per capita	City of Antioch budget
Transfers	$13.03 per capita; qualifying transfers only	City of Antioch budget
Gas tax fund revenues	$36.54 per capita	State Controller's Office City of Antioch budget

Source: As noted; Sinclair & Associates

Fiscal Impact Model Revenue Projections: The fiscal analysis calculated the base year revenues using the assumptions described above. The revenue estimates include General Fund and Gas Tax Fund revenues. The revenue estimates do not include infrastructure mitigation impact fees, rate-based revenues in enterprise funds or other restricted fund revenues.

Table 4-4 summarizes the revenues for the base year. Appendix E provides detailed estimates for each revenue source.

Table 4-4: Base Year Revenues, by Annexation Area for Scenarios 1 and 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1 Revenue	$63,536	$38,848	$45,995	$148,379
Scenario 2 Revenue	$63,536	$35,964	$46,679	$146,179

Source: Sinclair & Associates (additional details in Appendix E-1 and E-5)

Table 4-5 summarizes the revenues for the build-out year. Appendix C provides detailed estimates for each revenue source.

Table 4-5: Build-Out Year Revenues, by Annexation Area for Scenarios 1 and 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1 Revenue	$263,570	$257,225	$69,921	$590,717
Scenario 2 Revenue	$287,555	$155,863	$70,932	$514,350

Source: Sinclair & Associates (additional details in Appendix E-3 and E-7)

4.3 Expenditure Assumptions and Analysis

Current Level of Service: The expenditure analysis is based on the assumption that the current service levels provided within the City of Antioch would be provided in the Study Area. It includes General Fund expenditures and Gas Tax Fund expenditures for road maintenance.

Each major departmental expenditure program has been analyzed and projected for the base year and for the build-out year, using current (2005) dollars. The General Fund departmental expenditure projections are based on per capita costs, where the "population" includes a factor of .24 resident equivalents for each employee in Scenario 1, and .50 in Scenario 2 (resulting in a range of potential employee-related expenditures as shown in Tables 4-7 and 4-8). Costs for building permits and plan checking services are not included, as they are assumed to equal the revenues received (which are similarly discounted in the revenue analysis).

Road maintenance costs from the gas tax fund are based on a per mile standard. In 2004-05, Antioch budgeted $20,631 for each mile in the road system. The additional miles of road in the Study Area are assumed to incur a similar level of effort and cost. The expenditure analysis does not include capital infrastructure improvements (such as sewer and water infrastructure), rate-supported expenditures in enterprise funds, or other restricted fund impacts and costs.

Expenditure Assumption Table: Table 4-6 summarizes the cost of services incorporated in the fiscal analysis. Note that "per capita" costs identified in Table 4-6 apply uniformly to both analysis Scenarios; however, the total resident equivalent differences from Table 4-2 have an impact on the range in expenditures shown in Tables 4-7 and 4-8 below.

Table 4-6: City Service Expenditure Assumptions

Department / Expenditure	Assumptions	Source
General Government	$ 53.51 per capita	City of Antioch budget
Public Works	$ 58.57 per capita	City of Antioch budget
Police Services	$197.30 per capita	City of Antioch budget
Leisure and Community Services	$ 7.39 per capita	City of Antioch budget
Development Services	$ 23.89 per capita (net of fee-based services)	City of Antioch budget
Road Maintenance	$20,631 per two lane centerline mile	City of Antioch budget; Caltrans

Source: As noted; Sinclair & Associates

Fiscal Impact Model Expenditure Projections: Table 4-7 summarizes the expenditures for each of the Study Areas for the base year. Appendix E provides more detailed estimates for each major department's projected expenditures for each of the three areas in the base year.

Table 4-7: Study Area Base Year Expenditures by Annex. Area for Scenarios 1 and 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1 Expenditures	$54,642	$47,468	$141,911	$244,021
Scenario 2 Expenditures	$74,609	$42,298	$139,914	$256,820

Source: Sinclair & Associates (additional details in Appendix E-2 and E-6)

Table 4-8 summarizes the expenditures for each of the Annexation Areas for the build-out year. Appendix E provides more detailed estimates for each major department's projected expenditures for each of the three areas in the build-out year. The roughly $157,000 additional build-out year expenditures for Scenario 2 are attributable to the higher employee resident equivalent factor identified in Table 4-2 above.

Table 4-8: Study Area Build-Out Year Expenditures by Annex. Area for Scenarios 1 & 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1 Expenditures	$169,766	$88,090	$155,499	$413,355
Scenario 2 Expenditures	$279,030	$128,197	$163,203	$570,429

Source: Sinclair & Associates (additional details in Appendix E-4 and E-8)

4.4 Fiscal Impact Summary

The fiscal impact analysis calculates the revenues and expenditures for the base year and the build-out year (which can reflect the ultimate relationship between revenues and costs). Table 4-9 summarizes the results of the fiscal analysis for the base year. The range of surplus or deficit figures between Scenarios 1 and 2, as discussed above, are a result of: (a) lower assumed employee resident equivalents in Scenario 1 compared to Scenario 2 (0.24 versus 0.50); (b) the assumed absence of expanded sales tax generating uses in Scenario 2; and (c) slightly lower residential population estimates in Scenario 2 compared to Scenario 1 (based on registered voters as opposed to dwelling units).

Table 4-9: Summary of Base Year Impacts by Annex. Area for Scenarios 1 & 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1				
Revenues	$63,536	$38,848	$ 45,995	$148,379
Expenditures	$54,642	$47,468	$141,911	$244,021
Surplus/(deficit)	$ 8,894	($ 8,620)	($ 95,916)	($ 95,642)
Scenario 2				
Revenues	$63,536	$35,964	$46,679	$146,179
Expenditures	$74,609	$42,298	$139,914	$256,820
Surplus/(deficit)	($11,073)	($ 6,333)	($93,235)	($110,641)

Source: Sinclair & Associates (note: independent rounding may cause details and totals to differ)

Table 4-10 summarizes the results of the fiscal analysis for the build-out year.

Table 4-10: Summary of Build-Out Year Impacts by Annex. Area for Scenarios 1 & 2

	Area 1	Area 2a	Area 2b	Total
Scenario 1				
Revenues	$263,570	$257,225	$69,921	$590,717
Expenditures	$169,766	$ 88,080	$155,499	$413,355
Surplus/(deficit)	$ 93,804	$169,145	($85,578)	$177,371
Scenario 2				
Revenues	$287,555	$155,863	$70,932	$514,350
Expenditures	$279,030	$128,197	$163,203	$570,429
Surplus/(deficit)	$8,525	$27,666	($92,271)	($56,080)

Source: Sinclair & Associates (note: independent rounding may cause details and totals to differ)

Additional sources (City staff):
Julie Brown, Assistant Finance Director
Phil Harrington, Public Works Director
Allan Cantando, Police Captain

5. Environmental Assessment and CEQA

Pursuant to the requirements of the California Environmental Quality Act (CEQA), an environmental determination will need to be made with respect to the annexation program concurrently with processing of the initial annexation application. According to CEQA Guidelines §15319(a) annexation of territory which has been substantially developed in accordance with the current (County) zoning or the City's pre-zoning may be exempt from further review, provided that the extension of new urban services (such as sewer) would not result in any significant new development. This provision may be applicable to Area 2b which involves annexation of the established residential community north of East 18th Street and along Viera Avenue (only if processed separately).

As lead agency under CEQA, the City of Antioch will have an opportunity to prepare a complete Initial Study of possible environmental effects associated with implementation of the annexation program. This environmental document would be utilized by other responsible agencies, including DDSD and LAFCO in their consideration of the project. Assuming that mitigation measures may be devised to eliminate or substantially reduce any identified impacts, the City may prepare a Negative Declaration pursuant to Guidelines §15070. Alternatively, an environmental impact report would be required if the analysis shows that the long-term effects of the contemplated annexation option are likely to remain significant even after mitigation. Our preliminary assessment at a programmatic level suggests that no significant effects would result from City and DDSD annexation, since no physical effects would directly or indirectly result.

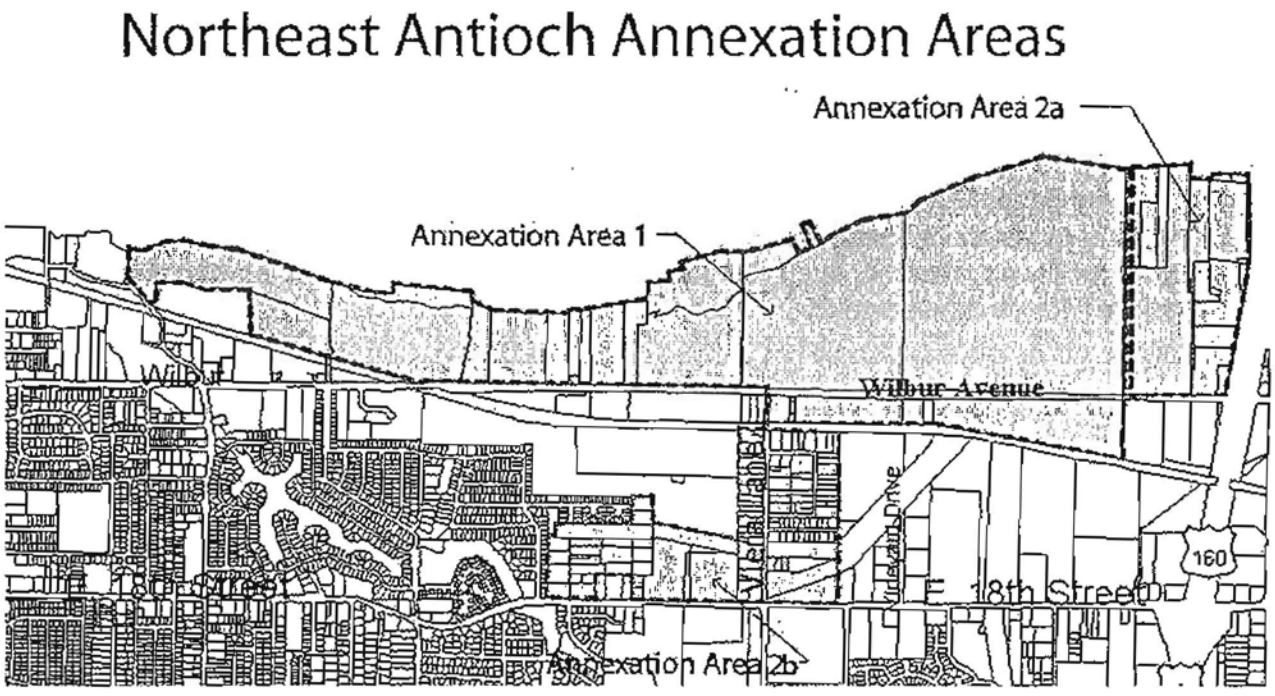
Additional project-specific analyses would subsequently be required to evaluate the physical effects of future development as contemplated. This would include any plans for major capital facility expansions, such as roadway widening, determined to be necessary to support proposed future development.

6. Recommendations for Implementation

This report identifies three distinct Annexation Areas comprising the 678-acre Study Area, as shown in Figure 6-1. Area 1 is legally uninhabited and may be supported by a majority of land owners who also control a majority of the assessed value within the 481 acres area. Areas 2a and 2b are both legally inhabited and would be subject to an election if either area received protests from at least 25% but not more than 50% of the registered voters. Protests or subsequent election results showing a majority protest among registered voters would result in a termination of the proceedings.

Separate applications for annexation of all three areas (which involve a concurrent reorganization of both the City and DDWD boundaries) may be prepared and processed concurrently through the Contra Costa LAFCO. Should either or both of the registered voter-controlled areas fail to gain majority support, then Area 1 could proceed independently.

Figure 6-1: Summary of Annexation Areas



As shown in Table 6-1, substantial capital costs have been estimated for a range of utility and roadway improvements identified as needed on a "critical", "long term", or "optional" basis. The $10.5 million in Area 1 capital costs and $3.5 million in Area 2a capital costs are almost exclusively tied to support of future potential development, and would be funded by identified projects. Of the $3.2 million in capital costs identified for Area 2b, only a portion (roughly $800,000) are considered "critically" needed to address immediate health and safety needs.

Table 6-1: Summary of Annexation Areas

Annex. Area	Total Acres	Potential Develop. Acres	Capital Improve. Costs	Net Base Year Revenue	Net Build-Out Year Revenue	Comment
1	481	151	10,499,717	+$8,894 to -$11,073	$93,804 to $8,525	Uninhabited territory. Contains 62% of available future development potential. Slightly-to-substantially positive long-term revenues dependent on negotiation of tax transfer agreement, employee service cost variables, and potential for sales tax revenues. All capital improvements to be developer funded on long-term basis.
2a	94	76	3,488,474	-$8,620 to -$6,333	$169,145 to $27,666	Inhabited territory. Contains 31% of future development potential, but most requires redevelopment of underutilized property. Small net fiscal impact to City until redevelopment occurs. Long-term revenues positive but potentially compromised by employee service costs and lack of growth in retail sales. Capital improvements to be developer-funded.
2b	103	16	3,230,182	-$95,916 to -$93,235	-$85,578 to -$92,271	Inhabited territory with very limited development potential, and substantial fiscal impact to City. Lack of sewer or water service to approx. 350 residents requires critical water system improvements of approximately $600,000 capital investment without funding source. Substantial initial and long-term fiscal impact to City.
Total	678	243	17,218,373	-$95,642 to -$110,641	$177,371 to -$56,080	Net fiscal impact of servicing Area 2b results in initial losses of roughly $100,000 annually if entire Study Area is annexed. Net operating losses would continue until at least 40% of available land in Study Area is developed, and could continue after build-out, depending on employee service costs and growth in retail sales.

Municipal service operational costs are projected to exceed projected revenues within Area 2b under both initial and post-development build-out conditions. Analysis of service costs and revenues in Area 1, however, indicates a slightly positive to slightly negative net fiscal impact during the first year following annexation; at complete build-out of all available

properties the Area 1 impact would be positive, and could approach $94,000 annually, depending on the growing costs of providing services to an expanding daytime population, and also depending on whether land use policies accommodate a proportionate growth in retail sales (as further discussed in Chapter 4).

The small initial deficit identified in Area 2a would be offset after partial development of a portion of the available 76 acres. However, the potential for a substantial net positive fiscal impact from Area 2a is tempered by questions regarding the potential for growth in retail sales and the increasing costs of delivering services to increasing numbers of workers within the Area.

In combination the overall fiscal impact for annexation of the entire Study Area is likely to be negative (by almost $100,000) in the first year, but could improve to a positive net effect after development of roughly one-third of the available 243 acre of land. Alternatively, build-out revenues could continue to exceed revenues for the Study Area as a while, if future development did not include a proportionate increase in retail sales and employee service costs tended to the high side of the range described in Chapter 4. These figures and conclusions could be positively or negatively affected by negotiation of a new tax exchange agreement with the County.

7. Appendices

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