

## City of Pomona – Industrial Parcel Tax Capital Plan and Revenue Generation Scenarios

The City of Pomona engaged Willdan Financial Services to provide an analysis of revenue resulting from the implementation of a parcel tax imposed on industrial parcels in the City. The analysis also examines costs that could be funded with parcel tax proceeds. A parcel tax is a special tax on real property parcels within a geographically defined area. Parcel taxes are collected as part of a property tax bill. Parcel taxes cannot be based on the value of a parcel of property and are often imposed as a flat rate per parcel. Parcel taxes can also be imposed based on the area of a parcel. To implement a parcel tax two-thirds of voters must approve the tax.

### Infrastructure Costs

The City of Pomona Public Works Department provided planning level cost estimates for infrastructure needs related to industrial land uses throughout the City. All costs are presented in current 2022 dollars. The quantity of various infrastructure needs was identified using the City's GIS. In total, the City identified approximately \$1.2 billion of capital infrastructure costs associated with industrial land uses in the City. **Table 1** summarizes the industrial infrastructure capital plan.

**Table 1: Industrial Infrastructure Capital Plan**

	Unit Cost	Units	Quantity	Total Cost
<u>Paving</u>	\$	653 Linear Feet	1,144,685	\$ 747,948,626
<u>Intersection Enhancements</u>				
Concrete approaches	\$	1,400,000 Each	173	\$ 242,200,000
ITS technologies		150,000 Each	173	25,950,000
Traffic Signal upgrades		450,000 Each	173	77,850,000
De-emphasize (Curb Extension / Chicanes)		600,000 Each	143	85,800,000
Subtotal				\$ 431,800,000
<u>Street Lights (replace/relocate)</u>	\$	15,000 Each	835	\$ 12,525,000
Total				\$ 1,192,273,626

Source: City of Pomona.

To evaluate a realistic amount of capital needs that can be delivered this analysis assumes that 1.50% of total identified costs can be delivered annually. The resulting annual costs are subsequently compared to various revenue parcel tax generation scenarios. **Table 2** displays the calculation of the annual industrial parcel tax cost scenario.

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**Table 2: Annual Cost Scenario**

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Total Identified Project Costs	\$ 1,192,273,626
Annual Capacity (% of Total Costs)	1.50%
Annual Cost	\$ 17,884,104

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Sources: Table 1; Willdan Financial Services.

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### Eligible Industrial Parcels

City of Pomona staff used the Los Angeles County parcel database and GIS analysis to identify parcels that may be subject to the industrial parcel tax. Potential tax revenue has been calculated for various categories of industrial parcels.

The City must define which parcels are subject to the tax. For example, the tax may be levied on all industrial zoned parcels. Or the tax could be levied on all occupied parcels with an industrial use code, regardless of zoning.

**Table 3** summarizes various options the City has for identifying parcels eligible for the industrial parcel tax. Two primary options are presented. *Option 1* includes all parcels that are zoned with industrial land uses, except those with residential use codes. *Option 2* includes all parcels from the Option 1, plus parcels that contain industrial uses, but do not have industrial zoning. A brief description of the categories of relevant parcels follows.

**Table 3: Industrial Parcel Summary**

	Vacant Parcels	Estimated Square Feet	Occupied Parcels	Estimated Square Feet	Total Parcels	Total Estimated Square Feet
<b>Option 1<sup>1</sup></b>						
<u>Industrial Zoned Parcels</u>						
Industrial Use Code	115	3,183,956	639	55,215,012	754	58,398,968
Other Use Code <sup>2</sup>	41	1,382,177	291	14,228,521	332	15,610,698
Total	156	4,566,133	930	69,443,533	1,086	74,009,666
<b>Option 2<sup>3</sup></b>						
<u>Industrial Zoned Parcels</u>						
Industrial Use Code	115	3,183,956	639	55,215,012	754	58,398,968
Other Use Code <sup>2</sup>	41	1,382,177	291	14,228,521	332	15,610,698
<u>Non-Industrial Zoned Parcels</u>						
Industrial Use Code	60	7,324,655	224	11,347,497	284	18,672,152
Total	216	11,890,788	1,154	80,791,029	1,370	92,681,818

<sup>1</sup> Includes parcels with industrial use code and non-industrial use codes.

<sup>2</sup> Excludes 311 industrial zoned parcels with residential use codes.

<sup>3</sup> Includes industrial zoned parcels, plus parcels with industrial use codes that are not in industrial zones.

Sources: City of Pomona; Willdan Financial Services.

### Industrial Zoned Parcels

A total of 1,397 parcels with industrial-related zoning were identified within the City limits. Of those 311 had residential uses and are excluded from the potential parcel tax, leaving 1,086 eligible parcels with industrial zoning. The area of the parcels in terms of square footage was also identified. Use codes were used to identify occupied and vacant parcels. Industrial zoning includes the following designations:

- Commercial Industrial (C-IND)
- General Industrial (M-2)
- Light Industrial (M-1)
- Mission 71 Specific Plan
- Special Industrial

### Industrial Use Codes

The Los Angeles County parcel data includes a four digit use code for each parcel. The use code classifies the parcels by the various land uses found in the County. Industrial land uses are identified with use codes that begin with the number 3. A total of 1,038 parcels with an industrial use code were identified within the City limits. Parcels with an industrial use code may or may not be zoned industrial. There are 284 parcels with an industrial use code that do not have industrial zoning. Table 3 distinguishes between industrial use parcels that are zoned industrial, and not zoned industrial, respectively. Use codes were used to identify occupied and vacant parcels.

### Annual Revenue Scenarios – Tax per Square Foot

Based on discussion with City staff, a parcel tax based on the area of each parcel was preferred to a flat tax per parcel. This approach is more equitable, as larger parcels which demand more infrastructure will pay a higher tax compared to smaller parcels. Willdan estimated potential annual industrial parcel tax revenue for each group of industrial parcels under four scenarios:

- Parcel tax per square foot of \$0.05
- Parcel tax per square foot of \$0.10
- Parcel tax per square foot of \$0.15
- Parcel tax per square foot of \$0.20

The resulting annual tax revenue is compared to the annual capital cost scenario from Table 2. The results are shown in **Tables 4 through 8**.

**Table 4: Parcel Tax per Square Foot - Annual Revenue - \$0.05 per Square Foot**

	Tax per Square Foot	Vacant	Occupied	Total
<b>Option 1</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.05	\$ 159,198	\$ 2,760,751	\$ 2,919,948
Other Use Code	0.05	69,109	711,426	780,535
Total		\$ 228,307	\$ 3,472,177	\$ 3,700,483
Annual Infrastructure Cost		\$ 17,884,104	\$ 17,884,104	\$ 17,884,104
% of Annual Cost Funded		1%	19%	21%
<b>Option 2</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.05	\$ 159,198	\$ 2,760,751	\$ 2,919,948
Other Use Code	0.05	69,109	711,426	780,535
<u>Non-Industrial Zoned Parcels</u>				
Industrial Use Code	0.05	366,233	567,375	933,608
Total		\$ 594,539	\$ 4,039,551	\$ 4,634,091
Annual Infrastructure Cost		\$ 17,884,104	\$ 17,884,104	\$ 17,884,104
% of Annual Cost Funded		3%	23%	26%

Sources: Tables 2 and 3; Willdan Financial Services.

**Table 5: Parcel Tax per Square Foot - Annual Revenue - \$0.10 per Square Foot**

	<b>Tax per Square Foot</b>	<b>Vacant</b>	<b>Occupied</b>	<b>Total</b>
<b>Option 1</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.10	\$ 318,396	\$ 5,521,501	\$ 5,839,897
Other Use Code	0.10	138,218	1,422,852	1,561,070
Total		\$ 456,613	\$ 6,944,353	\$ 7,400,967
Annual Infrastructure Cost		\$ 17,884,104	\$ 17,884,104	\$ 17,884,104
% of Annual Cost Funded		3%	39%	41%
<b>Option 2</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.10	\$ 318,396	\$ 5,521,501	\$ 5,839,897
Other Use Code	0.10	138,218	1,422,852	1,561,070
<u>Non-Industrial Zoned Parcels</u>				
Industrial Use Code	0.10	732,466	1,134,750	1,867,215
Total		\$ 1,189,079	\$ 8,079,103	\$ 9,268,182
Annual Infrastructure Cost		\$ 17,884,104	\$ 17,884,104	\$ 17,884,104
% of Annual Cost Funded		7%	45%	52%

Sources: Tables 2 and 3; Willdan Financial Services.

**Table 6: Parcel Tax per Square Foot - Annual Revenue - \$0.15 per Square Foot**

	<b>Tax per Square Foot</b>	<b>Vacant</b>	<b>Occupied</b>	<b>Total</b>
<b>Option 1</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.15	\$ 477,593	\$ 8,282,252	\$ 8,759,845
Other Use Code	0.15	207,327	2,134,278	2,341,605
Total		\$ 684,920	\$10,416,530	\$11,101,450
Annual Infrastructure Cost		\$ 17,884,104	\$17,884,104	\$17,884,104
% of Annual Cost Funded		4%	58%	62%
<b>Option 2</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.15	\$ 477,593	\$ 8,282,252	\$ 8,759,845
Other Use Code	0.15	207,327	2,134,278	2,341,605
<u>Non-Industrial Zoned Parcels</u>				
Industrial Use Code	0.15	1,098,698	1,702,124	2,800,823
Total		\$ 1,783,618	\$12,118,654	\$13,902,273
Annual Infrastructure Cost		\$ 17,884,104	\$17,884,104	\$17,884,104
% of Annual Cost Funded		10%	68%	78%
Sources: Tables 2 and 3; Willdan Financial Services.				

**Table 7: Parcel Tax per Square Foot - Annual Revenue - \$0.20 per Square Foot**

	<b>Tax per Square Foot</b>	<b>Vacant</b>	<b>Occupied</b>	<b>Total</b>
<b>Option 1</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.20	\$ 636,791	\$ 11,043,002	\$ 11,679,794
Other Use Code	0.20	276,435	2,845,704	3,122,140
Total		\$ 913,227	\$ 13,888,707	\$ 14,801,933
Annual Infrastructure Cost		\$ 17,884,104	\$ 17,884,104	\$ 17,884,104
% of Annual Cost Funded		5%	78%	83%
<b>Option 2</b>				
<u>Industrial Zoned Parcels</u>				
Industrial Use Code	\$ 0.20	\$ 636,791	\$ 11,043,002	\$ 11,679,794
Other Use Code	0.20	276,435	2,845,704	3,122,140
<u>Non-Industrial Zoned Parcels</u>				
Industrial Use Code	0.20	1,464,931	2,269,499	3,734,430
Total		\$ 2,378,158	\$ 16,158,206	\$ 18,536,364
Annual Infrastructure Cost		\$ 17,884,104	\$ 17,884,104	\$ 17,884,104
% of Annual Cost Funded		13%	90%	104%

Sources: Tables 2 and 3; Willdan Financial Services.

### Example Taxes per Parcel

**Table 8** below illustrates the annual parcel tax amount corresponding with the four annual tax per square foot amounts tested above for various sized parcels. The tax per square foot is multiplied by the parcel square footage to determine the annual tax for a given parcel size. The example parcel sizes range from a quarter of an acre to 55,865 square feet, which is the average sized industrial zoned parcel in the City.

**Table 8: Example Annual Parcel Taxes**

	<b>Parcel Square Feet</b>	<b>Parcel Tax per Square Foot</b>	<b>Annual Parcel Tax</b>
<i><u>Parcel Tax of \$0.05 per Square Foot</u></i>			
1/4 Acre Parcel	10,890	\$ 0.05	\$ 545
1/2 Acre Parcel	21,780	0.05	1,089
One Acre Parcel	43,560	0.05	2,178
Averaged Sized Industrial Zoned Parcel	55,865	0.05	2,793
<i><u>Parcel Tax of \$0.10 per Square Foot</u></i>			
1/4 Acre Parcel	10,890	\$ 0.10	\$ 1,089
1/2 Acre Parcel	21,780	0.10	2,178
One Acre Parcel	43,560	0.10	4,356
Averaged Sized Industrial Zoned Parcel	55,865	0.10	5,587
<i><u>Parcel Tax of \$0.15 per Square Foot</u></i>			
1/4 Acre Parcel	10,890	\$ 0.15	\$ 1,634
1/2 Acre Parcel	21,780	0.15	3,267
One Acre Parcel	43,560	0.15	6,534
Averaged Sized Industrial Zoned Parcel	55,865	0.15	8,380
<i><u>Parcel Tax of \$0.20 per Square Foot</u></i>			
1/4 Acre Parcel	10,890	\$ 0.20	\$ 2,178
1/2 Acre Parcel	21,780	0.20	4,356
One Acre Parcel	43,560	0.20	8,712
Averaged Sized Industrial Zoned Parcel	55,865	0.20	11,173

Sources: Tables 4, 5, 6 and 7; Willdan Financial Services.

#### Flat Parcel Tax Scenario

While City staff indicated the preferred method of imposing an industrial parcel tax is per square foot, for comparison purposes this memorandum examines a flat parcel tax. The flat tax per parcel is calculated for the total number of parcels corresponding with Options 1 and 2 from Table 3, to annually fund 1.5% of the total capital budget. Under Option 2, a flat parcel tax would be lower than under Option 1, as the annual costs are spread over more parcels. **Table 9** presents the flat tax scenario.



**Table 9: Flat Tax per Parcel**

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Total Identified Project Costs	\$ 1,192,273,626
Annual Capacity (% of Total Costs)	1.50%
Annual Cost	\$ 17,884,104

*Option 1*

Total Parcels	1,086
Flat Parcel Tax per Parcel	\$ 16,468

*Option 2*

Total Parcels	1,370
Flat Parcel Tax per Parcel	\$ 13,054

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Sources: Tables 1 and 3; Willdan Financial Services.

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