



## Memo

**To:** Guillon Inc.

**From:** Barbara Wyse, Highland Economics

**cc:**

**Date:** December 30, 2016

**Re:** Vineyard Crossing Agricultural Economic Feasibility and Economic Impact Study

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This memorandum presents findings from an agricultural economic feasibility and economic impact study of converting 23.62 acres of agricultural land (vineyard production) into a single-family residential development at the Vineyard Crossing project site (proposed Project) in Mendocino County, California. The proposed Project is located just north of the City of Ukiah, west of highway 101, between Lovers Lane and Masonite Industrial Road. West of the proposed project site are fallow and vineyard agricultural lands. This memo provides discussion and data on the following topics:

- Overview of the agricultural economy in Mendocino County, including production value and crop acreage for major commodities,
- Information on Mendocino County farmland acreage and trends,
- Agricultural economics of vineyard production at the proposed Project site,
- Project impact on adjacent agricultural lands,
- Project impact on Mendocino agricultural economy,
- Economic impact of constructing the proposed project, and
- Housing availability and affordability in the City of Ukiah.

### Findings

Based on the relative size and location of the proposed Project area, we expect that the proposed Project will have very limited impacts on the agricultural economy:

- Small (0.1 percent or less) incremental impact on the overall agricultural economy and agricultural land base in the County.
- Limited cumulative impact, even considering other past and recent development projects on the agricultural land base and overall agricultural economy. (Agricultural acreage data over the past 30 years indicate that there has been very limited conversion of agricultural lands, so cumulative impacts to date of land conversion are also expected to be small.)

- Little to no third-party impacts on adjacent agricultural lands.
- Limited adverse impact on county agricultural employment and income (up to 1.5 jobs and \$97,000 in income).
- Long-term agricultural production at the site is not certain based on data from the landowner/farmer that indicate that profitability of vineyard production on this parcel may be marginal.

Development of the site is expected to support short-term economic benefits due to local expenditures on project construction and long-term economic benefits due to increased housing supply and housing affordability (which, in turn, supports adequate labor supply and consumer demand for local businesses). While the short-term economic benefits of construction are quantified in this study, quantifying the beneficial effects of increased housing supply on quality of life, employment, and population growth is challenging (and outside the scope of this study). However, the long-term economic benefits of increased housing availability and affordability likely far outweigh the short-term effects of construction spending. Expected short and long-term economic benefits include:

- Within the foot print of the proposed Project, investment totals approximately \$6.3 million for construction of new roads and infrastructure and approximately \$21.4 million for home construction
- During the construction period, the Project would support an estimated 320 full and part-time jobs and \$11.0 million in labor income in Mendocino County (including indirect and induced in non-construction sectors)
- Project would increase property taxes on the Project site by approximately \$270,000 annually (with an unknown proportion of this increase revenue required for public services for the Project site and its residents).
- Project would increase housing supply in Ukiah, which is a city characterized by low housing vacancy rates (only 5.5 percent of housing units are vacant, compared to 8.5 percent statewide and 12.5 percent nationwide) and low housing affordability (17.3 percent of homeowners with mortgages have housing costs exceeding 30 percent of income, compared to 13.8 percent statewide and only 7.4 percent nationwide.)
- Increased housing availability can indirectly support the local economy by helping to retain and attract residents, which in turn supports an adequate labor supply and consumer demand for local businesses. Housing costs are a top concern for Mendocino residents who were asked in a recent survey about the future competitiveness of the Mendocino County economy.

Data, sources, and methods for these findings are described in detail below.

#### **Overview of Agricultural Economy in Mendocino County**

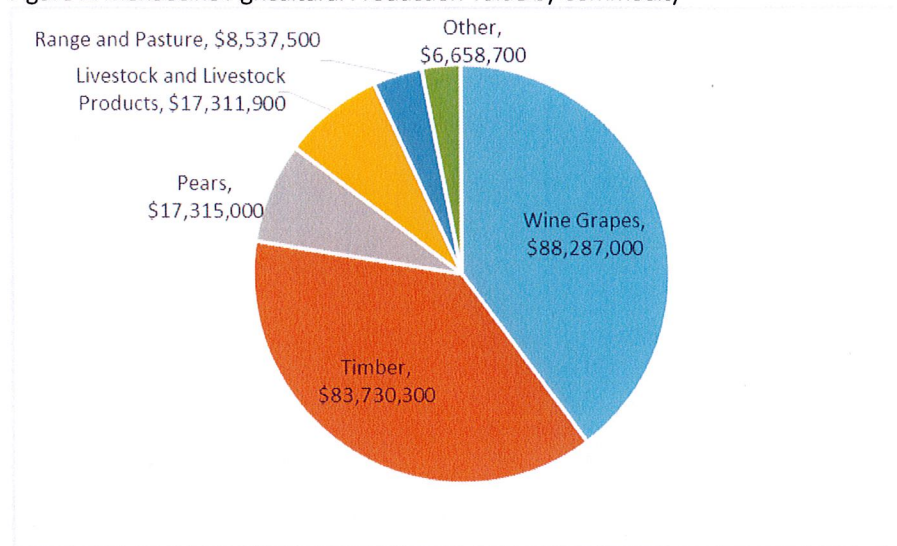
In 2015, total agricultural production in Mendocino County was valued at \$221.8 million, of which \$88.3 million (40 percent) was wine grapes produced on 16,862 bearing acres.<sup>1</sup> The second highest valued commodity is timber, valued at \$83.7 million (mill gross value), while the second highest valued crop is

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<sup>1</sup> County of Mendocino, 2015, "Mendocino County 2015 Crop Report", accessed online at: [http://www.co.mendocino.ca.us/agriculture/pdf/2015\\_crop\\_report\\_complete.pdf](http://www.co.mendocino.ca.us/agriculture/pdf/2015_crop_report_complete.pdf)

pears, valued at \$17.3 million produced on 1,316 bearing acres. Nearly all other agricultural value in the county is from forage crops (pasture and rangeland) and livestock or livestock products (primarily cattle and calves as well as milk). Production value by commodity is presented in **Figure 1** below.

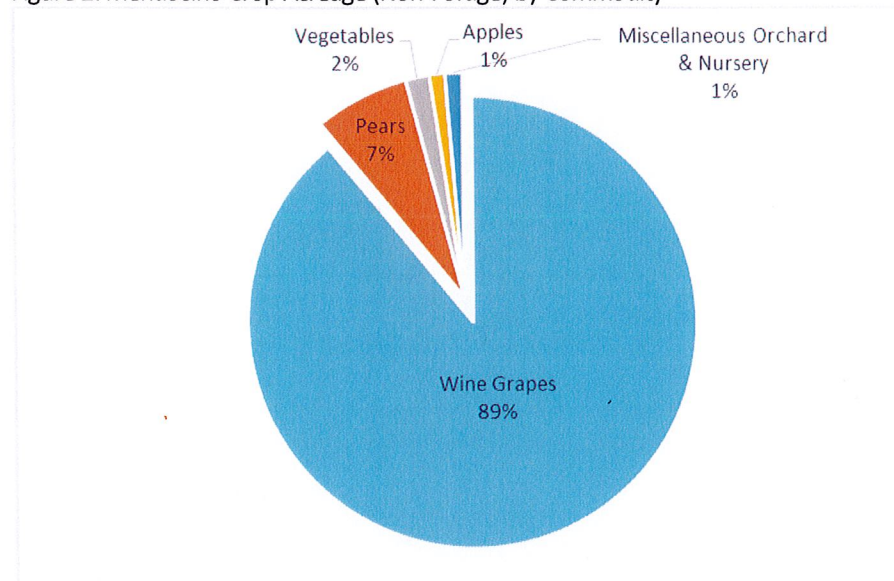
**Figure 1: Mendocino Agricultural Production Value by Commodity**



Source: Mendocino County 2015 Crop Report

Excluding rangeland and pasture, crop acreage in the county is predominantly planted in grapevines and orchards, with a small amount of acreage in vegetable and nursery crops. As shown in **Figure 2**, 89 percent of the 19,950 total acreage planted in non-forage crops is wine grape acreage (17,403 acres, including 16,862 bearing acres and 541 non-bearing acres).

**Figure 2: Mendocino Crop Acreage (Non-Forage) by Commodity**



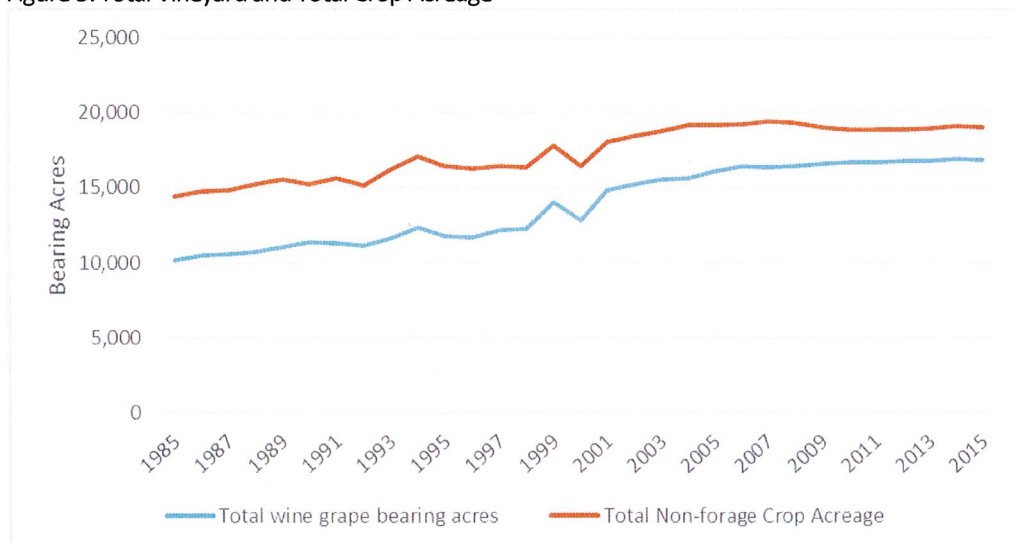
Source: Mendocino County 2015 Crop Report

### Farmland Acreage Trends

**Figure 3** presents Mendocino County vineyard acreage (blue line) and total crop (non-forage) acreage (orange line) from 1985 to 2015. The figure highlights that total acreage in non-forage crop production has increased over the last 30 years, increasing 32 percent from 14,442 acres to 19,018 acres, as published in the annual Mendocino County Agricultural Commissioner reports. Non-forage crop

production peaked in 2007 at 19,384 acres, and has bounced around slightly since then, with 2015 acreage just slightly under this peak (98.1 percent). With some variation annually, the trend for vineyard acreage over the last 30 years has been steady growth from 10,171 acres in 1985 to 16,862 acres in 2015, an increase of almost 66 percent. Vineyard expansion may continue, with the limiting factors for suitable lands likely being micro-climate and water availability.<sup>2</sup>

Figure 3: Total Vineyard and Total Crop Acreage<sup>1</sup>



Source: Mendocino County Crop Reports 1986 through 2015.

1/Includes fruit, nut, vineyard, vegetable, and nursery crop acreage, but excludes pasture and rangeland acreage. Excludes miscellaneous field crop acreage (alfalfa, barley, beans, corn, hay and oats), for which no acreage data are provided in the crop reports. Where possible, figures reflect the revised and updated estimate provided in the following year's report. Non-forage acreage prior to 1993 does not include vegetable acreage due to unavailable data.

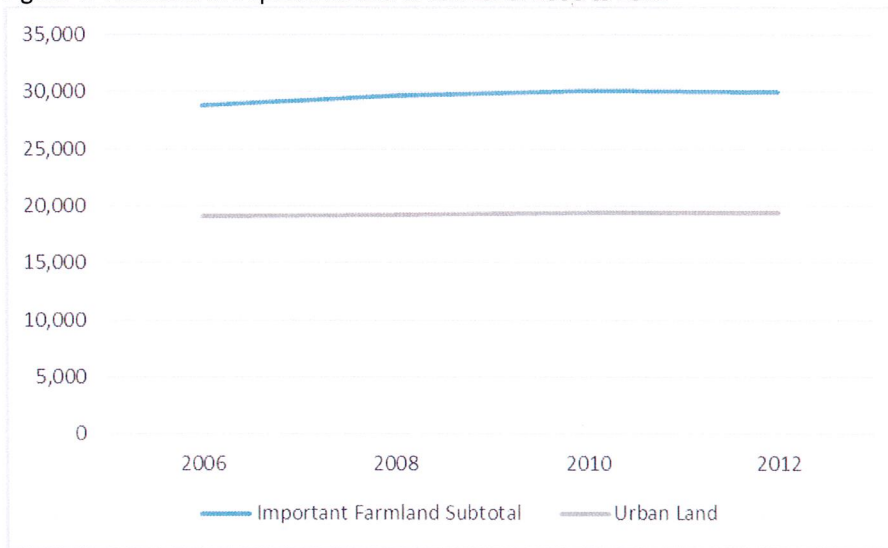
The California Department of Conservation (CDC) tracks farmland conversion at the county level throughout California for the following "important" agricultural farmland classifications: Prime Farmland, Farmland of Statewide Importance, Unique Farmland, and Farmland of Local Importance. The Department's Farmland Mapping and Monitoring Program (FMMP) first began publishing data on agricultural lands in Mendocino County in 2006 (thus limiting the time period for which data are available). As shown in **Figure 4**, for the time period of 2006 through 2012 for which data from CDC are available, the important farmland acreage in Mendocino County actually increased from 28,824 acres to 29,958 acres (although important farmland acreage peaked in 2010 at 30,092 acres, with a decrease of 134 acres of important farmland from 2010 to 2012, see **Table 1**).

In summary, total agricultural acreage in the county has been steady over the last fifteen years, indicating that conversion of working agricultural lands has not undermined or weakened the agricultural economy in Mendocino County. The proposed project would convert 23.62 acres of vineyard lands, or 0.12 percent of the 17,403 acres currently planted in vineyards in the County. These lands are classified as Prime Farmland or Unique Farmland, representing 0.074 percent of the 28,597 acres of land classified in these two categories in 2012 (see **Table 1**).

<sup>2</sup> Personal communication with Glenn McGourty, Mendocino County Extension, October 31, 2016.



Figure 4: Farmland of Importance and Urban Land: 2006 to 2012



Source: California Department of Conservation Division of Land Resource Protection (DLRP), Farmland Conversion Reports, 2006 to 2015.

Table 1: Mendocino County: Important Farmland Acreage from 2006 to 2012

Land Classification	2006	2008	2010	2012
Prime Farmland	20,689	21,107	21,347	21,239
Farmland of Statewide Importance	1,166	1,365	1,375	1,361
Unique Farmland	6,969	7,219	7,370	7,358
Farmland of Local Importance	0	0	0	0
Important Farmland	28,824	29,691	30,092	29,958

Source: California Department of Conservation Division of Land Resource Protection (DLRP), Farmland Conversion Reports, 2006 to 2015.

#### Agricultural Economics of Vineyard Production at Project Site

Based on data presented by the landowner/farmer, the economic viability of some of the lands proposed for development may be marginal. Net returns are currently negative on 10.7 acres of vineyard at the proposed project site, or approximately half of the vineyard acreage that would be converted by the proposed project (see **Table 2**). While net returns are positive on the remaining 10.4 acres of production at the Project site (block 8), even these net returns are 83 percent lower than for a similar block (block 1) of the same grape variety (Zinfandel) located just to the west (within the area proposed for conservation easement). This is due to a yield differential between the two sites: 3.8 tons per acre in the area proposed for development (block 1)<sup>3</sup> versus 6.55 tons per acre in the area proposed for conservation easement (block 1). Apart from inherent differences such as microclimate and soils at the two blocks, the landowner/farmer reports that grower-controlled factors affecting yield, such as age of the vines (both blocks were planted in 1997) and production practices and costs are the same between the two blocks. As shown in the final row of **Table 2**, with the current varieties, average net returns across all acreage at the proposed Project site are less than \$200 per acre. At this level of

<sup>3</sup> Note that this yield is similar to average red wine grape yields in Mendocino County as reported by the county crop report, but this average yield includes the yields of grape varieties, such as Pinot Noir that are lower than those grown at the Project site.

net return, relatively small shifts in grape prices or production costs could result in net losses being incurred on this acreage.

For comparison purposes, data from two UC Davis cost and return studies for wine grapes are presented in **Table 2**: one study is of biodynamic red and white wine grapes grown in Mendocino County, and one is of cabernet sauvignon grapes grown in Napa County. These provide some reference information, but are not directly comparable to the project site due to differences between varieties, agronomic practices (biodynamic versus conventional) and grape growing region. However, as shown in the table, per acre gross revenues at the proposed project site are less than the revenues indicated for any of the reference locations. Similarly, net revenues are also lower at the project site than for any of the reference locations, with the exception of the Mendocino County biodynamic wine grape study (which are negative, although we expect that most grape acreage in the county has positive net returns as grape acreage is expanding not contracting throughout the county). Total costs as reported by the landowner/farmer at the Project are also lower than the reference locations, which may indicate that the data from the grower omitted certain costs such as establishment costs, capital costs, or returns to management.

**Table 2: Yields, Revenues, Costs, and Net Returns at Project Site and Comparison Locations**

Location	Grape Variety	Acreage	Yield	Revenue	Costs <sup>1</sup>	Net Return
<i>Mendocino County (UC Davis Cost &amp; Return Study, 2016\$)</i>						
Mendocino	Biodynamic Red and White Wine Grapes	N/A	3.0	\$7,500	\$8,072	-\$572
<i>Napa County (UC Davis Cost &amp; Return Study, 2012\$)</i>						
Napa	Cabernet Sauvignon	N/A	4.5	\$20,048	\$16,346	\$3,701
<i>Conservation Easement Comparison Block</i>						
Block 1	Zinfandel	18.0	6.6	\$11,790	\$5,850	\$5,940
Blocks 2,3,4,7 <sup>2</sup>	Cabernet Sauvignon	71.6	4.1	\$8,640	\$5,750	\$2,890
<i>Weighted Average</i>				\$9,273	\$5,770	\$3,503
<i>Proposed Project Site</i>						
Block 8	Zinfandel	10.4	3.8	\$6,840	\$5,850	\$990
Block 5	Petite Verdot	7.4	2.9	\$5,655	\$5,750	-\$95
Old Vine	Zinfandel	3.3	1.8	\$3,600	\$5,250	-\$1,650
<i>Weighted Average</i>				\$1,447	\$1,250	\$197

1/ Includes all variable and fixed costs, including debt service payments.

2/ Weighted average for these blocks.

#### **Economic Impact on Agricultural Production Practices on Adjacent Agricultural Lands**

Impacts of the proposed Project on other agricultural landowners and operators are expected to be minimal. Housing developments adjacent to agricultural lands may increase crop production costs if production practices change in response to health and livability concerns in residential areas. For example, although “right to farm” laws limit the effect of developments on farm practices, adjacent residential developments may still result in farmers restricting the use of certain chemicals (such as Sulphur use to combat powdery mildew in organic vineyard production) on agricultural lands within

one-quarter of a mile from residential areas (the approximate distance that chemical sprays may drift).<sup>4</sup> Similarly, noisy activities such as harvesting may be restricted during night time hours on agricultural lands within one-quarter of a mile from residential areas.<sup>5</sup> However, based on maps and aerial photos of land uses on adjacent parcels, we believe that the only agricultural lands within one-quarter mile of the project site that are not already within such a distance of residential housing are lands owned by the proposed Project landowner. In other words, we expect little to no third-party impacts to other agricultural land owners. There are parcel(s) of land to the west of the proposed Project area that is owned by a different landowner; however, we expect that the impacts on these lands would be minimal for two reasons: 1) while these lands are agricultural, they have been out of production for some time, and 2) these lands are already adjacent to housing development located to the south of Lover's Land road, and so would already be affected by potential restrictions on farming practices due to proximity to residential areas. In summary, we expect little to no third-party impacts of the Project on surrounding agricultural producers.

### **Impacts on Mendocino County Agricultural Economy**

Based on data presented below on the agricultural economy in Mendocino County, we estimate that removing the 23.62 acres of vineyard in production at the proposed Project site would minimally affect total agricultural activity and the health of the overall agricultural economy. Specifically, we expect that the total employment impact of removing 23.62 acres from production would be a potential reduction in agricultural production value (farmgate gross value) of up to \$125,000 annually. We expect this level of production may support up to 1.5 agricultural jobs, or approximately 0.1 percent of the estimated 1,154 jobs in crop production sectors in 2015, and \$97,000 in agricultural income (including to farm proprietor and farm workers).

**Table 3** presents the number of business establishments, the average employment, and the annual payroll at vineyards and other closely related industries. Vineyard production directly supports on-farm employment and indirectly supports industries that provide inputs to agriculture, such as wholesalers of farm equipment and products, as well as businesses providing farm labor and custom support services to agriculture. Grapes harvested from local vineyards also support production at local wineries.

As shown in **Table 3**, in 2015, there were on average 643 employees in the vineyard industry, employed across 17,403 planted vineyard acres, for an average of 1 employee per 27 vineyard acres. Similarly for the supporting activities for crop production, there were approximately 340 employees across all 19,950 crop production acres, for an average of 1 employee per 59 acres. Thus, the data in **Table 3** suggest that approximately 1.5 jobs may be currently supported by the 23.62 acres of vineyard that would be converted by the proposed Project, or approximately 0.1 percent of the estimated 1,154 current jobs in crop production sectors (814 jobs in crop production plus the 340 jobs in the crop production support sector).<sup>6</sup> Assuming all Mendocino wineries are reliant on local wine grape production, then the 809 employees at county wineries indicate that approximately 1 local winery employee is supported for every 22 acres of wine grapes grown in the county (17,403 acres divided by 809 employees). Thus, potentially up to 2.5 jobs in the county may be supported by the 23.62 acres of vineyard at the proposed Project site. This represents approximately 0.008 percent of the

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<sup>4</sup> Personal communication with Glenn McGourty, Mendocino County Extension, October 31, 2016.

<sup>5</sup> Ibid.

<sup>6</sup> IMPLAN economic impact analysis of \$125,000 of vineyard production value (approximate estimated gross value of production on the project site) in Mendocino County provides a very similar estimate of 1.6 total county jobs (including direct, indirect, and induced effects) and \$97,000 in total county employee compensation.



approximately 32,000 jobs in the county (total county employment based on data from California Employment Development Department for 2015).

**Table 3: 2015 Mendocino County Number of Businesses, Employment, and Payroll**

Industry	Number of Establishments	Average Monthly Employment	Annual Payroll (\$1,000)
Crop Production	113	814	\$20,924
Grape Vineyards	86	643	\$16,562
Support Activities for Crop Production	12	340	\$10,092
Farm and Garden Equipment Wholesalers	3	20	\$1,368
Farm Product Merchant Wholesalers	Data suppressed (there are fewer than 3 establishments or a single employer makes up more than 80 percent of the employment).		
Wineries	43	809	\$38,680

Source: Quarterly Census of Employment and Wages (QCEW) Industry Detail, Annual Average for 2015

#### **Short-Term Economic Impact on County Economy of Project Construction Expenditures**

To develop the project will require investment of approximately \$6.3 million for construction of new roads and infrastructure and approximately \$21.4 million for home construction. These expenditures will increase demand for services from the local construction sector, as well as for building materials and related goods and services. As such, development of the site will support local jobs and income throughout the construction phase, including both directly in the construction industry and indirectly in business sectors supplying materials and services to construction companies. Additional ripple effects are induced in retail, service, and other sectors as employees in directly and indirectly affected industries spend their increased earnings. Thus, the total economic impacts of constructing the proposed include the direct, indirect, and induced effects. For example, for every \$100 estimated to be directly earned in the construction sector, an additional \$58 in labor income is earned in other sectors (for an income multiplier of 1.58). Similarly, for every direct 10 jobs supported in construction, nearly 7 jobs are supported in other sectors (for an employment multiplier of 1.66).

**Tables 4 through 6** summarize the estimated employment and labor income supported in Mendocino County by the proposed Project, which are estimated to total approximately 320 full and part-time jobs and \$11.0 million in labor income (which includes total employee compensation and proprietor income). As highlighted in **Tables 5 and 6**, the majority of jobs and income supported would be in construction; nearly all other jobs and income supported are in the service and trade sectors.

It is important to note that some of the direct, construction employees may not be residents of Mendocino County, but may rather be people who commute or temporarily re-locate to the county for the duration of the construction period. It is also important to note that employment estimates are the number of jobs that would be *supported* by Project construction (based on current relationships between demand and employment), and do not necessarily represent the number of *new* jobs that would be created. For example, the number of new jobs would be lower if increased demand for goods

and services were to be partially met through increased employee productivity or by employees working longer hours.

**Table 4: Summary of Short-Term Economic Impacts of Project Construction**

Impact Type	Employment (Full and Part-Time Jobs)	Labor Income
Direct Effect	190	\$6,991,000
Indirect Effect	85	\$2,557,000
Induced Effect	45	\$1,479,000
Total Effect	320	\$11,027,000

Note: Totals may not sum due to rounding.

**Table 5: Estimated Employment Impact by Industry**

Sector	Direct	Indirect	Induced	Total
Agriculture	0	<1	<1	~1
Mining	0	5	0	5
Construction	190	0	0	195
Manufacturing	0	~1	<1	~1
TIPU	0	5	0	5
Trade	0	50	10	60
Service	0	25	30	55
Government	0	<1	<1	~1
Total	190	85	45	320

Note: Totals may not sum due to rounding.

Source: Highland Economics analysis using 2014 IMPLAN model of Mendocino County.

**Table 6: Estimated Income Impact by Industry**

Sector	Direct	Indirect	Induced	Total
Agriculture	\$0	\$25,000	\$8,000	\$32,000
Mining	\$0	\$39,000	\$1,000	\$39,000
Construction	\$6,991,000	\$29,000	\$26,000	\$7,046,000
Manufacturing	\$0	\$60,000	\$7,000	\$67,000
TIPU	\$0	\$192,000	\$56,000	\$248,000
Trade	\$0	\$1,447,000	\$287,000	\$1,734,000
Service	\$0	\$714,000	\$1,051,000	\$1,765,000
Government	\$0	\$52,000	\$45,000	\$96,000
Total	\$6,991,000	\$2,557,000	\$1,479,000	\$11,027,000

Note: Totals may not sum due to rounding.

Source: Highland Economics analysis using 2014 IMPLAN model of Mendocino County.

### **Long Term Economic Impact of Increased housing Availability**

Long-term, the project will also increase housing supply in Mendocino County and the area of Ukiah in particular. While quantifying the beneficial effects of increased housing supply on quality of life, employment, and population growth is challenging (and outside the scope of this study), the long-term benefits likely far outweigh the short-term effects of construction spending. The City of Ukiah is experiencing a housing shortage, and the lack of housing availability and housing affordability is a top

economic and social concern in Mendocino County. As noted in the draft 2016 Mendocino-Sonoma Comprehensive Community Economic Development Strategy (CEDS), “Average earnings are not keeping up with housing costs”.<sup>7</sup> Also, a survey conducted to inform the CEDS found that housing cost was the top concern for Mendocino residents who were asked about the future competitiveness of the Mendocino County economy (based on 102 responses).<sup>8</sup>

**Table 7** highlights the data behind these concerns, particularly for the City of Ukiah. In terms of housing availability, on average for the period 2010 to 2014, only 5.5 percent of all housing units were vacant and only 3.3 percent of rental units were vacant. This is less than one-half of the average vacancy rates in the United States, and also notably lower than average vacancy rates elsewhere in California. The Census data may be overstating the availability of housing in the area. According to one local real estate professional, recent rental unit vacancy has been approximately one percent and vacancies for single family homes are even lower.<sup>9</sup> Earlier this year, the City of Ukiah’s General Plan Housing Element Update cited a vacancy rate of 1.5 percent for residential units.<sup>10</sup>

In terms of housing affordability, housing in the City of Ukiah is less affordable than elsewhere in California and the Nation. This is true both for Ukiah homeowners with mortgages (17.3 percent of whom pay more than 30 percent of their income in housing costs), and for Ukiah renters (53.1 percent of whom pay more than 30 percent of their income in housing costs). Increasing the supply of housing in Ukiah and surrounding areas, such as with the proposed Project, will help to increase affordability in the region.

**Table 7: Housing Availability and Affordability in Ukiah and Mendocino County compared to the State and Nation**

	United States	California	Mendocino County	City of Ukiah
<i>Housing Availability</i>				
% Vacant housing units	12.5%	8.5%	16.9%	5.5%
% Rental vacancy rate	6.9%	4.6%	4.0%	3.3%
<i>Housing Affordability</i>				
Monthly Housing Costs Exceeding 30% of Income				
Homeowners with Mortgages	7.4%	13.8%	11.4%	17.3%
Renters	48.3%	54.2%	54.3%	53.1%

Source: US Census Bureau 2010 to 2014 American Community Survey 5-Year Estimates

**Housing availability and affordability is intimately related to the rate of economic growth. An expensive and limited housing market can impede economic growth.** High housing costs make Ukiah less attractive as a place to live for current and potential new residents, particularly those with low to

<sup>7</sup> Sonoma-Mendocino Economic Development District, 2016, Innovate, Sustain, and Compete: Sonoma-Mendocino CEDS (DRAFT). Page 5.

<sup>8</sup> Source: Sonoma-Mendocino CEDS Survey (Q8). March 23 – April 25, 2016.

<sup>9</sup> Personal communication with Richard Selzer, Realty World, December 22, 2016.

<sup>10</sup> City of Ukiah. 2016. General Plan Housing Element Update, 2014-2019. Table 2, p. 7. Accessed online at <http://www.cityofukiah.com/NewWeb/wp-content/uploads/2012/12/City-of-Ukiah-Housing-Element-Final-2016.pdf>

moderate incomes, including students, young people, and retirees. Local businesses have difficulty attracting and retaining workers, while other local institutions such as colleges and training hospitals, have difficulty attracting and housing out-of-town students, as highlighted in several recent local news articles.

Specifically, an expensive and limited housing supply restricts economic growth by limiting both disposable income and population growth, which in turn, limits:

1. Local labor supply, which constrains the ability of local businesses to grow or to even locate in the Ukiah area,
2. Local consumer demand, which reduces the growth potential and diversity of local service and retail businesses. If a lack of housing is limiting the number or type of people living Ukiah, it will hinder the ability of people to work and spend money in the local area, constraining the economy.

The housing shortage can also cause social problems, such as a high rate of homelessness as people are unable to afford housing. Housing shortages can also lead to overcrowding of existing housing units, which may cause conflict amongst neighbors.

As such, by increasing the availability of housing, the proposed Project will have long-term economic and social benefits. In addition to making more units available to current and prospect residents, the proposed Project is expected to increase the overall affordability of housing in the area. The cost of housing tends to fall with greater housing supply; all else equal, by increasing the availability of housing, the project is expected to dampen the rising costs of housing in the area. Through these effects, the Project will enhance the local economy by helping to retain and attract residents, including workers for local businesses (thereby enhancing businesses' ability to expand or locate in the area).

Long-term, development of the site will also increase the total property taxes paid. Currently, information from the Mendocino County Assessor's office indicates that property taxes on the two parcels at the proposed Project site are approximately \$7,000 (based on a one percent tax rate of assessed value).<sup>11</sup> For the anticipated taxes after development, the Mendocino County Assessor's office said that a good estimate of the increased property tax receipts can be based on one percent of the costs of buildings and infrastructure, or \$277,000 (one percent of \$27.7 million), as the land itself would be taxed at the same rate.<sup>12</sup> This represents an increase in property tax revenue of approximately \$270,000; at least some portion of this would likely be used to meet the increased cost of public services to this area including schools, police, fire-fighting, etcetera).

In summary, by increasing the supply of housing and allowing for population growth, the proposed Project can help foster economic development by 1) increasing demand for local goods and services, 2) adding to the local labor supply, and 3) increasing local tax revenues.

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<sup>11</sup> Personal communication with Dave Brown, Mendocino County Assessor's Office, November 2, 2016.

<sup>12</sup> Note that this is the increased property tax median home price in Mendocino County is higher, but median property values also include the value of the land not just the structures. As the land at the site will be taxed similarly before and after the project, the value of the structures (which is usually assessed roughly equal to the construction cost) is the appropriate indication of the increased property tax at the site.