#30

EDC COB <edc.cob@edcgov.us>

10/24 BOS agenda item #30--comment letter attached

1 message

Katie Donahue-Duran <katie@northstatebia.org> Mon, Oct 23, 2017 at 4:58 PM
To: "bosone@edcgov.us" <bosone@edcgov.us>, "bostwo@edcgov.us" <bostwo@edcgov.us>, "bosthree@edcgov.us" <bosthree@edcgov.us>, "bosfour@edcgov.us" <bosfour@edcgov.us>, "bosfive@edcgov.us" <bosfive@edcgov.us>
Cc: "edc.cob@edcgov.us" <edc.cob@edcgov.us>

Good afternoon:

Please find a comment letter attached from the North State BIA regarding item #30 on the October 24th agenda.

Thank you,

Katie

—

Katie Donahue-Duran

Legislative Advocate

North State Building Industry Association (NSBIA)

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North State BIA letter-Oct 24th agenda, item 30.pdf
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NORTH STATE
BUILDING INDUSTRY
ASSOCIATION

October 23, 2017

Honorable Supervisor Shiva Frentzen
Chair, El Dorado County Board of Supervisors
330 Fair Lane
Placerville, CA 95667

Subject: October 24th BOS agenda Item #30—Proposition 90

Dear Chairwoman Frentzen:

The North State Building Industry Association would like to commend the county for extending the Proposition 90 program last year, and we appreciate the work that staff has put into compiling this annual report.

We feel that there are many benefits that merit the county's continued participation in this program that are not obvious from the static analysis provided in the staff report. The Bay Area "equity refugee" retirees that are attracted by the Prop. 90 tax benefit are highly sought after for their positive impact on ecomomic development. They typically pay cash for their homes and bring lots of disposable retirement income and savings which they spend in the local economy. At the same time, they are financially self-sufficient and do not require a lot of public assistance or other County services, which creates a net financial benefit wherever they move. That is why other states specifically target these equity-rich retirees for their economic development value. The county's utilization of this proposition provides a competitive advantage against counties that have not adopted the program.

Participants tend to shop locally and use local contractors for improvements to their homes. Additionally, participants typically have smaller households and less demand for county services and schools. Because they typically buy higher-end homes, participants pay per capita property taxes higher than the average County resident, despite the tax break and they do not compete with young families for limited affordable housing. We respectfully request that the Board take the merits of the program into consideration and we ask for the county's continued participation.

Sincerely,

Chris Norem
Governmental & Public Affairs Director
North State Building Industry Association

CC: Michael Ranalli, Brian Veerkamp, John Hidahl, Sue Novasel

Shattuck Community Planning

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October 24, 2017

Supervisor Shiva Frentzen
Chair, El Dorado County Board of Supervisors
330 Fair Lane
Placerville, CA 95667

Subject: October 24th Agenda Item #30 – Proposition 90

On behalf of Lennar

Dear Chairwoman Frentzen and Members of the Board,

Lennar appreciates last year's extension of the Proposition 90 program and encourages the County to continue the program.

Proposition 90 continues to be an important tool for capturing a portion of the Bay Area "equity refugee" market that is actively sought after by other states for their economic development value. About 15% of Lennar's home sales at Carson Creek, its active adult community near the El Dorado Town Center, are Prop 90 buyers. Of that about 10% are from the Bay Area and the rest are mostly El Dorado County residents that are selling their home and moving locally. Of the Bay Area buyers, 67% were cash buyers. Many of the remainder could have been cash buyers, but chose to finance their homes to preserve liquidity.

While we appreciate the work that staff has put into this annual review, the analysis remains static. For example, the analysis identifies the property tax reduction for school districts, but does not take into consideration that virtually all tax revenue from Proposition 90 buyers comes without cost to school districts. As a result, it is all net positive. And it is the net effect of revenues and costs that matter. The same is true to varying degrees for many County services.

As with all tax policy, there are feedback loops that affect true costs/benefits. Some believe that all tax increases increase revenue dollar for dollar and that tax cuts reduce revenue dollar for dollar. Yet it often does not really work that way. Dynamic influences are difficult to quantify, but they are real.

Proposition 90 supports high-end property values without creating competition for limited affordable housing. And it attracts equity-rich bay area refugees who spend their home equity, retirement savings, pensions and government benefits in the local economy. Because they tend to pay cash for their homes, a large share of their income is available for discretionary spending. Research shows that they have a strong propensity for local shopping in close proximity. They are much more likely to spend their money in small local shops than in regional big boxes. Economists have estimated that each "equity retiree" generates the same local economic impact as 1.5 to 2.5 manufacturing jobs. At the same time, they generate much lower than average demand for public services, including schools, parks and roadways. Due to their relative wealth and insurance benefits, they tend not to place a burden on County social services.

We have attached supplemental information that summarizes the benefits of a Proposition 90 extension and addresses some of the arguments that have been made against it in the past.

Most of the information in the summary is based upon the analysis prepared by Bay Area Economics (BAE), information from the National Association of Home Builders (NAHB), our own experience as the builders of Active Adult Communities in El Dorado County and elsewhere, and a quick Google search of related research.

The information in the January 2015 BAE report is still relevant, but has not been updated. The analysis was prepared for the El Dorado County Chamber of Commerce with funding from Lennar. BAE was selected based on their credible work for local governments and their familiarity with El Dorado County. The attached summary organizes the findings to highlight key points and address specific arguments that have been made against the extension.

In short, the summary makes the case that:

- Prop 90 buyers are not being subsidized by other taxpayers and, in fact, pay substantially higher <u>per-capita</u> property taxes than the County average for other single-family home owners. This is because the tax basis they are transferring is relatively high by local standards and they tend to buy high end homes. They also have smaller households.
- Prop 90 buyers may help address the sales tax leakage problem in El Dorado Hills due to their preference for local shopping for goods, services and entertainment. Some studies estimate that as much as 85% of their shopping is local and that proximity is the most important factor in where they shop.
- Prop 90 buyers place a relatively light load on local services. They rarely commit crimes, are not dependent on public social services, don't have school age children, don't create a need for expensive sports fields, and don't drive during peak commute hours.
- Prop 90 buyers do not compete with young families for the limited availability of affordable housing, since they generally buy age-restricted or higher end homes.

Accordingly, we hope you will continue Proposition 90 to help us compete for a share of the equity-rich retirees that are moving from higher cost areas in California to places where their money will support a more attractive lifestyle. The local quality of life is a big selling point, but California's tax policy towards retirement earnings puts us at a disadvantage. Proposition 90 is not the only factor, but it is an important one that gives us a competitive advantage for some buyers.

Thank you for your consideration.

Bob Shattuck, Shattuck Community Planning.

On behalf of Lennar.

Supplemental Information
Regarding Proposed Prop 90 Extension

Provided by Lennar, October 24, 2017

Benefits

- Equity-rich retirees are leaving higher cost areas in California and moving to areas where their money will support a more attractive lifestyle.
- We are competing with lower cost states to attract these buyers. California income tax laws on retirement income put us at a significant disadvantage in that regard.
- Other states target these retirees because they bring their home equity, savings and pensions with them to spend on local goods and services.
- Prop 90 is an important tool that helps El Dorado County compete for some of these buyers who would prefer to stay in California and are otherwise attracted by the local quality of life.
- Many of these buyers prefer to shop locally (with minimal urban driving). Studies indicate that 85% of their shopping is local.

Regarding property taxes:

Some have argued that the Prop 90 tax break means that Prop 90 buyers are being subsidized by other County taxpayers. However, according to the BAE report, Prop 90 buyers are not being subsidized by other taxpayers.

- Because they are coming from higher cost areas, the property tax basis for Prop 90 buyers, even with the tax break, is roughly on par with the average for other single family home owners in El Dorado County (Source: BAE report).
- Because Prop 90 buyers have fewer persons per household than the County average, their <u>per-capita</u> property taxes are almost 50% higher than the average for other single family home owners in El Dorado County (Source: BAE report).
- This is important because demand for many County services are typically on a per-capita basis.
- Property tax revenues are very important, but roughly 74% of County operating revenue is from other sources that are not affected by Prop 90 (Source: BAE report).

Regarding sales tax leakage:

Some discount the benefit to the local economy (and County sales tax revenue) due to the historic sales tax leakage from El Dorado Hills to adjacent areas. However, addressing the sales tax leakage problem is one reason to support the Prop 90 extension.

- Lennar's experience with active adult buyers is that they have a strong preference for local shopping for goods, services and entertainment. They develop a local "comfort zone", seek to minimize urban driving, and generally prefer personal interaction to internet shopping.
- Proximity to the Town Center for shopping, services and entertainment is a huge selling point for Lennar's Carson Creek active adult community.
- Studies show that active adult buyers spend do 85% of their shopping for goods, services and entertainment locally with proximity being the most important factor.

Regarding impact on demand for public services:

Some have argued that, due to their age and demand for emergency medical services, Prop 90 buyers place a disproportionate burden on public services. While there may be an increase in demand for emergency medical services and age-related social services, it is likely to be more than offset by reduced demand for other County services.

- According to national statistics, the average demand for emergency medical services is relatively constant until the age of 75-85, when many of the Prop 90 buyers may no longer be living in their current homes (Source NAHB). They tend to have private insurance to cover the costs.
- Emergency medical services are an important, but relatively small, portion of the overall County operating budget. Since the average number of persons per household for Prop 90 buyers is 34% lower than the average for other single family homeowners in El Dorado County, it is likely that they will have a correspondingly lower demand for most County services (Source: BAE report).
- Based on national statistics, people in this age group are much less likely to engage in criminal conduct or even to be the victims of crime, placing a lower demand on the County's criminal justice system (Source: NAHB).
- Due to their personal resources, Prop 90 buyers are not likely to be heavily dependent on County social services.

Regarding the effect on the availability of affordable housing for young families:

Some have argued that Prop 90 buyers squeeze out housing opportunities for young families. However, the high-end existing homes and new homes in active adult communities purchased by Prop 90 buyers are generally not available or affordable to young families.

- New homes in active adult communities like Carson Creek are age-restricted by law and are not available to young families.
- Prop 90 buyers, on average, purchase homes that are significantly more expensive than the County average and are generally not competing for the limited supply of homes that are affordable to young families with moderate incomes (Source: BAE report).

Memorandum

To: Laurel Bent-Bumb, CEO, El Dorado County Chamber of Commerce

From: Matt Kowta, MCP, Principal

Date: January 23, 2015

Re: Fiscal Impacts of El Dorado County Prop. 90 Program

The purpose of this memo is to convey my findings from a review of El Dorado County's Proposition 90 property tax assessment transfer program and an assessment of the fiscal impacts of the program. Specifically, the objective was to determine whether the reduced property taxes paid by Prop. 90 program participants in El Dorado County, combined with the typical public service demand associated with homeowner households aged 55 and over who participate in the Prop. 90 program, would be likely to create a fiscal burden on El Dorado County.

Summary of Conclusions

As detailed below, I conclude that, in all likelihood, the Prop. 90 program does not have an adverse fiscal impact on the County and, furthermore, the increased demand for residential real estate created by the program should contribute to the overall health of the El Dorado County housing market.

- El Dorado County households who participate in the Prop. 90 program pay property taxes that are comparable to the average property taxes paid by all owners of single-family detached homes in El Dorado County
- Prop. 90 program participants most likely have smaller household sizes compared to the County average, meaning that there are fewer residents per household to create demand for County services and the average property tax revenues generated per capita are likely higher for Prop. 90 program participants versus the county average.
- Because of their particular demographic characteristics, households participating in the Prop. 90 program most likely create reduced service demand, as compared to all owner-occupants of single-family detached residences in El Dorado County
- Due to their age, Prop. 90 program participants are likely to generate substantially below-average demand for County criminal justice services, which represents one of the County's largest operating expenditure categories.
- Also due to their age, Prop. 90 program participants would likely generate below-average demand for County road expenditures.

- The County does provide a range of health and social services, including a number of services targeted specifically to seniors; however, expenditures in those service categories most likely to serve seniors represent less than 16 percent of countywide expenditures. Further, Prop. 90 program participants would not likely be heavy users of these services, given their household financial resources. To the extent that Prop. 90 program participants do take advantage of the County's senior services, large portions of those operating budgets are funded by State or Federal funds, or other revenue sources, rather than property taxes or other General Fund monies.

Effects of Prop. 90 Program Participation on Assessed Value

In brief, the Prop. 90 program allows homebuyers who are aged 55 and over to transfer the assessed value of the home they previously owned in a different California county to their newly purchased home in El Dorado County, as long as the new home purchase price is not higher than the sale price of their prior home. This program is beneficial to homebuyers who have had an assessed value on their prior home that is significantly below the purchase price of their new home in El Dorado County. The program can function as incentive for households aged 55 and over to purchase a home in El Dorado County versus other counties that do not participate in the program, where the homebuyer would have to pay property taxes on their new home, based on the full purchase price of the property. This program is enabled by state law, and Counties must opt into the program, in order to let qualifying homebuyers participate in the program.

A memo dated August 1, 2014, from County Assessor Karl Weiland to County Supervisor Ron Briggs, which was presented to the Board of Supervisors at their September 9, 2014 meeting provides key background information about the impacts of the program on the property taxes paid by participating El Dorado County homeowners. The Assessor indicated that the average base year value transferred for 2014 was $303,000 (as of August 2014). The average sales price of the replacement homes purchased by participating homeowners was $514,000; thus, the discount on assessed value was approximately $211,000 per home. The Assessor noted that the trend over time was for increasing base-year transfer values. For comparison, in 2010, the Assessor's memo indicated the average assessed value reduction was approximately $294,000.

Comparison of Prop. 90 Participant Assessed Values to Countywide Assessed Values

While the difference between assessed value and the home purchase prices has declined substantially between 2010 and 2014, the average $211,000 per home reduction in assessed value for 2014 applicants is not insignificant; however, it is important to recognize that aside from participants in the Prop. 90 program, many homeowners in El Dorado County benefit from paying property taxes that are based on assessed values that are substantially below the market value of their homes, due to the provision of Proposition 13 that limits assessed value increases to a maximum of 2.0 percent per year, unless a property is sold or improved. Table 1 summarizes information from the Assessor's memo.

Table 1: El Dorado County Prop. 90 Progam Participation

Year	Approved Applications	Average Replacement Sales Price	Average Base Year Assessed Value Transferred	Difference
2010	29	$546,000	$252,000	$294,000
2011	49	$459,000	$178,000	$281,000
2012	53	$456,000	$198,000	$258,000
2013	60	$506,000	$218,000	$288,000
2014	19 (23 pending)	$514,000	$303,000	$211,000

Source: El Dorado County Assessor's Office, memo dated August 1, 2014.

For comparison, BAE obtained data from the El Dorado County Assessor's Office, which indicates that the 2014 countywide average assessed value for single-family homes was approximately $304,000. As mentioned previously, data for the Prop. 90 program compiled by the Assessor's Office indicate that the average base value transfer for homeowners enrolling in El Dorado County's Prop. 90 program in 2014 (as of August 2014), was $303,000. Assuming that the standard California homeowner's property tax exemption of $7,000 applies to each of the Prop. 90 program participants, the net assessed value for the program participants would be $296,000. This means that the Prop. 90 program participants would be paying ad-valorem-property taxes equal to about 97 percent of the average for all owners of single-family homes, countywide. In other words, participants entering the Prop. 90 program in 2014 pay property taxes based on an assessed value that is very comparable to the average countywide assessed value for single-family homes.

It is also important to note that participation in the Prop. 90 program does not exempt homebuyers from paying increased property taxes on any improvements that they make to their property, subsequent to purchasing the property. Thus, if Prop. 90 homebuyers make renovations or other improvements to their properties that increase value, the Assessor would increase the assessed value accordingly, and higher property taxes would be paid. BAE inquired with the County Assessor's office to request information on whether they could provide information about the tendency for participants in the Prop. 90 program to make improvements to their properties after entering the program, but has not received information as of this date. To the extent that this does occur, the roughly three percent difference between the transferred base value granted to Prop. 90 program participants and the average countywide assessed value for single-family residences would be reduced.

Comparison of Estimated Prop. 90 Participant Property Tax Per Capita versus Estimated Countywide Property Tax Per Capita

Although the data presented previously indicates that homeowners participating in El Dorado County's Prop. 90 program pay property taxes based on assessed values that are very similar to the average countywide assessed value for single-family homes, it should also be pointed out that households qualifying for the Prop. 90 program are likely to be significantly smaller than the average countywide household size. This means that while property taxes paid will be comparable, on a per capita basis, the Prop. 90 households are likely to actually generate higher property tax revenues per capita than the overall average for all households occupying single-family homes in the county.

BAE analyzed population and household data collected by the U.S. Census bureau on El Dorado County households, in order to compare the average persons per household countywide, to the average persons per household for households where at least one member is aged 55 or over (i.e., the minimum qualifying age to participate in the Prop. 90 program). According to the data, the average household size in El Dorado County during the 2008-2012 period covered by the Census Bureau's American Community Survey, was 2.64 persons. In contrast, the average household size for households where at least one member aged 55 and over was 1.74 persons. This means that although the assessed value for homeowners participating in the Prop. 90 program was about three percent less than the countywide average, the number of persons generating demand for County services would likely be about 34 percent less for households participating in the Prop. 90 program, assuming that their household size follows is in line with the figure for all households aged 55 and over. Thus, on a property tax revenue per capital basis, households participating in the Prop. 90 program probably generate significantly more revenue than the average for all county households occupying single-family homes. Table 2 summarizes the average household size data.

Table 2: El Dorado County Average Household Sizes, 2008-2012

	El Dorado County	
	Total	Householder 55+ Years of Age
Total Population in Households	180,441	54,624
Total Occupied Housing Units	67,846	31,393
Persons per Household	2.64	1.74

Sources: U.S. Census Bureau, 2008-2012 ACS 5-year Estimate, 2015; U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement, 2012; BAE 2015

Overall Impact of Prop. 90 Program on County Property Tax Revenues

Even with increasing interest in the program, a very small portion of the County's annual home sale involve buyers who participate in the Prop. 90 program. For example, in the August 1 memo, the Assessor estimated that total homebuyers participating in the program for 2013 might reach 70 to 80 applications for the full year of 2014. This compares to 3,339 home sales in El Dorado County in 2013, according to the DQ News web site, or about two percent of the total sales from the prior year. The Assessor's memo further indicated that the cumulative effect of the Prop. 90 program was only about .00203% (i.e., two tenths of one percent) of the total countywide tax roll value.

Prop. 90 Participation and Other County Revenue Generation

The County's concern about the effect of the Prop. 90 program on property tax revenue is valid, given that 26.2 percent of the County's operating revenues comes from property taxes; however, this indicates that the vast majority of the County's other operating revenues come from other sources, that would not be affected by allowing qualifying homeowners to participate in the Prop. 90 program. Table 3 below summarizes the County's operating revenues for the 2013-2014 fiscal year, based on data from the El Dorado County, Counties Financial Transactions Report, 2014.

Table 3: El Dorado County Operating Revenues, FY 2013-2014

Revenue Source	Amount	% of Total
Property Taxes	$76,938,567	26.2%
Other Taxes	$14,764,958	5.0%
Licenses, Permits & Franchises	$7,583,415	2.6%
Fines, Foreitures & Penalties	$5,565,295	1.9%
Use of Money & Property	$532,373	0.2%
State	$87,052,783	29.6%
Federal	$42,669,003	14.5%
Other In-Lieu Taxes and Other Govt. Agencies	$9,316,020	3.2%
Charges for Services	$38,096,570	13.0%
Miscellaneous Revenues	$10,340,714	3.5%
Other Financing Sources	$31,740	0.0%
Operating Transfers In	$1,221,102	0.4%
Total	**$294,112,540**	**100.0%**

Source: El Dorado County, Counties Financial Transactions Report, 2014

Beyond ad-valorem property taxes, the only other County revenue source that could impacted by the Prop. 90 program is Property Tax In-Lieu of Vehicle License Fees (ILVLF). This is a revenue that the County distributes to local jurisdictions based on increases in the total assessed value within the jurisdiction. As assessed value increases, the ILVLF allocations increase proportionately. While the reduced Prop. 90 assessment granted to program participants would also translate to a reduced increase in the overall countywide assessed value, it has already been shown that the Prop. 90 program participants' assessed value is within a few percentage points of the average countywide assessed value for single-family homes; thus, their contribution to another important county revenue source, Property Taxes In-Lieu of Vehicle License Fees (ILVLF), which is based on the County's total assessed value, will also be near average.

Beyond property tax and ILVLF, which are affected only minimally by the Prop. 90 program, other County revenues should not be affected. Further, while the Prop. 90 program limits the amount of property tax assessment for participating homeowners to an amount that is comparable to the countywide average assessment, the data indicate that the homebuyers participating in the program are buying homes that are significantly more expensive than the average home sales price within the County. For example, as summarized in Table 1, the Assessor indicated that the average purchase price for homeowners participating in the Prop. 90 program in 2013 was $506,000 (rising to $514,000 in 2014). Meanwhile, according to DQ News, the average countywide home sales price in 2013 was $332,000.

More expensive home purchase prices are likely to correlate to higher levels of household wealth. As a result, Prop. 90 program participants are likely to have substantial financial resources and this would enhance their ability to pay for goods and services. Also, as homeowners, these program participants are likely to make higher expenditures on household furnishings, property maintenance services, and other homeowner related expenses, as opposed to renter households, who typically live in smaller units and do not have the same types of home maintenance expenses. This could translate to higher levels of expenditures in the local economy on goods and services for the Prop. 90 program participants, which would generate favorable increases in County sales tax revenues.

Demand for County Services by Residents 55 and Over

In addition to concerns regarding the Prop. 90 program's impact on County revenue, it is worth considering how the revenues generated relate to the service demands that are likely created by participants in the Prop. 90 program. The most significant finding in this regard is the fact that the average household size for households with at least one member who is aged 55 or older is significantly smaller than the average household size for all households in El Dorado County, as previously indicated in Table 2. This means that there are fewer persons per household to generate demand for services, which means that impacts on County service costs should be reduced as compared to the average El Dorado County household. Table 4 below shows the County's total operating expenditures, as reported in the Counties Annual Financial Transactions Report, for the 2013-2014 fiscal year. BAE has grouped and highlighted certain types of functions that represent major expenditure categories.

Table 4: Operating Expenditures, 2013-2014

Expenditure Category	Amount	% of Total
Legislative and Administrative	*$3,192,767*	*1.2%*
Finance	*$9,396,651*	*3.5%*
Counsel	*$2,756,559*	*1.0%*
Personnel	*$1,336,690*	*0.5%*
Elections	*$1,364,589*	*0.5%*
Communication	*$3,216,907*	*1.2%*
Property Management	*$4,815,758*	*1.8%*
Plant Acquisition	*$27,568*	*0.0%*
Promotion	*$1,255,999*	*0.5%*
Other General	*$15,402,520*	*5.8%*
Sub-total, General Government	**$42,766,008**	**16.1%**
Judicial	*$21,546,451*	*8.1%*
Police Protection	*$29,933,759*	*11.2%*
Detention and Correction	*$25,419,581*	*9.5%*
Sub-total, Criminal Justice	**$76,899,791**	**28.9%**
Flood Control	$1,642,482	0.6%
Protective Inspection	$5,244,593	2.0%
Other Protection	$15,072,660	5.7%
Roads	**$45,873,442**	**17.2%**
Public Health	*$10,354,016*	*3.9%*
Mental Health	*$12,263,659*	*4.6%*
Drug and Alcohol Abuse Services	*$1,534,182*	*0.6%*
Welfare	*$31,954,542*	*12.0%*
Social Services	*$15,495,563*	*5.8%*
General Relief	*$91,583*	*0.0%*
Veteran's Services	*$392,680*	*0.1%*
Other Public Assistance	*$2,498,770*	*0.9%*
Sub-total, Health and Social Services	**$74,584,995**	**28.0%**
Library Services	$3,156,580	1.2%
Recreation Facilities	$608,356	0.2%
Cultural Services	$114,177	0.0%
Transfers to Airport	$128,685	0.0%
Other Transfers	$133,270	0.1%
Total	**$266,225,039**	**100%**

Source: El Dorado County, Counties Financial Transactions Report, 2014

As shown in the table, major expenditure categories include General Government (16.1 percent of operating expenditures), Criminal Justice (28.9 percent), Roads (17.2 percent), and Health and Social Services (28.0 percent). The remaining expenditure categories combined represent only about 10 percent of the County's operating expenditures.

Service Demand from Prop. 90 Households for General Government Services

Due to their smaller average household size, households that participate in the Prop. 90 program are likely to generate a smaller demand for General Government services than the average El Dorado County household.

Service Demand from Prop. 90 Households for Road Services

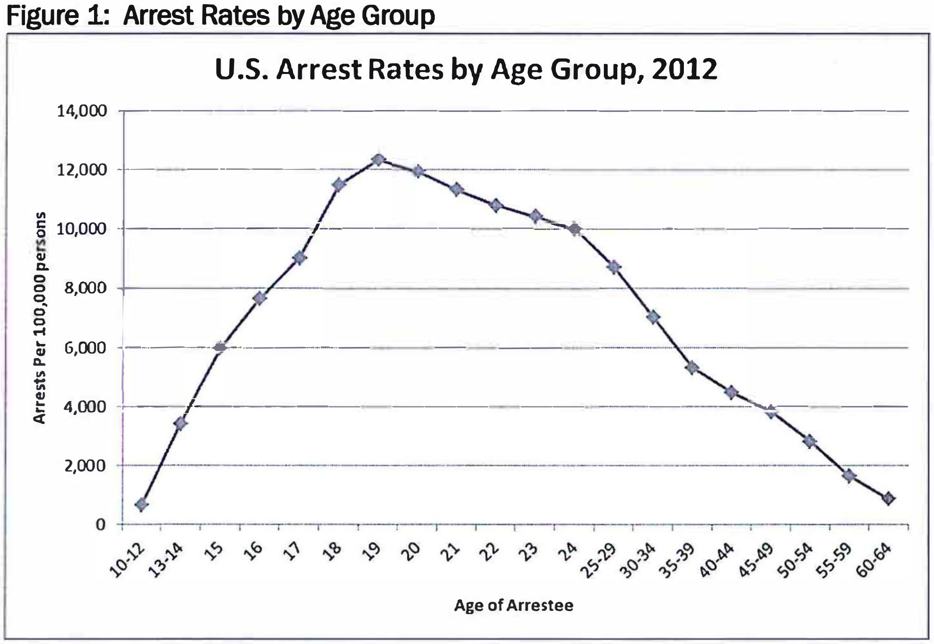
Due to their age, it is likely that households participating in the Prop. 90 program would drive less than average. For example, many of the people participating in the Prop. 90 program are retirees and, therefore, they would not have daily commuting needs. In addition, as they age, these older residents are likely to drive less frequently, and shorter distances.

Service Demand from Prop. 90 Households for Criminal Justice Services

Criminal Justice expenditures represent the single largest category of El Dorado County operating expenditures, and it is likely that households participating in the Prop. 90 program generate below-average demand for these services. The criminal justice system include functions such as the Sheriff's department patrol and investigation activities and arrests, review of charges and prosecutions by the District Attorney's office, criminal defense services provided by the Public Defender's office, jail services operating by the Sheriff's department, and various probation and parole services. Arrest statistics can provide an indicator of the level of demand that various age cohorts generate for the County's criminal justice system, because arrests should correlate fairly well with the activities of the rest of the criminal justice system.

Due to their age, homeowners participating in the Prop. 90 program are likely to generate demand for criminal justice services at rates that are substantially below average for county residents as a whole. As evidence of this, Figure 1 shows national statistics on the rate of arrests per 1,000 persons, by age group. As shown, the highest rates of arrests are associated with youth and young adults, with arrest rates declining precipitously as people age beyond about 20 years, with persons over the age of 55 years among the cohorts least likely to be arrested. This indicates that Prop. 90 participants are likely to have an impact on the County's criminal justice services that is substantially below average.

Figure 1: Arrest Rates by Age Group



Source: U.S. Bureau of Justice Statistics, 2014.

As further evidence of the limited impact of older households on the criminal justice system, Table 5 summarizes data regarding the El Dorado County Jail inmates as of January, 2015.

Table 5: El Dorado County Population and El Dorado County Jail Inmates

	El Dorado County	Residents 18 Years Old and Over	Residents 55 Years Old and Over
Total Population (a)	181,737	142,769	61,928
Percent of Total Population	100%	78.6%	34.1%
Percent of Population Aged 18 and Over	n.a.	100.0%	43.4%
		Total Inmates 18 and Over	**Total Inmates 55 and Over**
Total Inmates (b)		365	32
Percent of Inmate Population 18 and Over		100%	8.8%

Notes:

(a) Population reported by U.S. Census for 2013.

(b) Total inmates aged 18+ in El Dorado County Jail as of January 12, 2015.

Sources: U.S. Census Bureau, 2013 1 Year-Estimate, Tables B01003, DP05, 2015; El Dorado County, Jail Datalist, 2015; BAE 2015

As shown in the table, there were a total of 365 inmates (aged 18 and over) in the County jail. Of those, there were 32 who were aged 55 and over, representing about 8.8 percent of the inmate population. By comparison, the population aged 55 and over in El Dorado County represents about 43.4 percent of the County's total population aged 18 and over.

Both the national statistics and the statistics concerning the local resident population and the local inmate population make it clear that the demographics of those participating in the Prop. 90 program indicate that this population will generate substantially below-average demand for County criminal justice services.

Service Demand from Prop. 90 Households for Health and Social Services

In general, older households can tend to be significant users of health and social services and this could have an effect on demand for El Dorado County health and social services; however, many of the health and social services that El Dorado County provides tend to be "safety net" services, for people who are not able to pay privately for necessary services. According to County staff, most of the programs are not means tested, and for the most part, it is not possible to determine which percentage of the clientele for County senior services is lower-income households versus households at the income levels that would tend to participate in the Prop. 90 program.

Based on a review of the senior program descriptions, and funding information provided by County staff, it is BAE's opinion that Prop. 90 program participants should not generate demand for the County's senior services at a level such that the cost for the County to serve them would be out of line with the County revenues that these households would generate, based on the following considerations:

- Prop. 90 program participants are likely to be relatively well-off and not in need of County services for the elderly, based on their status as homeowners, with an average home purchase price of $514,000 as of 2014.
- Any demand for County health or social services created by Prop. 90 program participants, due to their age, would have a relatively small impact on the County General Fund as a whole:
    - As shown in Table 4, County expenditures for categories that might be particularly affected by households with members 55 and over - Public Health (3.9% of operating expenditures), Mental Health (4.6%), Social Services (5.8%) and Other Public Assistance (0.9%) – total to only about 15.3 percent of the County's 2013-2014 expenditures.
    - As shown in Table 6, of the programs targeted primarily to seniors, only the Public Guardian function and Long-Term Care Ombudsman are funded more than 50 percent by the General Fund (which receives property taxes). In other words, the reduced property taxes that Prop. 90 program participants pay has a relatively small impact on the resources that are used to pay for the senior services.

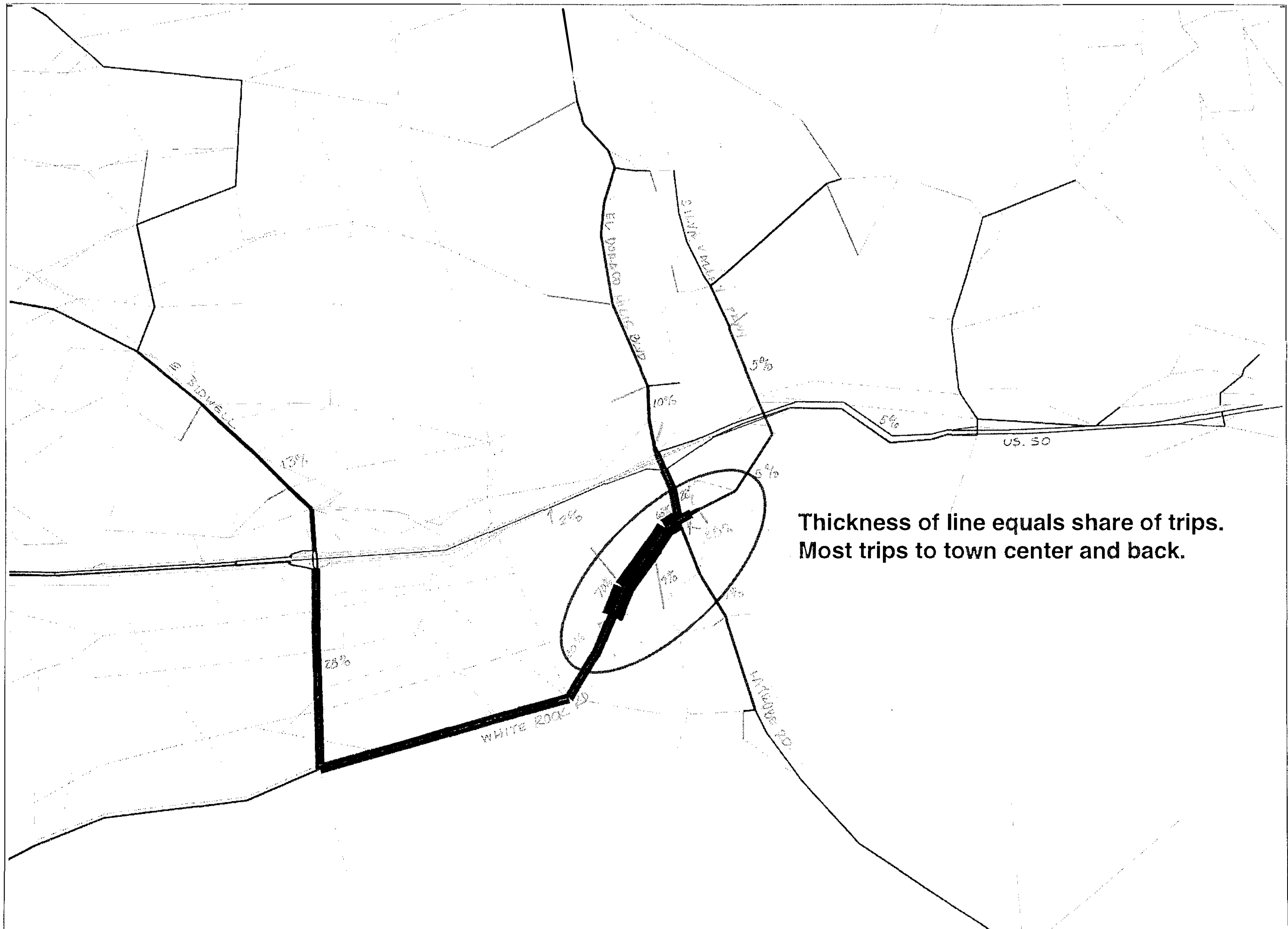
Table 6: General Fund Expenditures on Key Services for the Elderly

Program	Percent General Fund
Adult Protective Services	0%
In-Home Support Services	0%
Family Caregiver Support	41%
IHHS Public Authority	7%
Long-Term Care Ombudsman	62%
Multi-Purpose Senior Services	22%
Public Guardian	75%
Senior Day Care	43%
Senior Legal Services	47%
Senior Nutrition Services	48%
Senior Services	42%

Source: El Dorado County, Department of Health and Human Services, 2015.

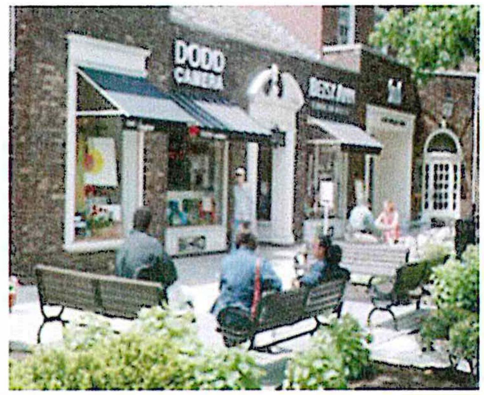
Potential Indirect Benefits from Homeowners Who Participate in the Prop. 90 Program

In the August 1, 2014 memo, the Assessor also noted that there appeared to be increased interest in the program, as indicated by the 2014 application levels, and that his discussions with property owners and real estate professionals indicated that the program "gives El Dorado County an economically competitive edge in the marketplace for property owners seeking to relocate from more inhabited areas of the state." In BAE's opinion, the increased demand for housing stimulated by the availability of the Prop. 90 program may help to maintain and enhance countywide residential property values, which may translate to stable or increased property values for all other single-family homes within the County.



Trips to and from Zone containing Four Seasons location to a new location for retirement. Increasingly communities are developing plans and strategies to attract these migrating retirees to their communities.

Amenity-seeking retirees can have a positive economic impact on communities where they relocate. They have above average incomes, educations, and work experiences. Although only a small percentage of retirees move interstate, the number is growing and many are choosing locations outside the traditional areas of Florida, California and Arizona. Many rural locations have gained popularity because they offer mild climates, scenic beauty, less congestion, low crime rates, a lower cost of living, and a small town environment.



Most retiree income is generated from transfer payments, pensions, and other unearned income. These income streams produce high employment multipliers since they are spent on goods and services. In addition, since many of these income streams are fixed, they do not vary with economic conditions, creating a stabilizing effect on the local economy.

The potential benefits of a retiree-attraction strategy are several. Local markets are stimulated by retiree in-migration, especially: entertainment, transportation, healthcare, housing, banking, financial services, insurance, utilities, household goods, and food. Economic stimulation occurs with little strain on social services, the criminal justice system, or schools. In-migrant

To a great degree, that would exclude Southern California at this point but the same high-price factor is also the reason, he believes, that many "equity-rich" Californians--having sold their long-occupied homes for excellent prices--are cashing in on the fates of economy.

The 50+ market is not only the fastest growing market sector but is also the wealthiest market sector in the country. Before retirement, members of this market saw their incomes grow at the fastest rate in America�s history. This market currently controls half of the country�s discretionary income.

According to Dr. Mark Fagan, professor in the Department of Sociology and Social Work at Alabama�s Jacksonville State University, members of this 50+ market

- Have 77 percent of the country�s personal financial assets
- Have 80 percent of the country�s savings account deposits
- Have 68 percent of all money market accounts
- Own 50 percent of all corporate stocks
- Purchase 48 percent of all new domestic automobiles
- Own their own homes (77 percent), which, in most cases, are worth 20 percent more than the national average

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STATELINE STORY

Retirees Boosting States' Rural Economies

March 04, 2006

By Proxy Author for Import

As members of the baby boom generation start searching for the perfect place to spend their golden years, states-especially ones not typically considered havens for senior citizens-are touting their quiet communities and unblemished surroundings in hopes of grabbing a share of the biggest retirement bonanza in world history.

Retirees relocate to areas with amenities that provide them with the comfortable lifestyle they desire for their retirement. Their steady incomes are not vulnerable to cyclic economic activity and are used primarily for discretionary spending. The impact of this discretionary spending usually occurs at the local level, leading to increased economic development and job creation in the community of relocation.

EMPIRICAL EVIDENCE FOR THE ECONOMIC IMPACT OF MOBILE RETIREES

When retirees move across state lines, their incomes boost the local economies at their destinations. On a statewide basis these annual sums can be quite large. The migrant retiree "industry" impacts major segments of the economies where they settle, including real estate, finance institutions, recreation, health, insurance, and retail.[20]

An "under the radar" industry is retirement migration. It is an industry in which many communities can compete, but, traditionally, neither economic developers or tourism officials have seen retirees as their area of focus. In fact, there are very few government or private organizations that are dedicated to tracking and promoting retirement as economic development.

A retiree couple is the equivalent of 3.7 manufacturing jobs, experts say. Retirees transfer their wealth from other US communities across state and county lines. They generally have higher disposable incomes, better educations and put much less a burden on our streets, infrastructure or schools. They are active volunteers in schools and in civic, cultural and religious organizations.

Retiring seniors bring cash

Households potential economic bonanza

By Eric Fleischauer
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Retirees, though often unpicked, are the low-hanging fruit of economic development.

�For smaller communities, in particular, attracting retirees is better, easier, and far more beneficial than trying to lure another factory for economic development.� Each in-migrating retiree couple produces the economic benefit to a community equal to that of 3.7 factory jobs. �And mature adults don�t put kids into schools, cause crime, or drain on social services,� advised Dr. Fagan.

Consider these facts, the results of research by Jacksonville State University professor Mark Fagan. The average retiree:

- Has $400,000 in assets.
- Has an annual income of $40,000.
- Does 85 percent of his or her spending locally.

Any new resident presents both a cost and a benefit to a community. Economists increasingly believe the net effect of retirees is positive. So positive, indeed, that the rule of thumb is that the economic value to a community of one retiree is about the same as 3.7 factory workers.

Some retirees have a negative impact on the community's tax coffers, but "migrant retirees" — those who move to their ideal retirement spot — almost always are a positive. In addition to their income and assets, they funnel Medicare and health insurance benefits to a community.

Retiree households bring assets to financial institutions; they hire services that amount to about 2.75 employees; they rarely bother police and they donate time to charities.

Why should you care about seniors?

- **First, they're growing in number:** By 2030, nearly one-fourth (22 percent) of Americans will be over age 60.
- **Second, they're growing wealthier:** Worldwide, the share of income for those over 60 is increasing and will continue to rise through 2020. And seniors spend proportionately more of their income on discretionary purchases like eating out than do other age groups.

But seniors uniformly say that retailers aren't meeting their needs. Here's why: Most retail shopping centers are focused on younger consumers who are busy with work and family and want to get in and out of stores quickly and efficiently. That's not what older shoppers want. For seniors who are retired and may have little social interaction, shopping is an enjoyable, leisurely activity they want to prolong. They don't like big stores, and they hate being treated impersonally.

Can you say "small-business advantage?" The very stores you're competing with—big-box chains—are the ones who aren't serving seniors in the way they want to be served. So what *do* seniors want when they shop? Here's some of wh Loa

Posted 4/18/2004 7:21 PM

Retirees provide attractive target for communities

When retirees move, they bring money from elsewhere in the form of private pensions and Social Security payments, as well as savings and investments. That's money spent locally, like the money paid to plant employees. But this money costs the new community nothing to generate — no relocation "bonus," no tax break, no polluted air. And just like plant salaries, this new money creates jobs.

Gene Warren, president of Thomas, Warren + Associates, a Phoenix-based company that advises public- and private-sector organizations on economic development, says, "The ratio of jobs created varies. But I would say the ratio is about 1.5 to 2.5 jobs per retiree family. ... Many of these are low-paying jobs, but many aren't. You get the service people in restaurants and retail stores. But you also get the storeowners and managers. You get doctors and medical technicians."

One of the reasons for the job growth is that older families spend more than their share of money. According to Warren's research, Arizona seniors, who made up 21% of the state's population in 1996, accounted for 34% of the total spending that year. Older residents of North Carolina did 42% of the state's total spending in 2000, even though they made up only 21% of the population.

But what about all they take away in government services? The fact is, says Mark Fagan, head of the Department of Sociology and Social Work at Jacksonville State University in Jacksonville, Ala., older people make up "the only population group that pays more in taxes than they cost in services."

Shopping and spending habits change with age. Older people enjoy shopping, not only as a necessity but also as a social and leisure experience. They shop often: Two-thirds of those aged 70 to 80 say they shop twice a week or more. They shop at different times, preferring to go on weekdays, and relatively early in the mornings, when the stores are less busy. The older they are, the more they prefer smaller stores and shopping closer to home (68 percent), and the more likely they are to walk to the shops rather than drive or be driven. Proximity is almost always a main reason for choosing a speci□c store.

Many Retirees Receive CalPERS Benefits After Leaving California

Thousands of CalPERS recipients leave California after retiring but still receive pension and retiree health care benefits from the state, the *Sacramento Bee*'s "The State Worker (http://www.sacbee.com/news/politics-government/the-state-worker/article20702106.html)" reports.

About 15% of the 561,000 CalPERS recipients spend retirement out-of-state, according to "The State Worker."