County of Solano
675 Texas Street
Fairfield, CA 94533
Attn: Board of Supervisors
    Bill Emlen, County Administrator
    James Bezek, Director of Resource Management

October 21, 2024

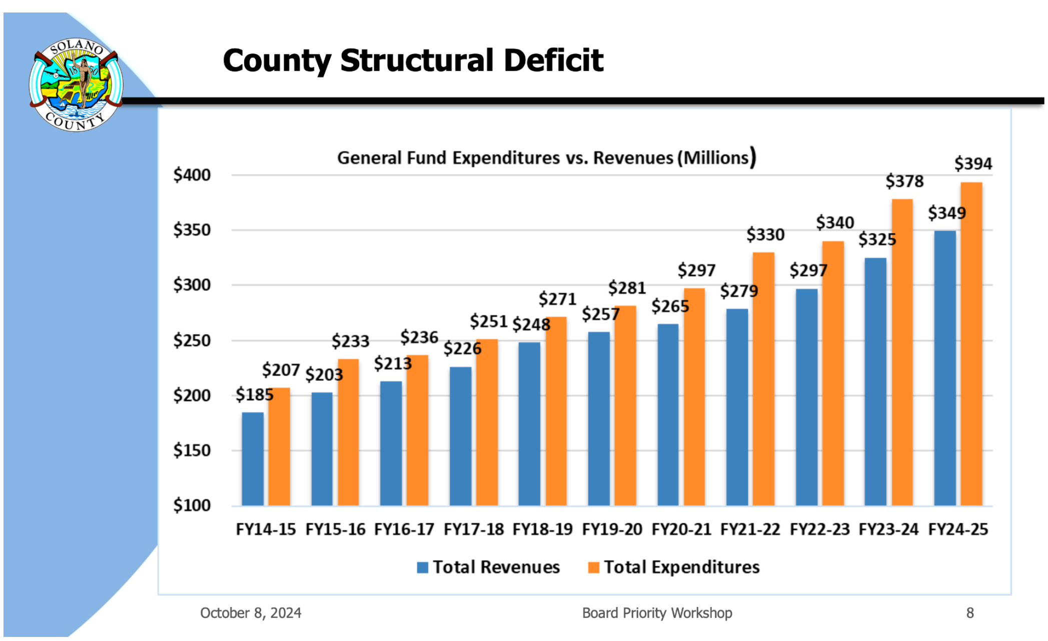
Closing Solano County's $50 million structural budget deficit
by evolving Orderly Growth into Sustainable Growth

Dear Board of Supervisors, Mr. Emlen, Mr. Bezek,

Thank you for the time you have taken over the past few weeks to meet with us to discuss your priorities. We have also reviewed the [Board Priority Workshop on October 8, 2024], which highlighted the critical goals of closing our county's $50 million structural deficit, and focusing agricultural protection on prime farmlands.

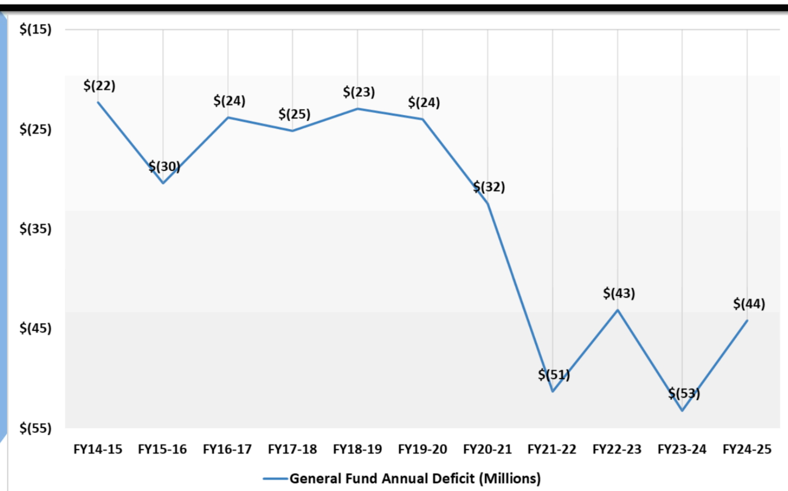
We are writing to propose that both of these objectives can be achieved by evolving the Orderly Growth policy into one that maintains similar ideals, but better achieves the dual goals of generating tax revenue through sustainable economic development, while protecting our most valuable agricultural lands. Let's call it Sustainable Growth.

Closing Solano County's $50 million structural budget deficit



The primary focus of the Board Priority Workshop was Solano County's severe and escalating structural budget deficit. In a decade, the annual deficit has ballooned from approximately $20 million to approximately $50 million. County staff explained that we cannot continue to use one-off reserves to cover the structural deficit.

County Structural Deficit (Continued)



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During the meeting, County staff also highlighted the root cause of this structural deficit: a devastating lack of revenue. As you discussed, Solano County generates a mere $3.4 million from sales and hotel taxes, less than 10% of comparable counties' revenue. Sonoma, Placer, and Monterey counties collect $33 million, $45 million, and $54 million, respectively.

Sales Tax & Transient Occupancy Tax Revenue

County Comparison

	Solano	Sonoma	Monterey	Placer
Sales Tax	$ 3,245,000	$ 26,649,982	$ 15,465,502	$ 32,100,000
Transient Occupancy Tax (TOT)	100,000	6,931,084	38,838,898	12,500,000
Total Sales Tax & TOT	**$ 3,345,000**	**$ 33,581,066**	**$ 54,304,400**	**$ 44,600,000**

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At the meeting, it was acknowledged that this shortfall can be directly attributed to the Orderly Growth Measure, which stopped essentially all economic development in unincorporated Solano County.

In response, during public comment, Duane Kromm, representing the Orderly Growth Committee, proposed that rather than consider any economic development, you should close the deficit by imposing a new property tax on all Solano County households, including those in all seven cities. Given California's already high taxes and the financial struggles many families face, this is obviously a terrible idea. It does, however, shine a light on the Orderly Growth Committee's motivations and priorities, and allows us all to better understand their agenda.

Meanwhile, there is a much simpler solution to reduce our county's budget deficit. Independent analysis from BlueSky Consulting, one of the most respected fiscal consulting firms in California, whose clients include state agencies like the Treasurer, Controller, and Department of Housing, shows that the East Solano Plan would, by 2040, with a population of just 50,000 residents, generate an annual tax surplus for Solano County of $43.2 to $53.9 million.

We understand that the study from the County's consulting group, Goodwin Consulting, reached different conclusions from BlueSky's. However, BlueSky subsequently identified three flaws in Goodwin's approach:

1. Goodwin under-estimated average home price: $425,000 vs. BlueSky's $592,000[1]; and
2. Goodwin low-balled sales tax revenues: $10,126 annual taxable sales per resident vs. Solano's average of $23,184; and
3. Goodwin over-estimated service costs for the new community.

Correcting home prices and sales taxes turns Goodwin's deficit into a $17.3 million surplus. Adjusting service costs to match those in comparable cities increases the surplus to $43.2 to $53.9 million. Please see Exhibit A for the BlueSky memorandum that reconciles the different results.

We're prepared to collaborate with Goodwin and other county consultants on a peer-reviewed fiscal study of the East Solano Plan, and are confident it will demonstrate a significant fiscal surplus for Solano County.

Evolving Orderly Growth into Sustainable Growth

As we have said from the start, we agree with the objectives of Orderly Growth to protect open space and preserve agriculture. The problem is that the way the Orderly Growth Measure turned those goals into policy has never actually worked.

[1] BlueSky on East Solano Plan: *"At today's prices many of the units would be expected to sell for between $400,000 and $650,000, with some homes selling for over $650,000, resulting in an average price of $592,000."*

First, as discussed above, Orderly Growth has financially crippled Solano County. At the same time, according to the county's own data, Orderly Growth has also failed to protect open space and prime farmland. In the recitals of the proposed Agricultural Mitigation Ordinance (discussed below), County staff wrote: *"Between 1984 and 2020, for example, 48,168 acres of agricultural lands were converted to other uses (over 12% of the County's agricultural lands), including 22,405 acres of Prime Farmland."*

This means that since the Orderly Growth Measure was introduced in 1984, an area that's more than 3x larger than the entire East Solano Plan has been urbanized – and worse still, 46% of that area was prime farmland, some of the most fertile soils in all of California.

We were encouraged that during the Priority Workshop, the Board made this distinction, and focused on protecting prime farmland, clearly distinguishing it from grazing land.

In sum, we now have overwhelming evidence that Orderly Growth is a failed policy. First, as a direct result of its restrictions, Solano County receives 90% less tax revenue than similar counties. Second, Orderly Growth has failed to protect prime farmland. Since its introduction in 1984, over 22,400 acres of prime farmland have been developed, compared to the 160 acres of prime lands proposed for development as part of the East Solano Plan.

We want to work with you on replacing Orderly Growth with Sustainable Growth. A Sustainable Growth policy would encourage compact, walkable development, which uses less land for each neighborhood, and direct that development away from prime farmlands. It would also encourage development that produces significant tax revenues to ensure sustainability of revenues for our governments.

Postponing decisions regarding Agricultural Mitigation Ordinance

The October 22, 2024, Board of Supervisors agenda includes a proposed Agricultural Mitigation Ordinance. Unfortunately, there are major issues with the ordinance, both procedurally and in terms of its substance.

Procedural concerns

Procedurally, the timing and nature of its introduction seems – at best – questionable and raises a number of concerns:

1. **Timing**: The recitals to the ordinance say that it's being proposed because our 2008 General Plan called for one. But that was **16 years ago**. Why rush this ordinance now, **16 years after** it was proposed in the 2008 General Plan, especially when the Board publicly announced that the General Plan is about to be updated (see first bullet point on page 6 of this presentation)? Would it not be more prudent to design the mitigation policy in tandem with the new General Plan?

2. **Origin**: Who proposed drafting this ordinance? The Board did not direct staff to draft it in prior meetings. If staff initiated this process, which staff member spearheaded it?

3. **Transparency**: Why was the ordinance introduced without going through the Land Use and Transportation Subcommittee of the Board of Supervisors? This appears highly irregular.

4. **Stakeholder Engagement**: Unlike for example the public process for designing a new Battery Energy Storage Systems (BESS) policy, why was there not a single public meeting held with interested parties, including agricultural landowners? Why was there no notice of the ordinance's preparation?

To sum up, the way the ordinance was introduced raises numerous questions about governmental due process and transparency. The hasty, secretive approach resembles the process – or lack thereof – that preceded the Airport Land Use Commission decision on August 8, 2024, and appears politically motivated.

This July, we entered the regular planning process in good faith. However, the clandestine adoption of the new Airport Land Use Plan, followed by this equally opaque Agricultural Mitigation Ordinance, severely undermines our trust in the fairness and impartiality of the process.

If the Board were to adopt the Agricultural Mitigation Ordinance, without any due process, transparency, or public input, in a manner similar to the Airport Land Use Commission events this August, that would make it hard to believe that the planning process is being carried out in good faith.

Substance concerns

The proposed Agricultural Mitigation Ordinance suffers from not being part of a larger cohesive vision. The ordinance does not and should not exist in a vacuum – it should be designed as part of a larger process of updating the General Plan, to ensure that it works effectively and coherently with other strategies for economic development, including creating jobs and generating tax revenue.

As one specific example, the recently published Solano County Crop & Livestock 2023 Report, and the presentation about that report to the board on August 8, 2024, both focused on the bright future of Indoor Agriculture in Solano County – the cover page even showcases a greenhouse!

Yet, the proposed Agricultural Mitigation Ordinance does not make a single mention of indoor agriculture. Perhaps this is not surprising given that the ordinance was drafted quickly and without any public input, but it's clearly a missed opportunity. Done correctly, the ordinance would consider, and receive public input on, the possibility that agricultural impacts could be mitigated through investments into indoor agriculture, where the same quantity of food can be grown on a fraction of the land, with a fraction of the water supply, and while creating better jobs for agricultural workers.

Similarly, it seems unlikely that a “one size fits all” policy makes sense in a county like ours, where agriculture spans a wide variety of crops, livestock, and processing facilities. Our agricultural regions are all completely different, and a “one size fits all” policy is unlikely to correctly balance the various needs, including the need to provide tax revenue to the county, create farmworker housing, encourage indoor agriculture, and others. Why not have the Board of Supervisors retain control and ownership of these decisions, and work with landowners to craft the appropriate mitigation measures as part of entitlements for every project?

We respectfully urge the Board to table this ordinance and address it within the broader context of the General Plan revision, where it rightfully belongs. This approach would ensure proper consideration and stakeholder involvement, upholding the principles of transparent and fair governance. It would also allow for time and space to think creatively about the opportunity to evolve Orderly Growth into Sustainable Growth, and to craft the ordinance as part of a larger, cohesive set of policies.

Jan Sramek
Founder & CEO

Michael Fortney
Head of Partnerships

Exhibit A

Memorandum

To: Interested Parties

From: The Blue Sky Consulting Group

Date: July 19, 2024

Re: Summary of Solano County's Fiscal Impact Analysis

Summary

This memo presents the results of an initial review of the July 14, 2024 Goodwin Consulting Group analysis of the East Solano Plan, focusing on the reported fiscal impacts during Phase I (i.e., a community of 50,000 residents).

Based on this review we find:

Property tax estimates are too low. The Goodwin analysis assumes a smaller number of units and a lower per-unit value than what is proposed by California Forever. The Goodwin analysis assumes Phase I will include a total of 19,702 units (14% below the 22,804 units proposed by California Forever) with a mix consisting of mostly lower value multi-family units (14,865 units, or 75% of the total, valued at $350,000), with a smaller share of single-family units (4,837 units valued at $650,000), for a combined average value of just under $425,000 per unit. The Goodwin analysis justifies these low values by noting that the new housing will consist of "middle class homes," but also states that their price estimates are based on "cursory research into current values." California Forever estimates that in Phase I the average value of the units developed would be $592,158. At today's prices many of the units would be expected to sell for between $400,000 and $650,000, with some homes selling for over $650,000, resulting in an average price of $592,158. Goodwin's total property tax estimates for the County and the Fire District would increase by a combined $21.9 million—from $49.8 million to $71.7 million—if California Forever's unit mix and per-unit prices were utilized.

Sales tax estimates are too low. Goodwin's analysis estimates $6.1 million in sales tax revenues or about $10,126 in annual taxable sales per resident for Phase I. This level of per capita taxable sales is significantly below both the countywide average of $23,184 and the average of $18,588 per resident across the four cities the Goodwin analysis identifies as comparable.[1] Using Solano County's per capita taxable sales would more than double estimated sales and use tax revenues, from $6.1 million to $13.9 million.

[1] Based on data from the California Department of Tax and Fee Administration (CDTFA), available at https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesCRCityCounty.

Summary. Making the adjustment to assessed property values alone would eliminate the $12.5 million combined fiscal deficit Goodwin estimates for the County and Fire District and instead generate a combined surplus of $9.5 million. If the taxable sales estimate were also adjusted to reflect the Solano County per capita average, the estimated combined surplus would increase to $17.3 million, as shown in Figure 1.

Figure 1 : Fiscal Impact of Adjustments to Residential Property and Sales Tax Assumptions (2024 $) – County General Fund & Fire District

	Goodwin Phase 1 As Presented	CA Forever Home Values with Goodwin Taxable Sales	CA Forever Home Values with County Taxable Sales
Modeling Assumptions:			
Total Dwelling Units	19,702	22,804	22,804
Avg Value per Unit	$423,652	$592,158	$592,158
Taxable Sales per Resident	$10,126	$10,126	$23,184
Fiscal Impact Estimates			
County Property Tax Revenue ($M)	*$44.0*	*$63.4*	*$63.4*
County Sales & Use Tax Revenue ($M)	*$6.1*	*$6.1*	*$13.9*
All Other County Revenues ($M)	*$14.8*	*$14.8*	*$14.8*
Total County Revenues ($M)	$65.0	$84.3	$92.2
Total County Costs ($M)	($70.9)	($70.9)	($70.9)
County Net Fiscal Impact ($M)	**($5.9)**	**$13.4**	**$21.3**
Fire District Revenues ($M)	$5.8	$8.3	$8.3
Fire District Costs ($M)	($12.3)	($12.3)	($12.3)
Fire District Net Fiscal Impact ($M)	**($6.5)**	**($4.0)**	**($4.0)**
Combined Net Fiscal Impact ($M)	**($12.5)**	**$9.5**	**$17.3**

Property Tax Revenues

Goodwin estimates that the new community will generate $44 million in new property tax revenue for the County and an additional $5.8 million in property tax revenue for the Fire District, for a total of $49.8 million.[2] This revenue estimate ties to an estimated $11.7 billion of assessed value in the new community, which includes $8.4 billion of residential property and $3.3 billion of non-residential property. The assumptions underlying Goodwin's estimate of non-residential assessed value—i.e., their estimates of both the scope of non-residential construction (in square feet) and the average value of this construction (in dollars per square foot)—are well-supported by data from other comparable regions.

Goodwin's estimate of residential secured assessed value, however, does not align with regional housing market data or California Forever's proposed unit mix and pricing for new residential units. As shown in Figure 2 (below), Goodwin estimates that residential construction will result in 19,702 new units, of which 14,865 (75%) are units in multi-family buildings and 4,837 (25%) are single family homes. On average, these units are assumed to sell at $423,652—nearly $170,000 less than the current median

[2] This amount includes revenue for both the County and the Fire District from both the secured and unsecured roll and, for the county, revenue that is collected as property tax in-lieu of VLF.

home price in Solano County, which was $594,290 as of June 2024.[3] Goodwin's estimated unit mix and price level results in $8.3 billion of new residential assessed value.

By contrast, California Forever's plans call for 22,804 new units, including 12,940 single-family homes, 6,629 multi-family units, and 3,235 accessory dwelling units (ADUs). California Forever has estimated an average price per unit of $592,158, more in line with the County median price. At today's prices many of the units would be expected to sell for between $400,000 and $650,000, with some homes selling for over $650,000, resulting in an average price of $592,158. At average values of $592,158 per unit, total residential assessed value would be $13.5 billion.

Figure 2: Residential Secured Assessed Value in the New Community (2024 $)

	Goodwin Phase 1 As Presented	CA Forever Phase 1 Proposal
Single-Family Units	4,837	12,940
ADUs	0	3,235
Multi-Family Units	14,865	6,629
Total Units	**19,702**	**22,804**
Avg Value ($2024)	**$423,652**	**$592,158**
Total Secured Assessed Value ($2024 bil)	**$8.3**	**$13.5**

Adjusting Goodwin's residential value estimates to reflect the $592,158 average price per unit would increase secured residential assessed value by $5.2 billion, thus raising County property tax revenues by $19.4 million and Fire District revenues by $2.5 million, as shown in Figure 3 below. In total, adjusting the unit mix and sales prices would increase estimated property tax revenues for the County and the Fire District by $21.9 million, more than offsetting Goodwin's estimated combined deficit of $12.5 million and generating an estimated combined surplus of $9.7 million.

[3] Zillow Home Value Index, June 2024. Available at: https://www.zillow.com/research/data/. The median price reported here includes both single-family homes and condos/co-ops.

Figure 3: Impact of Changes to Goodwin's Residential Development Assumptions

	Goodwin Phase 1 As Presented	CA Forever Phase 1 Proposal
Modeling Assumptions:		
Total Dwelling Units	19,702	22,804
Avg Value per Unit	$423,652	$592,158
Residential Assessed Value ($B)	$8.3	$13.5
Affected Property Tax Revenues ($M)		
County:		
Property Tax: Secured	$32.2	$46.8
Property Tax In-Lieu of VLF	$10.8	$15.5
County Total	**$43.0**	**$62.3**
Difference		$19.4
Fire District:		
Property Tax: Secured	$5.6	$8.1
Fire District Total	**$5.6**	**$8.1**
Difference		$2.5
TOTAL	**$48.5**	**$70.4**
Difference		**$21.9**

Sales Tax Revenues

Goodwin's sales tax revenue estimates are based on three sources of taxable sales:

1. ***Residential Demand:*** Taxable sales by the new residents, based on their estimated annual income derived from the sales prices of the housing units.
2. ***Employee Taxable Sales:*** Taxable sales from employees not living in the new community, based on the assumption they will spend on average $10 per day on taxable purchases over a 240-day work year.
3. ***Business-to-Business Taxable Sales:*** For businesses, office and industrial businesses are assumed to spend $5 per sq ft each year on taxable sales.

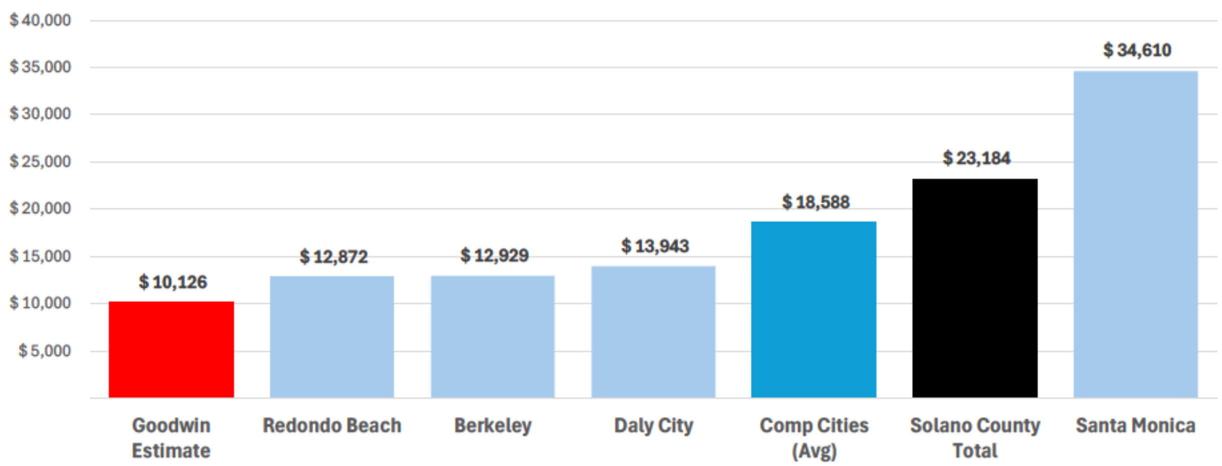
Goodwin's resulting taxable sales estimates are very low when compared to the overall county average or even the comparable jurisdictions used in their analysis. Their estimated taxable sales for the new community total $506 million, or $10,126 per resident. According to data from the California Department of Tax and Fee Administration (CDTFA) , Solano County as a whole had $23,184 in taxable sales per resident for the most recent four quarters (Q1 2023 through Q1 2024).[4] The four comparable cities used by Goodwin also had higher taxable sales per resident than Goodwin's estimate for the new community, ranging from $12,872 per person in Redondo Beach to $34,610 per person in Santa Monica,

[4] CDTFA data available at https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesCRCityCounty.

for an average of $18,588 across the four cities as shown in Figure 4.

Using the Solano County average per capita taxable sales figure, Goodwin's estimated revenues from sales and use taxes would increase from $6.1 million to $13.9 million, an increase of $7.8 million.

Figure 4 : Taxable Sales per Resident



CDTFA data for Q2 2023 through Q1 2024. Note that the CDTFA data for individual cities do not include online sales that are distributed via the countywide pool; thus, the actul values for the these cities and for the average across the four are likely higher than the values reported here.