

Nakase Project Fiscal Impact Analysis City of Lake Forest

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May 31, 2018

SRHA Job # 1337

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EXECUTIVE SUMMARY

The following is a summary of the projected fiscal impacts to the City of Lake Forest General Fund and selected special revenue funds for a proposed residential project on the 122-acre Nakase Nursery site at the southwest corner of the intersection of Bake Parkway and Rancho Parkway. The site's General Plan designation is Business Park. Therefore, the fiscal impacts are projected for both the proposed residential project and a hypothetical business park as an alternative development for the site.

The fiscal analysis is based on analysis of the City of Lake Forest, *Operating Budget, Fiscal Year 2017-18*, discussions with City staff during preparation of previous fiscal studies for the City and information provided by the developer. Projected impacts are presented in constant 2018 dollars with no adjustment for future inflation.

Development Descriptions after buildout

Proposed Residential Project. As shown in Table 1, the Residential Project proposes a total of 776 units, with 675 market rate product types, and a senior affordable community with 101 rental units. After buildout, population for the residential project is estimated at 2,163. Publicly maintained roads are estimated at 3.46 lane miles after buildout. Residential valuation is estimated at about \$741.57 million after buildout, and is projected to contribute annually about \$782,356 in property tax revenues to the City. Taxable retail sales to the residents of the proposed community are projected to annually generate \$331,097 of off-site sales and use tax to the City.

Hypothetical Business Park. This alternative includes an estimated 1,841,720 square feet of business park uses. As shown in Table 1, these uses are projected to generate 1,550 new jobs. Business park valuation is estimated at about \$476.47 million after buildout and is projected to add \$502,677 of property taxes to the City. Non-retail taxable sales from business park uses and off-site taxable sales from these new business park employees are projected to annually generate about \$368,344 in sales and use tax to the City.

Projected Fiscal Impacts after Buildout

As shown in Table 2, a recurring surplus of about \$640,731 is projected for the Proposed Residential Project and a recurring surplus of about \$540,905 is projected for a Hypothetical Business Park after buildout.

Table 1
Development Summaries after Buildout
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Development Alternatives	
	Proposed Residential	Hypothetical Business Park
Gross Acres		
Residential Acres	65.3	0.0
Business Park	0.0	102.0
Parks and Open Space Acres	28.1	0.0
Roads, Medians and Sidewalk Acres	<u>28.6</u>	<u>20.0</u>
Total Gross Acres	122.0	122.0
Housing Units		
Market Rate Single Family	675	0
Senior Affordable Rental	<u>101</u>	<u>0</u>
Total Housing Units	776	0
Population	2,163	0
Business Park Square Feet	0	1,841,720
Employment	0	1,550
Publicly Maintained Street Lane Miles	3.46	2.67
Assessed Valuation	\$741,569,844	\$476,470,467
<i>Projected Property Tax and Property Tax VLF to Lake Forest</i>	<i>\$782,356</i>	<i>\$502,677</i>
Projected Sales and Use Tax to Lake Forest	\$331,097	\$368,344

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers

Table 2
Projected Fiscal Impacts after Buildout
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Proposed Residential	Hypothetical Business Park	Difference (Residential minus Business Park)
Recurring Revenues	\$1,299,463	\$937,079	\$362,384
<i>minus</i>			
Recurring Costs	\$658,732	\$396,174	\$262,558
<i>equals</i>			
Recurring Surplus	\$640,731	\$540,905	\$99,826
Revenue/Cost Ratio	1.97	2.37	

Source: Stanley R. Hoffman Associates, Inc.

CHAPTER 1 INTRODUCTION

This report presents the projected fiscal impacts to the City of Lake Forest General Fund and selected special revenue funds after buildout for a proposed residential project versus a hypothetical business park.

1.1 Background

The 122-acre Nakase Nursery site is located at the southwest corner of the intersection of Bake Parkway and Rancho Parkway, as shown in Figure 1-1 as the Nakase Ranch. A 776 residential project with market rate products and senior units is proposed for the site. The site's General Plan designation is Business Park. Therefore, the fiscal impacts are projected for both the Proposed Residential Project and a Hypothetical Business Park as an alternative development for the site.

1.2 Methodology and Assumptions

The analyses in this report are based on the following methodology and assumptions from the following sources:

1. The fiscal methodology is the same as the methodology applied in previous fiscal analyses prepared by the consultant for previous City projects; most recently the 2013 *Opportunity Study* and the 2011 *Town Center Residential and Foothill Ranch Village*.
2. Cost and revenue functions pertaining to the City General Fund were derived through an analysis of the City of Lake Forest *Operating Budget, Fiscal Year 2017-18* and previous discussions with City staff.
3. Existing assessed valuation for the project was obtained from the Orange County Assessor tax roll.
4. Property tax allocation factors for the Tax Rate Area (TRA) in which the project is located were obtained from the Orange County Auditor Controller.
5. Land use descriptions, including infrastructure, and new residential valuation for the residential project are based on information provided by the project developer. Non-residential valuation is based on the *Lake Forest/Foothill Ranch/Rancho Santa Margarita Industrial Submarket Report, CoStar* prepared by Waronzo Associates, February 26, 2018.
6. Employment and taxable sales for the hypothetical business park are estimated based on information from County Assessor parcel data, U. S. Census data and State of California Employment Development Department.
7. Population for the non-senior residential units is estimated based on the citywide average of 2.98 persons per household for the City for January 1, 2017, from the California Department of Finance. Population for the senior units is estimated at 1.50 per unit based on U.S. Census *Public Use Microdata Survey* data.

Figure 1-1
Local Vicinity Map
Nakase Project Fiscal Impact Analysis, City of Lake Forest



Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers, *Nakase Nursery Area Plan, Draft*, January 2018

8. Projected impacts are presented in constant 2018 dollars with no adjustment for future inflation.

1.3 Overview

Chapter 2 presents the development descriptions for the Residential Project and a Hypothetical Business Park. Chapter 3 includes the projected fiscal impacts of the Residential Project and the Hypothetical Business Park. Revenue and cost factors used in the fiscal analysis are discussed in Chapter 4. Appendix A includes the methodology for developing key economic impact factors and indicators for the hypothetical Business Park Alternative. Appendix B contains the supporting tables for the fiscal assumptions, and Appendix C lists the project references used in the preparation of this report.

CHAPTER 2 DEVELOPMENT DESCRIPTIONS

This chapter presents the detailed land use assumptions, infrastructure requirements, estimated valuation and estimated taxable sales for the Residential Project in Section 2.1 and the Hypothetical Business Park in Section 2.2 for the Nakase site.

2.1 Residential Project

The land use plan for the proposed master planned Residential Project is shown in Figure 2-1.

2.1.1 Development Description after Buildout: Residential Project

Acres. As shown in Panel A of Table 2-1, a total of 122 gross acres are included in the proposed project, with about 65.3 acres planned for residential development, an estimated 28.1 acres of parks and open space, and the remaining 28.6 acres are for roads, medians and sidewalks.

Housing Units. A total of 776 housing units are planned for the proposed Residential Project, as shown in Panel B of Table 2-1. The units include a mix of 675 single family detached units ranging from about 2,020 square feet to 3,300 square feet. In addition, a senior affordable community of 101 rental units is planned, which represents 15 percent of the 675 for-sale products.

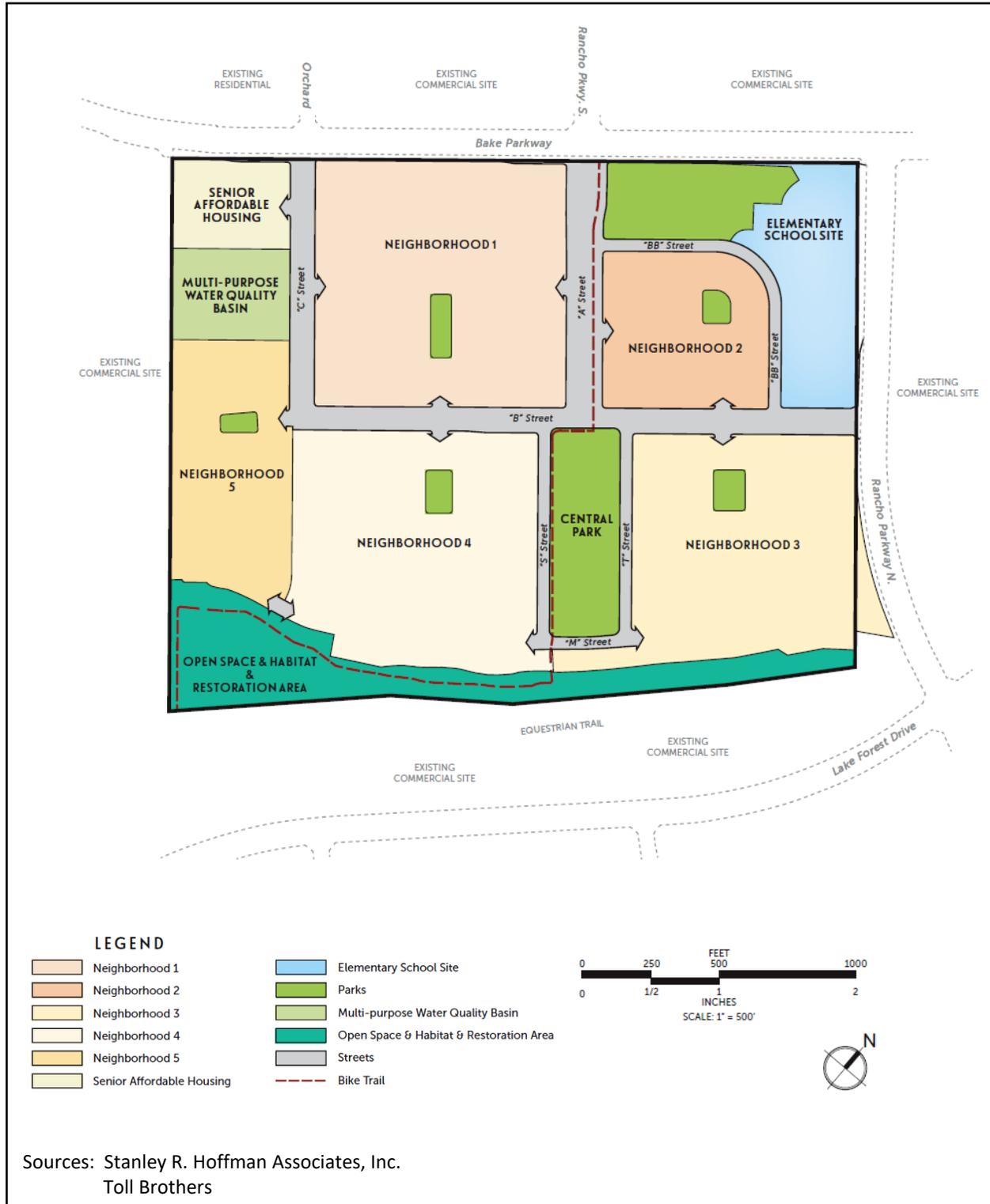
Population. Population is estimated 2,163 after buildout of the Nakase Residential Project. Based on the current citywide average household size of 2.98 persons per unit, population for the for-sale single family units is estimated at 2,012 after buildout. Based on U.S. Census *Public Use Microdata Survey* for the area, population for the senior units is projected at 1.50 persons per unit (see Appendix Table B-1), for an estimated population of 152 for the senior community.

Parks and Open Space Acres. Panel C of Table 2-1 presents the detailed uses for the 28.1 acres of park and open space acres for the Residential Project. The proposed park and open space will be maintained by a homeowners' association or a landscape maintenance district.

Publicly Maintained Lane Miles and Signalized Intersections. As shown in Panel D of Table 2-1, total publicly maintained lane miles are estimated at 3.46 by the project engineer. Detailed road segments are included in Table 2-2, and the illustrative circulation plan is presented in Figure 2-2.

As also shown Panel D of in Table 2-1, modifications to 2 existing signalized intersections are assumed at the project entrances: one on Bake Parkway and one on Rancho Parkway.

Figure 2-1
Residential Land Use Plan
Nakase Project Fiscal Impact Analysis, City of Lake Forest



Sources: Stanley R. Hoffman Associates, Inc.
 Toll Brothers

Table 2-1
Development Description after Buildout: Residential Project
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Land Uses	Proposed Residential Project
<u>A. Gross Acres</u>	
Residential Product Lots	61.4
Senior Affordable Rental Housing	<u>3.9</u>
Residential Subtotal	65.3
Parks and Open Space Acres	28.1
Roads, Medians and Sidewalk Acres	<u>28.6</u>
Total Gross Acres	122.0
<u>B. New Residential Units and Estimated Population</u>	
Neighborhood 1 (Garden Cluster)	182
Neighborhood 2 (Townhomes)	110
Neighborhood 3 (Cottage Homes)	142
Neighborhood 4 (Traditional Single Family)	145
Neighborhood 5 (Sky Terraces)	<u>96</u>
Subtotal	675
Senior Affordable Housing	<u>101</u>
Total Residential Units	776
<u>Estimated Population</u>	
Neighborhood Units (@ 2.98 persons per unit)	2,012
Senior Affordable Housing (@1.5 persons per unit)	<u>152</u>
Total Estimated Population	2,163
<u>C. Parks and Open Space Acres</u>	
Central Park	4.8
5 Neighborhood Parks	1.8
Open Space	10.4
Street Medians and Parkways	3.2
Water Quality Area	3.9
School Park	<u>4.0</u>
Total Parks and Open Space Acres	28.1
<u>D. Publicly Maintained Roads and Signalized Intersections</u>	
<u>Road Lane Miles</u>	
Bake Parkway (one turn lane)	0.06
Rancho Parkway (one turn lane)	0.06
Collectors	<u>3.34</u>
Total Lane Miles	3.46
<u>Modified Signalized Intersections</u>	
Bake Parkway and A Street	1.0
Rancho Parkway and B Street	<u>1.0</u>
Total Modified Signalized Intersections	2.0

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers
Hunsaker & Associates Irvine, Inc.

**Table 2-2
Publicly Maintained Roads: Residential Project
Nakase Project Fiscal Impact Analysis, City of Lake Forest**

Nakase Proposed Residential Project				
Road Segment	Lineal Feet	Lineal Miles	Number of Lanes	Lane Miles
<u>Arterials</u>				
Bake Parkway (turn lane)	310	0.06	1	0.06
Rancho Parkway (turn lane)	<u>310</u>	<u>0.06</u>	1	<u>0.06</u>
Total Arterials	620	0.12		0.12
<u>Collectors</u>				
A Street	990	0.19	4	0.76
B Street	2,247	0.43	4	1.72
C Street	988	0.19	2	0.38
BB Street	<u>1,246</u>	<u>0.24</u>	2	<u>0.48</u>
Total Collectors	5,471	1.05		3.34
<u>Total Lane Miles</u>				3.46

Sources: Stanley R. Hoffman Associates, Inc.
Hunsaker & Associates Irvine, Inc.
Toll Brothers, *Nakase Nursery Area Plan, Draft*, January 2018

2.1.2 Assessed Valuation and Property Tax: Residential Project

Table 2-3 summarizes the assessed valuation and projected property tax for the Residential Project. Average unit values by unit type are from the project developer.

Net Residential Valuation. As shown in Panel A of Table 2-3, new residential valuation for the Residential Project is estimated at about \$743,946,577 after buildout. Existing valuation for the project site is estimated at \$2,376,733 based on information from the County assessor files, as shown in Table 2-4. When the existing valuation is subtracted from the estimated new valuation, the net valuation for the Residential Project is estimated at \$741,569,844.

Projected Property Tax. Property tax is projected at \$396,740 after buildout of the Residential Project, as shown in Panel B of Table 2-3, which represents about 5.35 percent of the \$7,415,698 basic one percent property tax levy on the net new valuation. Property tax revenues are based on assessed valuation associated with the proposed development and the City's General Fund allocation according to Tax Rate Area (TRA) 30-007 in which the property is located, as presented in Appendix Table B-5.

Figure 2-2
Illustrative Circulation Plan: Residential Project
Nakase Project Fiscal Impact Analysis, City of Lake Forest

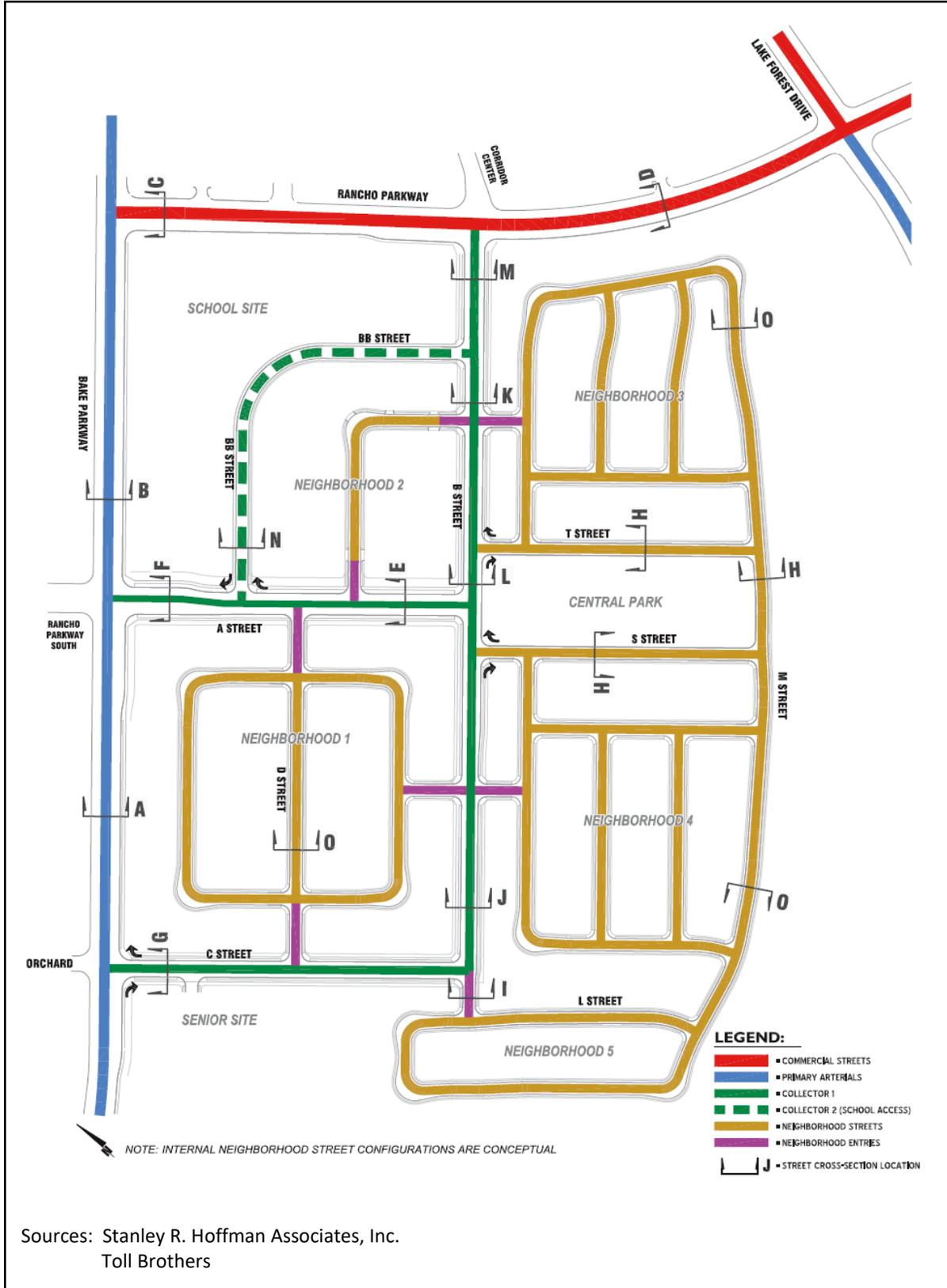


Table 2-3
Assessed Valuation and Property Tax after Buildout: Residential Project
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Proposed Residential Project	
A. NET NEW VALUATION		
Residential Units		
Neighborhood 1 (Garden Cluster)		182
Neighborhood 2 (Townhomes)		110
Neighborhood 3 (Cottage Homes)		142
Neighborhood 4 (Traditional Single Family)		145
Neighborhood 5 (Sky Terraces)		<u>96</u>
Subtotal		675
Senior Affordable Rental Housing		<u>101</u>
Total Residential Units		776
	Estimated Price per Unit	
Residential New Valuation		
Neighborhood 1 (Garden Cluster)	\$972,995	\$177,085,090
Neighborhood 2 (Townhomes)	\$944,995	\$103,949,450
Neighborhood 3 (Cottage Homes)	\$1,071,995	\$152,223,290
Neighborhood 4 (Traditional Single Family)	\$1,279,995	\$185,599,275
Neighborhood 5 (Sky Terraces)	\$1,039,995	<u>\$99,839,472</u>
Subtotal		\$718,696,577
Senior Affordable Rental Housing ¹	\$250,000	<u>\$25,250,000</u>
Total Residential Units		\$743,946,577
	<i>minus</i>	
Existing Valuation ²		\$2,376,733
	<i>equals</i>	
Net New Valuation		\$741,569,844
B. PROJECTED PROPERTY TAX		
Total Net New Property Tax (@ 1% of net new valuation)		\$7,415,698
	<i>times</i>	
City General Fund Share of New Property Tax		5.35%
	<i>equals</i>	
Projected New Property Tax		\$396,740
C. PROJECTED PROPERTY TAX - VLF		
Net New Valuation in Millions		\$742
	<i>times</i>	
Property Tax - VLF per \$1,000,000 Assessed Valuation		\$520
	<i>equals</i>	
Projected Property Tax VLF		\$385,616

1. The estimated price per unit for the senior affordable rental housing is based on the capitalized value of the average annual rent, as provided by the developer.
2. Existing valuation is presented in Table 2-4.
3. The calculation of property tax - VLF factor of \$520 per \$1,000,000 is included in Appendix Table B-6.

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers

Table 2-4
Existing Assessed Valuation: Nakase Site
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Assessor's Parcel Number	Tax Rate Area	2017-2018 Tax Year Assessed Value	1% Property Tax
612-221-01	30-007	\$2,376,733	\$23,767

Sources: Stanley R. Hoffman Associates, Inc.
County of Orange, Treasurer-Tax Collector, *2017-18 Secured Property Tax Bill*

Projected Property Tax – Vehicle License Fee (VLF). These revenues are received by the City to offset the State reduction of motor vehicle license fees. The amount received is calculated by the State and increases with the annual growth in assessed valuation citywide. As shown in Panel C of Table 2-3, property tax VLF is projected at \$385,616 after buildout of the Residential Project. VLF revenues are projected to increase at \$520 per \$1.0 million of increase in assessed valuation, as shown in Appendix Table B-6.

2.1.3 Sales and Use Tax: Residential Project

Retail taxable sales are generated by the new residents in the proposed residential development. Residential purchasing power is based on the assumption that residents will generate total retail purchases at 32 percent of household income. Household income is estimated at 24 percent of housing values. The fiscal analysis assumes that the City will capture 50 percent of the retail taxable purchases generated by the new residents. As shown in Panel A of Table 2-5, retail purchases from the new residents that are captured in the City are estimated at about \$28.57 million for the Residential Project after buildout.

As shown in Panel B of Table 2-5, annual retail sales and use tax is estimated at \$331,097 after buildout of the Residential Project. This estimate is based on estimated sales tax of \$285,675 at 1 percent of the captured taxable sales. In addition, the City receives use tax is estimated at about 15.9 percent of sales tax, as shown in Appendix Table B-8. For the projected sales tax of \$285,675, use tax is estimated at \$45,422.

Table 2-5
Sales and Use Tax after Buildout: Residential Project
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Proposed Residential Project
<u>A. Off-Site Residential Retail Taxable Sales Captured in Lake Forest</u>	
New Residential Valuation	\$743,946,577
Household Income (@ 24% of household valuation) ¹	\$178,547,178
Retail Taxable Sales (@ 32% of household income) ¹	\$57,135,097
Projected Off-Site Retail Taxable Sales Captured in Lake Forest (at 50% capture rate)	\$28,567,549
<u>B. Projected Off-Site Residential Retail Sales and Use Tax to Lake Forest</u>	
Sales Tax (@ 1% of captured taxable sales)	\$285,675
Use Tax (@ 15.9% of sales tax) ²	<u>\$45,422</u>
Projected Off-Site Residential Retail Sales and Use Tax	\$331,097

1. Household income is estimated at 24 percent of housing value and residential taxable purchases are estimated at 32 percent of household income, based on Consumer Expenditure Survey data. The fiscal analysis assumes the City will capture 50 percent of the taxable retail purchases from new households.
2. The calculation of the use tax factor is included in Appendix Table B-8.

Sources: Stanley R. Hoffman Associates, Inc.
Bureau of Labor Statistics, *Consumer Expenditure Survey*

2.2 Hypothetical Business Park

The 122-acre Nakase Nursery site at the southwest corner of the intersection of Bake Parkway and Rancho Parkway is designated as Business Park in the City General Plan. Therefore, the fiscal impacts are also projected for a hypothetical business park development for the site.

2.2.1 Development Description after Buildout: Hypothetical Business Park

Acres. As shown in Panel A of Table 2-6, about 102 acres of the 122-acre project site are assumed for business park buildings. Open space and roads are assumed for the remaining 20 acres.

Building Square Feet. As shown in Panel B of Table 2-6, square feet for the hypothetical business park buildings is estimated at 1,841,720 after buildout, at an average floor area ratio (FAR) of 0.415.

Employment. Employment is estimated by the fiscal consultant at 1,550 after buildout of the Hypothetical Business Park, as shown in Panel B of Table 2-6. Estimated employment associated

**Table 2-6
Development Description after Buildout: Hypothetical Business Park
Nakase Project Fiscal Impact Analysis, City of Lake Forest**

Land Uses	Hypothetical Business Park
<u>A. Gross Acres</u> ¹	
Business Park Acres	102.0
Open Space and Roads	<u>20.0</u>
Total Gross Acres	122.0
<u>B. Business Park</u>	
<u>Business Park Building Square Feet</u> ¹	
	1,841,720
<u>Business Park Employment</u> ²	
	1,550
<u>C. Publicly Maintained Road Lane Miles and Signalized Intersections</u> ³	
<u>Road Lane Miles</u>	
Bake Parkway (one turn lane)	0.06
Rancho Parkway (one turn lane)	0.06
Collectors	<u>2.55</u>
Total Lane Miles	2.67
<u>Modified Signalized Intersections</u>	
Bake Parkway and A Street	1.0
Rancho Parkway and B Street	<u>1.0</u>
Total Modified Signalized Intersections	2.0

1. Acres and building square feet are provided by Toll Brothers.
2. Business park employment is estimated based on a local land use and employment analysis and is presented in Appendix A.
3. Road lane miles for the hypothetical business park are included in Table 2-7.

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers
Hunsaker & Associates Irvine, Inc.

with the hypothetical Business Park is based on the current employment intensity of comparable business park-related parcels near the project site. This intensity factor, developed on a per acre basis, is then applied to the net developable acres for the Nakase parcel to estimate the total employment at current usage rates. Appendix A presents the methodology for the estimated employment.

Publicly Maintained Lane Miles and Signalized Intersections. As shown in Table 2-7, total publicly maintained lane miles are estimated at 2.67 by the fiscal consultant. This estimate includes the same arterial improvements to Bake Parkway and Rancho Parkway as the proposed Residential Project. Collectors are estimated at 2.55 lane miles based on a factor of 0.025 lane miles per non-residential acre for non-arterial roads that was provided by City Public Works' staff during preparation of the 2013 *Opportunity Study*.

As also shown Panel D of in Table 2-1, modifications to 2 existing signalized intersections are assumed at the project entrances: one on Bake Parkway and one on Rancho Parkway.

**Table 2-7
Publicly Maintained Roads: Hypothetical Business Park
Nakase Project Fiscal Impact Analysis, City of Lake Forest**

Hypothetical Business Park				
Road Segment	Lineal Feet	Lineal Miles	Number of Lanes	Lane Miles
Arterials¹				
Bake Parkway (turn lane)	310	0.06	1	0.06
Rancho Parkway (turn lane)	<u>310</u>	<u>0.06</u>	1	<u>0.06</u>
Total Arterials	620	0.12		0.12
Collectors²				
102 Acres of Business Park				2.55
Total Lane Miles				2.67

1. Arterial improvements for the hypothetical business park are assumed to be the same as the proposed residential project.
2. Estimated collectors are based on a factor of 0.025 lane miles per non-residential acre for non-arterial roads as provided by City Public Works' staff during preparation of other fiscal analyses.

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers
Hunsaker & Associates Irvine, Inc.
City of Lake Forest, *Opportunity Study Fiscal Impact Analysis*, September 9, 2013

2.2.2 Assessed Valuation and Property Tax: Hypothetical Business Park

Assessed valuation and projected property tax for the Hypothetical Business Park are presented in Table 2-8.

Net New Valuation. As shown in Panel A of Table 2-8, new valuation for the Hypothetical Business Park is estimated at about \$478,847,200 after buildout based on an estimate of \$260 per

Table 2-8
Assessed Valuation and Property Tax after Buildout: Hypothetical Business Park
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Hypothetical Business Park
A. NET NEW VALUATION	
<u>Business Park/Light Industrial Square Feet</u>	1,841,720
<u>Business Park New Valuation</u>	
Business Park (at \$260 per building square foot) ¹	\$478,847,200
	<i>minus</i>
Existing Valuation ²	\$2,376,733
	<i>equals</i>
Net New Valuation	\$476,470,467
B. PROJECTED PROPERTY TAX	
Total Net New Property Tax (@ 1% of net new valuation)	\$4,764,705
	<i>times</i>
City General Fund Share of New Property Tax	5.35%
	<i>equals</i>
Projected New Property Tax	\$254,912
C. PROJECTED PROPERTY TAX - VLF	
Net New Valuation	\$476,470,467
	<i>times</i>
Property Tax - VLF per \$1,000,000 Assessed Valuation	\$520
	<i>equals</i>
Projected New Property Tax VLF	\$247,765

1. The estimated average value is \$260 per square foot, as shown in Table 2-9.

2. Existing valuation is presented in Table 2-10.

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers

square foot. As shown in Table 2-9, based on sales during 2017 for space built over the 2000 to 2005 period, the weighted average value of business park/industrial space is estimated at \$260 per square foot. Existing valuation for the project site is estimated at \$2,376,733 based on information

Table 2-9
Estimated Average Value per Square Foot: Hypothetical Business Park
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

No.	Property	Year Built	Sale Date	Square Feet	Price	Price per Square Foot ¹
1	19652 Descartes	2000	9/25/2017	19,268	\$4,798,000	\$249
2	20503 Crescent Bay Drive	2001	7/5/2017	9,125	\$2,527,625	\$277
3	30400 Esperanza	2001	5/22/2017	9,536	\$2,460,500	\$258
4	28 Rancho Circle	2004	8/18/2017	9,368	\$2,427,998	\$259
5	27211 Burbank Street	2001	3/16/2017	9,426	\$2,356,500	\$250
6	30201 Aventura	2001	5/30/2017	9,784	\$2,300,000	\$235
7	30398 Esperanza	2001	7/10/2017	9,413	\$2,259,500	\$240
8	26 Rancho Circle	2003	11/17/2017	4,366	\$1,463,000	\$335
9	17 Rancho Circle	2004	11/17/2017	<u>4,383</u>	<u>\$1,425,000</u>	\$325
	Total			84,669	\$22,018,123	\$260

Weighted Average Price Per Square Foot \$260

1. The average price per square foot is rounded to the nearest whole number.

Sources: Stanley R. Hoffman Associates, Inc.
Waronzof Associates, *Lake Forest/Foothill Ranch/Rancho Santa Margarita Industrial Submarket Report, CoStar*, February 26, 2018

from the County assessor files, as shown in Table 2-10. When the existing valuation is subtracted from the estimated new valuation, the net valuation for the Hypothetical Business Park is estimated at \$476,470,467.

Table 2-10
Existing Assessed Valuation: Nakase Site
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Assessor's Parcel Number	Tax Rate Area	2017-2018 Tax Year Assessed Value	1% Property Tax
612-221-01	30-007	\$2,376,733	\$23,767

Sources: Stanley R. Hoffman Associates, Inc.
County of Orange, Treasurer-Tax Collector, *2017-18 Secured Property Tax Bill*

Projected Property Tax. As shown in Panel B of Table 2-8, property tax is projected at \$254,912 after buildout of the Hypothetical Business Park. This represents about 5.35 percent of the \$4,764,705 basic one percent property tax levy on the net new valuation. Property tax revenues are based on assessed valuation associated with the proposed development and the City's General Fund allocation, according to Tax Rate Area (TRA) 30-007 in which the property is located, as presented in Appendix Table B-4.

Projected Property Tax – Vehicle License Fee (VLF). Property tax VLF is projected at \$247,765 after buildout of the Hypothetical Business Park, as shown in Panel C of Table 2-8. These revenues are received by the City to offset the prior State reduction of motor vehicle license fees. The amount received is calculated by the State and increases with the annual growth in assessed valuation citywide. VLF revenues are projected to increase at \$520 per \$1.0 million of increase in assessed valuation, as shown in Appendix Table B-5.

2.2.3 Sales and Use Tax: Hypothetical Business Park

Table 2-11 summarizes the estimated sales and use tax captured by the City for the Hypothetical Business Park after buildout. Sales and use tax is estimated for the taxable sales generated by non-retail uses in the business park and for expenditures made by business park employees off-site.

On-Site, Non-Retail Sales and Use Tax. As shown in Panel A of Table 2-11, taxable sales from the 1,841,720 square feet of Hypothetical Business Park activities are estimated at \$22,316,280 after buildout. The methodology for the calculation of the estimated non-retail taxable sales is presented in Appendix A.

As shown in Panel A of Table 2-11, annual sales and use tax for the on-site Hypothetical Business Park activities is estimated at \$258,646 after buildout. This estimate is based on estimated non-retail sales tax of \$223,163 at 1 percent of the captured taxable sales. In addition, the City receives use tax at about 15.9 percent of sales tax, with \$35,483 for the projected use tax.

Business Park Employment Sales and Use Tax. The retail taxable sales generated by the new employees of the Hypothetical Business are presented in Panel B of Table 2-11. New employees are estimated to spend an average of \$7,633 annually based on the information included in Appendix A from the International Council of Shopping Centers. Off-site taxable sales for the 1,550

Table 2-11
Sales and Use Tax after Buildout: Hypothetical Business Park
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Hypothetical Business Park
A. ON-SITE BUSINESS PARK SALES AND USE TAX	
<u>Business Park/Light Industrial Square Feet</u>	1,841,720
<u>On-Site Business Park Taxable Sales</u> ¹	\$22,316,280
<u>Projected On-Site Business Park Sales and Use Tax</u>	
Sales Tax (@ 1% of taxable sales)	\$223,163
Use Tax (@ 15.9% of sales tax)	<u>\$35,483</u>
Total Projected On-Site Business Park Sales and Use Tax	\$258,646
B. BUSINESS PARK EMPLOYMENT SALES AND USE TAX	
<u>Business Park Employment Off-Site Taxable Sales Captured in Lake Forest</u>	
Average Annual Business Park Expenditures per Employee ²	\$7,633
Estimated Business Park Employment	1,550
	<i>times</i>
Business Park Employees Off-Site Taxable Sales	\$11,831,150
	<i>equals</i>
Estimated Capture Rate of Estimated Business Park Employment Off-Site Taxable Sales ³	80%
	<i>times</i>
Projected Employee Taxable Sales Captured in Lake Forest	\$9,464,920
	<i>equals</i>
<u>Projected Employment Retail Sales and Use Tax to Lake Forest</u>	
Sales Tax (@ 1% of captured taxable sales)	\$94,649
Use Tax (@ 15.9% of sales tax) ⁴	<u>\$15,049</u>
Projected Off-Site Employment Retail Sales and Use Tax	\$109,698

1. The estimated on-site business park taxable sales are presented in Appendix Table A-4.
2. The estimated taxable sales per business park employee is presented in Appendix Table A-5.
3. The City's 80 percent capture rate of off-site taxable sales by employment is the fiscal consultant's estimate based on the assumption that workers generally purchase most of their food and convenience items near their place of work.
4. The calculation of the use tax factor is included in Appendix Table B-8.

Sources: Stanley R. Hoffman Associates, Inc.

employees of the Hypothetical Business Park are estimated at \$11,831,150, as shown in Panel B of Table 2-11. The fiscal analysis assumes that the City will capture 80 percent of the retail taxable purchases generated by the new employees, or \$9,464,920.

As shown also shown in Panel B of Table 2-11, annual sales and use tax for employment taxable sales made off-site is estimated at \$109,698 after buildout. This estimate is based on estimated sales tax of \$94,649 at 1 percent of the captured taxable sales of \$9,464,920. In addition, the City receives use tax at about 15.9 percent of sales tax, representing \$15,049 for the projected sales tax of \$94,649.

CHAPTER 3 FISCAL IMPACTS

This chapter presents the fiscal analysis of the Residential Project and the Hypothetical Business Park. Fiscal impacts are projected for the City General Fund based on the City Fiscal Year 2017-18 Budget. Fiscal impacts are projected in constant 2018 dollars.

As shown in Table 3-1, a recurring surplus of about \$640,731 is projected for the Proposed Residential Project and a recurring surplus of about \$540,905 is projected for a Hypothetical Business Park after buildout.

Table 3-1
Projected Fiscal Impacts after Buildout
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Proposed Residential	Hypothetical Business Park	Difference (Residential minus Business Park)
Recurring Revenues	\$1,299,463	\$937,079	\$362,384
<i>minus</i>			
Recurring Costs	\$658,732	\$396,174	\$262,558
<i>equals</i>			
Recurring Surplus	\$640,731	\$540,905	\$99,826
Revenue/Cost Ratio	1.97	2.37	

Source: Stanley R. Hoffman Associates, Inc.

3.1 Residential Project

The following Table 3-2 presents the projected fiscal impacts to the City General Fund for the Residential Project. A recurring surplus of about \$640,731 is projected for the total Residential Project after buildout. The projected surplus is based on recurring revenues of about \$1.30 million and projected recurring costs of about \$658,732.

Recurring Revenues. As shown in Table 3-2, total annual recurring revenues for the Residential Project are projected at about \$1.30 million after buildout. Key General Fund revenues for the total Residential Project after buildout include property tax (30.5 percent of total recurring

Table 3-2
Projected Fiscal Impacts after Buildout: Residential Project
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Proposed Residential Project	
	Amount	Percent of Total
<u>Recurring Revenues</u>		
Property tax	\$396,740	30.5%
Property taxes - VLF Backfill	385,616	29.7%
Property transfer tax	16,367	1.3%
Sales and use tax: off-site residential	331,097	25.5%
Franchise fees	39,873	3.1%
Park and recreation fees	20,224	1.6%
Other fees and charges	1,344	0.1%
Fines and forfeitures	7,041	0.5%
Interest on investments	23,966	1.8%
State gasoline tax ¹	44,647	3.4%
Measure M turnback allocation ¹	<u>32,548</u>	<u>2.5%</u>
Total Recurring Revenues	\$1,299,463	100.0%
<u>Recurring Costs</u>		
General government	\$74,957	11.4%
Police services	296,050	44.9%
Development services	5,299	0.8%
Public works: engineering	14,124	2.1%
Public works: public facilities maintenance	86,282	13.1%
Public works: NPDES	20,765	3.2%
Public works: street maintenance ³	50,516	7.7%
Public works: signalized intersections	4,300	0.7%
Public works: overhead	6,811	1.0%
Community services	<u>99,628</u>	<u>15.1%</u>
Total Recurring Costs	\$658,732	100.0%
<u>Net Recurring Surplus</u>	\$640,731	
Revenue/Cost Ratio	1.97	

1. State gasoline tax and Measure M revenues are earmarked for street related services.
2. The project's parks and recreation facilities will be maintained by a homeowner's association and do not represent a cost to the General Fund.
3. Street maintenance costs are projected for publicly maintained streets.

Source: Stanley R. Hoffman Associates, Inc.

revenues), property tax-VLF (29.7 percent of total recurring revenues) and off-site retail sales and use tax (25.5 percent of total recurring revenues). These three revenue sources account for approximately 85.7 percent of total recurring revenues after buildout.

Recurring Costs. Total recurring costs to the General Fund are projected at \$658,732 after buildout of the Residential Project, as shown in Table 3-2. The largest projected recurring cost is police protection at about 44.9 percent of total recurring costs. The second largest cost is community services at about 15.1 percent of total projected recurring costs. Maintenance for City public facilities is projected at about 13.1 percent of total recurring costs, and general government services are projected to account for about 11.4 percent of total recurring costs. These four costs account for about 84.5 percent of total recurring costs after buildout.

3.2 Hypothetical Business Park

A recurring surplus of \$540,905 is projected for the Hypothetical Business Park after buildout, as shown in Table 3-3. The projected surplus is based on recurring revenues of \$937,079 and projected recurring costs of about \$396,174.

Recurring Revenues. Total annual recurring revenues for the Hypothetical Business Park are projected at \$937,079 after buildout. As shown in Table 3-3, major General Fund revenues for the total Hypothetical Business Park after buildout include on-site non-retail, business park sales and use tax (27.6 percent of total recurring revenues), property tax (27.2 percent of total recurring revenues) and property tax-VLF (26.4 percent of total recurring revenues). These three revenue sources account for approximately 81.02 percent of total recurring revenues after buildout.

Recurring Costs. Total recurring costs are projected at \$396,174 after buildout of the Hypothetical Business Park. The largest projected recurring cost is police protection at about 53.5 percent of total recurring costs. The second largest cost is maintenance for public facilities at about 15.6 percent of total recurring costs. General government services are projected to account for about 11.4 percent of total recurring costs. These three costs account for about 80.5 percent of total recurring costs after buildout.

Table 3-3
Detailed Projected Fiscal Impacts after Buildout: Hypothetical Business Park
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Hypothetical Business Park	
	Amount	Percent of Total
<u>Recurring Revenues</u>		
Property tax	\$254,912	27.2%
Property taxes - VLF Backfill	247,765	26.4%
Property transfer tax	13,103	1.4%
Sales and use tax: on-site business park	258,646	27.6%
Sales and use tax: off-site employment	109,698	11.7%
Franchise fees	28,573	3.0%
Other fees and charges	963	0.1%
Fines and forfeitures	5,046	0.5%
Interest on investments	<u>18,374</u>	<u>2.0%</u>
Total Recurring Revenues	\$937,079	100.0%
<u>Recurring Costs</u>		
General government	\$45,080	11.4%
Police services	212,149	53.5%
Development services	3,798	1.0%
Public works: engineering	10,122	2.6%
Public works: public facilities maintenance	61,830	15.6%
Public works: NPDES	14,880	3.8%
Public works: street maintenance	38,982	9.8%
Public works: signalized intersections	4,300	1.1%
Public works: overhead	<u>5,035</u>	<u>1.3%</u>
Total Recurring Costs	\$396,174	100.0%
<u>Net Recurring Surplus</u>	\$540,905	
Revenue/Cost Ratio	2.37	

Source: Stanley R. Hoffman Associates, Inc.

CHAPTER 4 FISCAL FACTORS

This chapter presents general demographic, employment and fiscal factors used for preparing the Nakase Project fiscal analysis.

4.1 General Assumptions

Table 4-1 provides the general assumptions for this fiscal analysis.

Population

The City's population of 84,931 is based on the California State Department of Finance (DOF) estimates as of January 1, 2017.

Housing Units

The City's housing stock is comprised of an estimated 28,995 housing units, according to State Department of Finance (DOF) estimates as of January 1, 2017.

Persons per Household

The 2017 average persons per household for Lake Forest is estimated at 2.98 persons based on dividing the household population estimate of 84,416 by the 28,300 estimated occupied housing units. Based on the Census 2010 *Public Use Microdata Survey*, the average persons per household for senior rentals is estimated at 1.50, as shown in Appendix Table B-1.

Employment

Based on data from the Southern California Association of Governments (SCAG), *Adopted 2016 Regional Transportation Plan (RTP) Growth Forecast*, the City's 2017 total employment is estimated at 42,550. This estimate represents an interpolation of the 2012 and 2020 SCAG employment estimates for the City, as shown in Appendix Table B-2

Service Population

Several revenues and costs are impacted by both population and employment growth, such as franchise taxes and police costs. Therefore, these fiscal factors are estimated by allocating total budgeted revenues or costs to both population and employment, or the City's service population. As shown in Table 4-1, the service population for Lake Forest is estimated at 127,841 and includes the resident population of 84,931 and the estimated employment of 42,550.

Table 4-1
Summary of General Assumptions
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Assumption	Description
	<u>Population and Housing</u> ¹
84,416	Household Population
<u>515</u>	Group Quarters
84,931	Total Resident Population
28,300	Occupied Housing Units
28,995	Total Housing Units
2.98	Average Household Size, All Units
1.50	Average Household Size, Seniors 55 Years and Over, Rentals
	<u>Employment</u>
42,550	Total Employment
	<u>Service Population</u> ³
84,931	Total Resident Population
<u>42,550</u>	Total Employment
127,481	Total Service Population

1. Citywide population and housing estimates are for January 1, 2017 as provided by the California Department of Finance (DOF). The average household size of 1.50 for Senior rental housing is based on data from Census 2010, as shown in Appendix Table B-1.
2. The total employment estimate is for 2017 based on an interpolation of the 2012 and 2020 estimates from the Southern California Association of Governments, (SCAG) 2016 Adopted forecast.
3. Service population represents the total resident population plus the total City estimated employment.

Sources: Stanley R. Hoffman Associates, Inc.

State of California, Department of Finance, *E-5 Population and Housing Estimates for Cities, Counties and the State, 2011-2017*, Sacramento, California, May 2017

U.S. Bureau of the Census, *Public Use Microdata Survey (PUMS)*, 2010

Southern California Association of Governments (SCAG), *Adopted 2016 Regional Transportation Plan (RTP) Growth Forecast*

4.2 Revenue Factors

The City's revenue sources are divided into two major sources: General Fund Revenues and Special Fund Revenues. General Fund revenues are allocated among the following seven major categories, as shown in Appendix Table B-2:

1. *Property and Other Taxes* includes property taxes, property tax –vehicle in lieu, property transfer tax, sales and use tax, transient occupancy tax, and franchise fees;
2. *Licenses and Permits* include building permit fees and sign permits;
3. *Revenues from Other Governments* includes excess DMV fees and waste disposal agreement fees;
4. *User Fees and Charges* includes plan check fees, fire plan check fees, planning and zoning fees, massage permit fees, engineering fees, park reservation fees, community event fees, facility rentals, recreation programs and classes fees, sponsorships, passport fees, notary fees, imaging fees, copies and maps;
5. *Fines and Forfeitures* includes motor vehicle code fines and local ordinance violations;
6. *Use of Money and Property* covers revenues from leases and interest from investments; and
7. *Other Revenues* from miscellaneous donations, reimbursements and legal settlements.

Special Fund revenues that are projected in the fiscal analysis include Gas Tax Fund revenues and Measure M2 Fund revenues, as shown in detail in Appendix Table B-4:

1. *Gas Tax Fund* includes revenues primarily derived from State gasoline taxes.
2. *Measure M2 Fund* was established to account for funds “turned back” to cities from the County for street maintenance and/or street improvement purposes.

General Fund Revenue Factors

The revenue factors used in this analysis are summarized in Table 4-2. Certain revenues that are not impacted by the proposed project are not projected as recurring revenues in this analysis. Appendix Table B-3 indicates which of the General Fund revenues are projected as recurring revenues in the fiscal analysis. Also, one-time development fees and permits are subtracted from ongoing development services costs to yield a net cost factor, as will be discussed under the cost factors section of this chapter.

Property tax-related revenues are projected based on valuation and sales and use tax revenues are projected based on taxable sales. Other revenue factors are projected primarily on a per service population of 127,841, which includes the sum of the 2017 total population and total employment estimates for the City.

Property Tax. Property tax revenues are based on assessed valuation associated with the proposed development. The basic one percent property tax from the project will be allocated among several jurisdictions, including the City General Fund, Orange County Fire Authority and the Orange County Library District. Allocations to funds are made according to the Tax Rate Area (TRA) in which a property is located. The Orange County Auditor Controller’s report for TRA 30-007 for

Table 4-2
Summary of Revenue Factor Assumptions, Operating Budget Fiscal Year 2017-18
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Revenue Source	Operating Budget FY 2017-18	Projection Basis ¹	Revenue Projection Factor
<u>GENERAL FUND</u>			
Property Taxes ²	\$9,727,400	Case Study: Project Valuation	5.35% General Fund allocation of basic 1% levy
Property Taxes - VLF Backfill ³	\$7,415,000	Case Study	\$520 per \$1,000,000 increase in assessed valuation
Property Transfer Tax	\$600,000	Turnover and Valuation	4% of residential assessed valuation 5% of non-residential assessed valuation \$0.55 per \$1,000 of turnover valuation
Sales and Use Tax	\$15,000,000	Taxable Sales	1.0% Sales Tax is 1% of taxable sales 15.9% Use tax is 15.9% of sales tax
Franchise Fees	\$2,350,000	Service Population = 127,481	\$18.43 per service population
Park and Recreation Fees	\$794,100	Total Population = 84,931	\$9.35 per capita
Other Fees and Charges ⁴	\$79,200	Service Population = 127,481	\$0.62 per service population
Fines and Forfeitures	\$415,000	Service Population = 127,481	\$3.26 per service population
Interest on Investments	\$726,900	Non-Interest General Fund Projected Recurring Revenues = \$36,380,700	2.0% percent of non-interest General Fund projected recurring revenues
<u>GAS TAX FUND</u> ⁵			
State Gas Tax: - Section 2103	\$336,000	Total Population = 84,931	\$3.96 per capita
- Section 2105	\$487,700	Total Population = 84,931	\$5.74 per capita
- Section 2106	\$299,400	Total Population = 84,931	\$3.53 per capita
- Section 2107	<u>\$630,000</u>	Total Population = 84,931	<u>\$7.42</u> per capita
Total State Gas Tax	\$1,753,100	Total Population = 84,931	\$20.64 per capita
<u>MEASURE M2 FUND</u> ⁵			
Turnback Allocation	\$1,278,000	Total Population = 84,931	\$15.05 per capita

1. For fiscal factors that are based on both population and employment, the Budget revenue amount is divided by an estimated City service population of 127,841, which represents the City's resident population (84,931) plus the estimated total City employment (42,550). The calculated revenue factor is applied to the project's estimated service population.
2. Property tax allocations are based on current Auditor Controller reports for TRA 30-007, as shown in Appendix Table B-5.
3. The State allocates property taxes in-lieu of VLF based on the change in assessed valuation for the City, as shown in Appendix Table B-6.
4. Other fees and charges includes excess DMV fees, sponsorships, passport fees, notary fees, imaging fees, copying and maps.
5. Gas Tax and Measure M2 funds are earmarked for street-related purposes.

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

the Nakase Project site is presented in Appendix Table B-5. The City General Fund is estimated to receive 5.35 percent of the basic one percent property tax on the project's assessed valuation.

Property Taxes - Vehicle License Fees (VLF) Backfill. Cities and counties began receiving additional property tax revenue to replace vehicle license fee (VLF) revenue that was lowered when the state reduced the vehicle license tax in 2004. This property tax in lieu of VLF is projected to grow with the change in the citywide gross assessed valuation (AV) of taxable property from the prior year. Property tax in lieu of VLF revenue is allocated in addition to other property tax apportionments. Property tax in lieu of VLF in the City is projected to increase at an average of \$520 per million dollars of new AV (see Appendix Table B-6). This factor is based on the change in AV and the change in property tax in lieu of VLF in the City over the past 5 years.

Property Transfer Tax. The County receives property transfer tax revenues on the sale of real property at the rate of \$1.10 per \$1,000 of transferred value. The City receives 50.0 percent of this amount, or \$0.55 per \$1,000 of transferred value. As shown in Appendix Table B-7, residential development is assumed to change ownership at an average rate of about 4.0 percent per year, based on the year householder moved survey data from the U.S. Bureau of the Census, *2012-2016 American Community Survey* for the period from the years 2000 to 2016. Non-residential development is assumed to change ownership at an average of 5.0 percent per year based on the *2013 Opportunities Study Fiscal Impact Analysis* prepared by the fiscal consultant for the City.

Sales and Use Tax. All cities and counties in the State levy a basic one percent (1%) sales tax and have the option to levy additional sales taxes under certain circumstances. In general, sales and use taxes are imposed on the sale or the use of tangible personal property in California. Items excluded from taxation include property purchased for resale, food for home consumption, and prescription medicines.

The California State Board of Equalization (SBOE) collects sales and use tax revenues. The SBOE allocates a portion of these revenues to the appropriate local governments. The local share of sales tax revenues are generally distributed according to the location of the sale rather than residence or business location of the purchaser.

Use Tax. In addition to sales tax revenue, the City receives revenues from use tax, which is levied on shipments into the state and on construction materials for new residential and non-residential

development not allocated to a situs location. Use tax is allocated by the SBOE to counties and cities based on each jurisdiction's proportion of countywide and statewide direct taxable sales. Use tax revenues to Lake Forest are estimated at an additional 15.9 percent of point-of-sale taxable sales. Appendix Table B-8 presents the calculation of the estimated use tax factor.

Franchise Fees. Franchise fees are charged to various entities in exchange for the exclusive right to operate franchises within the City's jurisdiction. As shown in Table 4-2, the City Budget projects \$2,350,000 in franchise fees for Fiscal Year (FY) 2017-18. Franchise fees for the Nakase projects are projected at \$18.43 per service population based on these budgeted revenues and the combined population and employment estimate of 127,841.

Park and Recreation Fees. These revenues from recreation programs and classes are estimated at \$794,100 in the FY 2017-18 Budget. Park and recreation revenues are projected at \$9.35 per capita based the City Budget amount and the City's population estimate of 84,931.

Other User Fees and Charges. These revenues from excess DMV fees, sponsorships, passport fees, notary fees, imaging fees, copies and maps are projected at \$0.62 per service population based on the City Budget estimate of \$79,200 for FY 2017-18, and the City's service population of 127,841.

Fines and Forfeitures. Proposed fines and forfeitures total \$415,000 for FY 2017-18 and consist of vehicle code violations and other local ordinance violations of the municipal code. These revenues are projected at \$3.26 per service population based on the proposed revenues and the combined City population and employment of 127,841, as shown in Table 4-2.

Interest on Investments. The FY 2017-18 City Budget estimates recurring General Fund interest at \$726,900. Based on the this amount and the estimated non-interest recurring revenues of \$33,380,700, the fiscal analysis projects interest income at 2.0 percent of the projected recurring General Fund non-interest revenues.

Special Revenue Funds

Gas Tax Fund. Recurring revenues to the City Gas Tax Fund include State gasoline tax and are detailed in Appendix Table B-3. These revenues are earmarked for street maintenance and improvements. State gas tax revenues are projected at the citywide average of \$20.64 per capita based on gas tax revenues of \$1,753,100 and the City's population estimate of 89,431.

Measure M2 Fund Revenue Factors

As shown in Table 4-2, based on FY 2017-18 Budget Measure M2 Fund Turnback Allocation revenues of \$1,278,000 and the City's estimated population, these revenues are projected at \$15.05 per capita. Measure M2 revenues are allocated to street maintenance and repair.

4.3 Cost Assumptions

Panel A of Table 4-3 provides a summary of proposed General Fund costs for Fiscal Year 2017-18. Table 4-4 presents the recurring General Fund cost assumptions for the recurring costs projected in this analysis, which include general government, police, development services, public works and community services. City fire protection is not a General Fund cost because it provided by the Orange County Fire Authority which is funded by about 11.34 percent of the basic one percent property tax on the proposed project.

General Government

General government costs are projected based on an analysis of indirect costs relative to direct line costs. Panel B of Table 4-3 presents the general government cost allocation based on information from the FY 2017-18 City Budget. Total indirect costs are estimated at \$9,456,300 and direct line department costs total \$36,841,000. General Government costs are estimated as 25.67 percent of direct line department costs. City overhead costs are not assumed to increase at a one to one relationship with new population and employment. Therefore, the fiscal analysis projects general government overhead at 12.84 percent, which represents a marginal rate of 50 percent of the average City overhead of 25.67 percent, similar to the methodology used in the 2013 *Opportunities Study Fiscal Impact Analysis* prepared by the fiscal consultant for the City.

Police Services

As shown in Table 4-4, General Fund police costs are budgeted at \$17,448,000 and include law enforcement costs and other police costs such as crossing guards and animal control. Police costs are projected at \$136.87 per service population based on the department budget of \$17,448,000 and the combined City population and employment estimate of 127,841.

Development Services

The Development Services Department includes the Planning Division and the Building and Safety Services Division. Some of the costs for these services are assumed to be covered by one-time

Table 4-3
General Fund Costs and Estimated Overhead Rate, Fiscal Year 2017-18
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

PANEL A. GENERAL FUND EXPENDITURES

General Fund Expenditures	Total General Fund Cost	General Government	Non-General Government
City Council	\$66,300	\$66,300	\$0
City Manager	820,800	820,800	0
City Clerk	787,900	787,900	0
Economic Development/Community Preservation	1,243,000	1,243,000	0
City Attorney	1,318,000	1,318,000	0
Finance	3,237,100	3,237,100	0
Management Services	1,983,200	1,983,200	0
Police Services	17,448,000		17,448,000
Development Services	4,192,600		4,192,600
Public Works	11,288,900		11,288,900
Community Services	3,911,500		3,911,500
TOTAL GENERAL FUND	\$46,297,300	\$9,456,300	\$36,841,000

PANEL B. CALCULATION OF GENERAL GOVERNMENT OVERHEAD COSTS

Category	General Government	Non-General Government
Estimated General Government Expenditures	\$9,456,300	
	<i>divided by</i>	
Estimated Non-General Government Expenditures		\$36,841,000
	<i>equals</i>	
General Government as percent of Non-General Government Costs	25.67%	
Marginal Increase in General Government Costs Estimated @ 50%¹	12.84%	

1. City overhead costs are not assumed to increase at a one to one relationship with new population and employment growth. Therefore, the fiscal analysis projects general government overhead at 12.84 percent, which represents a marginal rate of 50 percent of the average City overhead of 25.67 percent.

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

Table 4-4
Summary of Cost Factor Assumptions, Fiscal Year 2017-18
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Cost Category	FY 2017-18		Projection Basis ¹	Cost Projection Factor
	Adopted Budget	Net Cost		
General Government ²	\$9,456,300	\$4,728,150	Case Study	12.84% of department costs
Police Services	\$17,448,000	\$17,448,000	Service Population = 127,481	\$136.87 per service population
Development Services ³	\$4,192,600	\$311,700	Case Study	\$2.45 per service population
Public Works:				
Engineering Division ⁴	\$2,632,900	\$831,900	Service Population = 127,481	\$6.53 per service population
Landscape/Building Maintenance Division	\$5,084,700	\$5,084,700	Service Population = 127,481	\$39.89 per service population
NPDES/Water Quality Division	\$1,224,300	\$1,224,300	Service Population = 127,481	\$9.60 per service population
Street Maintenance ⁵	\$1,762,300	\$1,762,300	Case Study	\$14,600 per lane mile
Traffic Signals O&M ⁶	\$470,100	\$470,100	Case Study	\$4,300 per new signalized intersection \$2,150 per modified signalized intersection
Parks and Recreation ⁷	\$1,455,900	\$0	Case Study	not projected
Public Works Overhead ⁸	\$421,000	\$421,000	Case Study	3.87% of General Fund public works' costs
Community Services	\$3,911,500	\$3,911,500	Total Population = 84,931	\$46.06 per capita

1. For fiscal factors that are based on both population and employment, the Budget expenditure amount is divided by an estimated City service population of 127,841, which represents the City's resident population (84,931) plus the estimated total City employment (42,550). The calculated cost factor is applied to the project's estimated service population.
2. General government costs are assumed to increase at a marginal rate of 50 percent, or at 12.84 percent of 25.67 percent, as shown Table 4-3.
3. Net recurring development services costs are projected based on the net costs of \$311,700, as shown in Panel A of Appendix Table B-9.
4. Net recurring public works-engineering costs are projected based on net costs of \$831,900, as shown in Panel B of Appendix Table B-9.
5. Annual street maintenance costs of \$13,600 per lane mile were provided by Public Works staff during the preparation of the 2013 *Opportunity Study*. For this current analysis, the \$13,600 from 2013 is increased by the change in the CPI of about 7 percent over the 2013 to 2018 period. The estimated 2018 amount of \$14,600 per lane mile is rounded to the nearest 100.
6. Annual traffic signal operations and maintenance (O&M) costs from the City were estimated at \$4,000 per new signalized intersection in the 2013 *Opportunities Study*. When the CPI factor of 7 percent is applied, traffic signal O&M is projected at \$4,300 per new signalized intersection. Annual O&M costs for modification to an existing signalized intersection are assumed at 50 percent of a new signalized intersection, or at \$2,150 per modified signalized intersection.
7. The project's parks and recreation facilities will be maintained by a homeowner's association and do not represent a cost to the General Fund.
8. The calculation of the public works overhead rate is presented in Appendix Table B-10.

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Opportunity Study Fiscal Impact Analysis*, September 9, 2013
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

building permit fees, plan check fees, planning and zoning fees and other one-time fees collected upon development. As shown in Panel A of Appendix Table B-9, based on budgeted FY 2017-18 General Fund development related expenditures of \$4,192,600, minus one-time fees of \$3,880,900, net development services costs are estimated at \$831,900. Based on these net costs and the City's estimated service population of 127,841, net development services are projected at \$2.45 per service population.

Public Works

As shown in Table 4-4, annual projected public works operations and maintenance (O&M) costs include engineering costs, Citywide public landscape/building maintenance, Citywide NPDES/water quality, street maintenance; signalized intersections, sports park/recreation center and public works overhead.

Engineering Division. As shown in Panel B of Appendix Table B-9, based on budgeted FY 2017-18 General Fund expenditures of \$2,632,900, minus one-time engineering fees of \$1,801,000, net public works-engineering services costs to the City of Lake Forest are estimated at \$831,700. Based on these net costs and the City's estimated service population of 127,841, Citywide average engineering costs are projected at \$6.53 per service population.

Landscape / Building Maintenance Division. The average Citywide cost for maintenance of public medians, parkways, slopes and municipal services/facilities is projected at \$39.89 per service population. As shown in Table 4-4, this cost factor is based on FY 2017-18 budget costs of \$5,084,700 and the City's service population estimate of 127,841.

NPDES / Water Quality Division. These costs are projected at \$9.60 per service population based on the FY 2017-18 budget of \$1,224,300 and the City's estimated service population.

Street Maintenance. Street maintenance costs for public roads were estimated at \$13,600 per lane mile by City staff in 2013 during preparation of the *Opportunity Study*. Based on the change in the Consumer Price Index of 1.07 over the 2013 to 2018 period, street maintenance costs are projected at \$14,600 per lane mile. These costs include annual operations and maintenance costs for slurry seal/street maintenance; sidewalk repair/maintenance; median/parkway maintenance; street sweeping; and other costs of street lighting, curb repairs and bus shelter maintenance

Traffic Signals Operations and Maintenance (O&M). Annual O&M costs were estimated at \$4,000 per new signalized intersection by City Public Works' staff for the 2013 *Opportunity Study*. Based on the change in the Consumer Price Index of 1.07 over the 2013 to 2018 period, O&M costs for new traffic signals are projected at \$4,300 per signalized intersection. Annual O&M costs for modifications to an existing signalized intersection are assumed at 50 percent of a new signalized intersection, or at \$2,150 per modified signalized intersection.

Parks and Recreation. The proposed park and recreation facilities for the Nakase Project will be maintained through a homeowner's association and do not represent an annual cost to the General Fund.

Public Works Overhead. General Fund public work's overhead costs are projected at 3.87 percent of direct public works costs. As shown in Appendix Table B-10, this calculation is based on General Fund departmental administrative costs of \$421,000 and General Fund departmental direct services costs (O&M costs and contract services) of \$10,867,900.

Community Services

The Community Services Department provides planning and coordination of community recreation activities and programs for youth, teens, adults, families and seniors. Nature Park and Skatepark programs are also provided by the Community Services Department. Based on Community Services costs in the FY 2017-18 Budget of \$3,911,500 and the City population estimate of 84,931, these costs are projected at \$46.06 per capita, as shown in Table 4-4.

APPENDIX A HYPOTHETICAL BUSINESS PARK LAND USE ECONOMICS METHODOLOGY

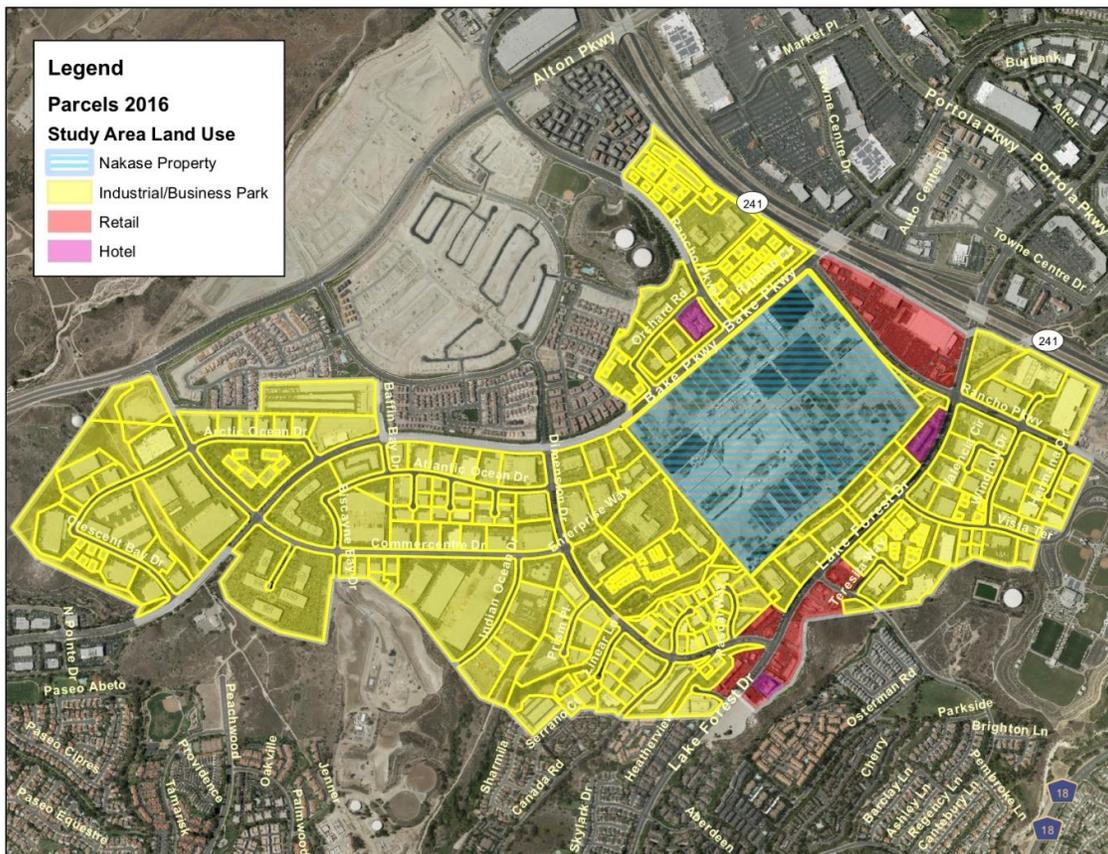
The methodology employed to develop key economic impact factors and indicators for the hypothetical Nakase Project Business Park alternative is described in this appendix section. Indicators and supporting factors have been developed for the following:

- Total Project Business Park Employment;
- Distribution of the Business Park Employment by Industry Sectors;
- Average Wage and Payroll, including breakdown by Industry Sectors;
- Business Park Total Non-Retail Taxable Sales

A.1 Projected Total Business Park Employment

Projected total employment associated with the hypothetical Nakase Business Park (BP) is based on the current employment intensity of comparable business park-related parcels in the project's study area, shown in Figure A-1. This intensity factor, developed on a per acre basis, is then applied to the net developable acres for the Nakase parcel to estimate the total employment at current usage rates.

Figure A-1
Study Area Land Uses
Nakase Project Fiscal Impact Analysis, City of Lake Forest



Source: Stanley R. Hoffman Associates, Inc.

Table A-1
Hypothetical Business Park Total Employment Estimate
Nakase Project Fiscal Impact Analysis, City of Lake Forest

	Study Area Parcels	
	Square Feet	Acres
A. STUDY AREA LAND ACRES BY USE CODE ¹		
Agricultural	5,319,270	122.1
Commercial - General	4,559,117	104.7
Commercial - Office	43,559	1.0
Industrial - General	13,280,977	304.9
Industrial - Office	135,850	3.1
Institutional - Vacant	2,535,832	58.2
Residential - Single-Family	50,707	1.2
ROW/UTILITY	1,091,291	25.1
Unknown	9,599	0.2
Vacant Commercial	<u>1,228,778</u>	<u>28.2</u>
Grand Total	28,254,982	648.6

B. STUDY AREA LAND USE-JOBS UTILIZATION RATE

Business Park-related Land Use (Net Acres) ²	413.7
Business Park-related Employment ³	6,284
Business Park Employment per Net Acre	15.2

C. PROJECTED NAKASE EMPLOYMENT AND DEVELOPMENT PROFILE

Nakase Nursery Gross Acres ⁴	122.0
Nakase Nursery Net Acres ⁴	102.0
Projected Business Park Employment @ 15.2 jobs per net acre	1,550
Nakase Business Park Building Square Foot ⁴	1,841,720
Implied Business Park Floor Area Ratio	0.415
Implied Business Park Square Feet per Employee	1,188

1. Obtained from the Orange County Assessor's records.
2. Obtained from the Orange County Assessor's records, Includes the following four land use categories : Industrial-General, Industrial-Office, Commercial-Office and Commercial - General, and excludes associated right of way.
3. Includes jobs in the following NAICS sectors : Manufacturing; Wholesale Trade; Transportation and Warehousing; Information; Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific and Technical Services; Management of Companies and Enterprises; Administration & Support, Waste Management and Remediation, as shown in Appendix Table A-2.
4. All information on project development provided by the project proponent.

Sources: Stanley R. Hoffman Associates, Inc.
Toll Brothers
Orange County Assessor's Parcel Data
U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD)

As shown in Table A-1 Panel A, parcels in the Nakase Study Area obtained from the Orange County Assessor's records comprise a total of 648.6 acres, excluding parcels identified as retail and hotel use. Of these, as shown in Panel B, parcels associated with business park-related activities in the Study Area are estimated to add up to a total of 413.7 acres.

Further, as developed and analyzed from detailed employment statistics for 2015 from the Census Longitudinal Employee Household Dynamic (LEHD), as shown in Appendix Table A-2, the Nakase Study Area is estimated to include a total of 6,284 jobs associated with business park-related uses. When compared against the acres for these same activities, as shown in Table A-1 Panel B, an intensity factor of 15.2 jobs per net acre is estimated for these uses in the Study Area.

As shown in Table A-1 Panel C, the total employment for the Nakase BP Alternative is estimated by applying the factor of 15.2 jobs per net acre to the total 102.0 acres of net developable land for the Nakase property, based on information provided by the project proponent. This results in a total of 1,550 jobs for business park-related activities.

The project proponent has estimated a potential total of 1,841,720 square feet of built space for business park activities, which when compared against the net developable land of 102 acres yields an implied floor area ratio (FAR) of 0.415, and when compared against the business park jobs results in about 1,188 square feet per employee, as shown in Table A-1 Panel C.

Distribution of Total Employment by Industry Sectors

Further, as shown in Table A-3, the total estimated 1,550 jobs for the hypothetical Nakase Business Park alternative are distributed by detailed industry sectors, by applying the percent industry composition of the business-park jobs identified for the Study Area, as discussed previously in Appendix Table A-2. Professional, Scientific and Technical Service jobs are shown to comprise the largest jobs category amongst the business park uses at 42 percent, followed by Manufacturing at 26 percent, thus reflecting the area's higher-end technological character.

Average Wage and Payroll

Further, as shown in Table A-3, the average wage for the Business Park alternative jobs is estimated at about \$79,600, for a total annual payroll of close to \$123.4 million. These numbers are obtained by applying the average wage by industry sector in 2016, as obtained from the California Employment Development Department (EDD), to the sector-wise jobs distribution discussed previously. Professional Scientific and Technical services comprise a total payroll of about \$60.0 million at an average wage of about \$92,900 per job, while Manufacturing and Wholesale trade, combined, comprise the next largest grouping of total wages at about \$33.5 million at an average wage of about \$76,400.

Table A-2
2015 Employment by Sector: Nakase Study Area and Lake Forest City
Nakase Project Fiscal Impact Analysis, City of Lake Forest

	Study Area		City Total	
	Jobs ¹	Percent Distribution	Jobs ¹	Percent Distribution
NAICS Sectors				
Agriculture, Forestry, Fishing and Hunting	122	1%	145	0%
Mining, Quarrying, and Oil and Gas Extraction	0	0%	3	0%
Utilities	0	0%	45	0%
Construction	1,606	18%	3,189	8%
Manufacturing	1,631	18%	5,938	14%
Wholesale Trade	676	7%	3,029	7%
Retail Trade	133	1%	3,108	7%
Transportation and Warehousing	27	0%	210	0%
Information	16	0%	324	1%
Finance and Insurance	221	2%	2,899	7%
Real Estate and Rental and Leasing	307	3%	1,268	3%
Professional, Scientific, and Technical Services	2,610	29%	5,579	13%
Management of Companies and Enterprises	370	4%	870	2%
Administration & Support, Waste Management and Remediation	425	5%	4,494	11%
Educational Services	1	0%	1,077	3%
Health Care and Social Assistance	467	5%	4,000	10%
Arts, Entertainment, and Recreation	78	1%	489	1%
Accommodation and Food Services	246	3%	3,739	9%
Other Services (excluding Public Administration)	83	1%	1,535	4%
Public Administration	0	0%	127	0%
Unclassified	0	0%	0	0%
TOTAL	9,021	100%	42,067	100%
Business Park-Related Employment				
Manufacturing	1,631	26%	5,938	24%
Wholesale Trade	676	11%	3,029	12%
Transportation and Warehousing	27	0%	210	1%
Information	16	0%	324	1%
Finance and Insurance	221	4%	2,899	12%
Real Estate and Rental and Leasing	307	5%	1,268	5%
Professional, Scientific, and Technical Services	2,610	42%	5,579	23%
Management of Companies and Enterprises	370	6%	870	4%
Administration & Support, Waste Management and Remediation	425	7%	4,494	18%
Business Park Total	6,284	100%	24,610	100%

1. Jobs are adjusted for current self-employment rates by industry sector for Orange County, as obtained from the American Community Survey (ACS) - Public Use Microdata Sample (PUMS) for 2016.

Sources: Stanley R. Hoffman Associates, Inc.

U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD), 2015

U.S. Census Bureau, American Community Survey (ACS) 2016 Public Use Microdata Sample (PUMS)

Table A-3
Distribution of Hypothetical Business Park Jobs by Sectors
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Study Area Business Park Employment Distribution by NAICS Sectors ¹	Percent Distribution		
Manufacturing	26%		
Wholesale Trade	11%		
Transportation and Warehousing	0%		
Information	0%		
Finance and Insurance	4%		
Real Estate and Rental and Leasing	5%		
Professional, Scientific, and Technical Services	42%		
Management of Companies and Enterprises	6%		
Administration & Support, Waste Management and Remediation	7%		
Business Park Total	100%		
Projected Hypothetical Nakase Business Park Jobs ²	1,550		
Projected Hypothetical Nakase Business Park Jobs Distribution by Sectors ³	Jobs	Average Annual Wage ⁴	Annual Payroll
Manufacturing	402	\$73,424	\$29,542,216
Wholesale Trade	167	\$83,616	\$13,935,496
Transportation and Warehousing	7	\$50,440	\$333,336
Information	4	\$101,088	\$406,753
Finance and Insurance	55	\$107,224	\$5,845,143
Real Estate and Rental and Leasing	76	\$74,412	\$5,640,343
Professional, Scientific, and Technical Services	644	\$92,872	\$59,794,630
Management of Companies and Enterprises	91	\$42,588	\$3,886,557
Administration & Support, Waste Management and Remediation	<u>105</u>	<u>\$38,688</u>	<u>\$4,060,123</u>
Business Park Total	1,550	\$79,642	\$123,444,597

1. Obtained from the Census Longitudinal Employee-Household Dynamic (LEHD) by the North American Industrial Classification System (NAICS) industry sector categories, as shown previously in Table A-2.

2. Calculated by Stanley R. Hoffman Associates, Inc., as shown previously in Table A-1.

3. Calculated by applying the study area business park related jobs distribution to the total number of jobs estimated for the hypothetical business park.

4. Obtained from the California Employment Development Department (EDD) by NAICS industry sectors.

Sources: Stanley R. Hoffman Associates, Inc.

U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD)

California Employment Development Department (EDD)

A.2 Projected On-Site Non-Retail Taxable Sales

Taxable sales generated by the non-retail activities projected for the hypothetical Nakase BP comprise additional economic benefits accruing to the City. As show in Table A-4, the taxable sales impact of the project is estimated by developing a city-wide non-retail taxable sales factor of \$13,712 per employee in 2015, primarily attributable to business-park activities. This factor is based on the total non-retail taxable sales of \$337.5 million for Lake Forest reported by the California State Board of Equalization (SBOE) in 2015 compared against the estimated 24,160 business park-oriented jobs in the City, as shown previously in Appendix Table A-2. A total of about \$22.0 million in non-retail taxable sales in 2018 dollars are estimated for this alternative by applying the city-wide factor to the total of 1,550 potential jobs, adjusted for inflation.

**Table A-4
Non-Retail Taxable Sales Impact
Hypothetical Nakase Business Park Alternative**

Category	Amount
<u>LAKE FOREST 2015 NON-RETAIL TAXABLE SALES</u>	
Lake Forest Non-Retail Taxable Sales in 2015 ¹	\$337,460,259
Lake Forest Business Park-Related Employment ²	24,610
Non-retail Taxable Sales per Business Park Employee (2015 Dollars)	\$13,712
<u>NAKASE HYPOTHETICAL BUSINESS PARK USE ESTIMATED TAXABLE SALES</u>	
Nakase Project Estimated Business Park Employment ³	1,550
	<i>times</i>
Non-retail Taxable Sales per Business Park Employee (2015 Dollars)	\$13,712
	<i>equals</i>
Nakase Non-Retail Taxable Sales in 2015 in Dollars ⁴	\$21,253,600
Nakase Non-Retail Taxable Sales in 2018 Dollars	
Annual 2015 CPI	244.63
Annual 2017 CP	256.21
CPI Factor	1.05
Estimated Nakase Non-Retail Taxable Sales in 2018 Dollars	\$22,316,280

1. Non-retail taxable sales are from the California State Board of Equalization (SBOE).
2. Obtained from the Census Longitudinal Employee-Household Dynamic (LEHD), as shown in Table A-2.
3. Calculated by Stanley R. Hoffman Associates, Inc. as shown previously in Table A-1.
4. Calculated by applying the city-wide non-retail taxable sales per business park employee factor to the total number of jobs for the hypothetical business park.
5. Inflation factor calculated from the annual average BLS All Urban Consumers - Consumer Price Index (CPI) for Los Angeles-Long Beach-Anaheim for 2015 and 2017.

Sources: Stanley R. Hoffman Associates, Inc.

California State Board of Equalization, *Taxable Sales in California (Sales and Use Tax), Calendar Year 2015*

U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD)

California Employment Development Department (EDD)

U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Price Index, Los Angeles-Long Beach-Anaheim, 2015 and 2017*

A.3 Estimated Annual Taxable Sales from Business Park Employment

Estimated annual taxable sales from Business Park employment are projected based on the taxable sales per office employee, as shown in Table A-5. Based on 2011 information from the International Council of Shopping Centers (ICSC), average weekly spending per office employee is estimated at \$165.93. Online purchases made at the office, estimated non-taxable drug store purchases and estimated non-taxable grocery store purchases are subtracted from this amount resulting in adjusted weekly spending of \$138.77 per employee. Average annual taxable expenditures per employee are calculated by multiplying this adjusted weekly amount by 50 weeks, excluding two weeks for vacation. The estimated 2011 annual taxable expenditures per employee of \$6,938.71 are increased by the change in the CPI over the 2011 to 2018 period, resulting in estimated 2018 taxable expenditure of \$7,633 per employee

Table A-5
Average Annual Taxable Expenditures per Office Employee
Hypothetical Nakase Business Park Alternative

Spending Category	Total
<u>Average Weekly Office Worker Spending (Urban Areas) in 2011</u>	
<i>Transportation and Online Purchases</i>	\$50.33
Transportation	\$36.37
Online Purchases Made at the Office (Personal)	\$13.96
<i>Full-Service Restaurants and Fast Food</i>	\$26.30
Full-Service Restaurants	\$13.45
Fast Food/Deli/Lunch Eateries	\$12.85
<i>Goods and Services</i>	\$89.30
Department Stores	\$6.52
Discount Stores	\$8.19
Drug Stores	\$6.13
Grocery Stores	\$15.98
Clothing Stores	\$3.25
Shoe Stores	\$2.43
Sporting Goods Stores	\$2.16
Electronics/Phone/Computer Stores	\$4.86
Jewelry Stores	\$3.92
Office Supplies/Stationery/Novelty Gifts & Cards	\$7.37
Warehouse Club	\$7.80
Other Goods (florist, non-food vendors, etc.)	\$3.95
Personal Care Shops	\$7.83
Personal Services	\$3.16
Other Services (not elsewhere classified)	\$2.30
Entertainment (sporting, live, concerts, movies)	<u>\$3.45</u>
Total Average Weekly Spending per Employee	\$165.93
 <u>Adjusted Average Weekly Spending per Employee</u>	
Total Average Weekly Spending per Employee	\$165.93
	<i>minus</i>
Online Purchases Made at the Office	\$13.96
Non-Taxable Drug Stores (@ 38 percent of total drug stores)	\$2.33
Non-Taxable Grocery Stores (@ 68 percent of total grocery stores)	<u>\$10.87</u>
Total of Removed Weekly Spending	\$27.16
	<i>equals</i>
Adjusted Average Weekly Spending per Employee	\$138.77
 Average Annual Taxable Expenditures per Employee (2011 Dollars) ¹	
\$6,938.71	
Annual 2011 CPI	231.93
Annual 2017 CP	256.21
CPI Factor	1.10
Average Annual Taxable Expenditures per Employee (2018 Dollars)	
\$7,633.00	

1. Average annual expenditures per employee is calculated by multiplying the adjusted average weekly spending of \$138.77 sales by 50, excluding two weeks for vacation. The 2011 amount is increased by the change in the CPI of 1.10 over the 2011 to 2018 period, rounded to the nearest whole number.

Sources: Stanley R. Hoffman Associates, Inc.
International Council of Shopping Centers (ICSC)
United States Department of Labor, Bureau of Labor Statistics
U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Price Index, Los Angeles-Long Beach-Anaheim, Annual 2011 and Annual 2017*

**APPENDIX B
SUPPORTING FISCAL ASSUMPTIONS TABLES**

**Table B-1
Estimated Average Household Size for Senior Rental Units
Nakase Project Fiscal Impact Analysis, City of Lake Forest**

Category	Age 55 Years and Over ¹		
	Owners	Renters	Total
Population	38,504	10,301	48,805
<i>divided by</i>			
Households	21,383	6,867	28,250
<i>equals</i>			
Persons per Household	1.80	1.50	1.73

1. The information in this table is from the Public Use Microdata Area (PUMA) 05905, in which the City of Lake Forest is located.

Sources: Stanley R. Hoffman Associates, Inc.

U.S. Bureau of the Census, *Public Use Microdata Survey (PUMS)*, 2010

**Table B-2
Estimated 2017 City Employment
Nakase Project Fiscal Impact Analysis, City of Lake Forest**

	2012 ¹	2020 ¹	Average Annual Growth Rate	2017 Estimate ²
Lake Forest Employment	39,200	44,700	1.65%	42,550

1. The 2012 and 2020 employment numbers are obtained from the SCAG report cited below.

2. The 2017 estimate as an interpolation of the 2012 to 2020 SCAG growth forecast.

Sources: Stanley R. Hoffman Associates, Inc.

Southern California Association of Governments (SCAG), *Adopted 2016 Regional Transportation Plan (RTP)*

Table B-3
Summary of General Fund Revenues, Operating Budget Fiscal Year 2017-18
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Revenue Category	Total	One-Time Fees and Charges ¹	Recurring Revenues	
			Not Projected in Fiscal Analysis ²	Projected in Fiscal Analysis
<u>Property and Other Taxes</u>				
Property Taxes - Secured	\$8,400,000	\$0	\$0	\$8,400,000
Property Taxes - Unsecured	250,000	0	0	250,000
Property Taxes - Supplemental	200,000	0	0	200,000
Property Taxes - Prior Year	60,000	0	0	60,000
Homeowners' Exemptions	50,000	0	0	50,000
Penalties and Interest	18,000	0	0	18,000
Other Revenues	30,000	0	0	30,000
Property Taxes - Lighting District	719,400	0	0	719,400
Property Taxes - Motor Vehicle In-Lieu Backfill	7,415,000	0	0	7,415,000
Sales and Use Taxes	15,000,000	0	0	15,000,000
Transient Occupancy Taxes	3,600,000	0	3,600,000	0
Real Property Transfer Taxes	600,000	0	0	600,000
Gaming Tax	60,000	0	60,000	0
Franchise Fees	<u>2,350,000</u>	<u>0</u>	<u>0</u>	<u>2,350,000</u>
<i>Subtotal</i>	<i>\$38,752,400</i>	<i>\$0</i>	<i>\$3,660,000</i>	<i>\$35,092,400</i>
<u>Licenses and Permits</u>				
Building Permit Fees	\$2,961,400	\$2,961,400	\$0	\$0
Sign Permits	<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>0</u>
<i>Subtotal</i>	<i>\$2,963,900</i>	<i>\$2,963,900</i>	<i>\$0</i>	<i>\$0</i>
<u>Revenues From Other Governments</u>				
Excess DMV Fees	\$32,000	\$0	\$0	\$32,000
Waste Disposal Agreement	<u>156,200</u>	<u>0</u>	<u>156,200</u>	<u>0</u>
<i>Subtotal</i>	<i>\$188,200</i>	<i>\$0</i>	<i>\$156,200</i>	<i>\$32,000</i>
<u>User Fees & Charges</u>				
Plan Check Fees	\$523,000	\$523,000	\$0	\$0
Fire Plan Check Fees	4,000	4,000	0	0
Planning and Zoning Fees	390,000	390,000	0	0
Massage Permit Fees	4,500	4,500	0	0
Engineering Fees	1,801,000	1,801,000	0	0
Park Reservation Fees	17,000	0	0	17,000
Community Events Fees	55,000	0	0	55,000
Facility Rentals	1,000	0	0	1,000
Recreation Programs, Classes and Fees	721,100	0	0	721,100
Sponsorships	3,000	0	0	3,000
Passport Fees	20,000	0	0	20,000
Notary Fees/Imaging Fees, Copies and Maps	<u>24,200</u>	<u>0</u>	<u>0</u>	<u>24,200</u>
<i>Subtotal</i>	<i>\$3,563,800</i>	<i>\$2,722,500</i>	<i>\$0</i>	<i>\$841,300</i>
<u>Fines and Forfeitures</u>				
Motor Vehicle Code Fines	\$290,000	\$0	\$0	\$290,000
Local Ordinance Violations	<u>125,000</u>	<u>0</u>	<u>0</u>	<u>125,000</u>
<i>Subtotal</i>	<i>\$415,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$415,000</i>
<u>Use of Money & Property</u>				
Leases	\$122,000	\$0	\$122,000	\$0
Interest Income	<u>726,900</u>	<u>0</u>	<u>0</u>	<u>726,900</u>
<i>Subtotal</i>	<i>\$848,900</i>	<i>\$0</i>	<i>\$122,000</i>	<i>\$726,900</i>
<u>Other Revenues</u>				
State Mandated Claims	\$75,000	\$0	\$75,000	\$0
Shop and Dine	20,000	0	20,000	0
Other Revenue	<u>50,000</u>	<u>0</u>	<u>50,000</u>	<u>0</u>
<i>Subtotal</i>	<i>\$145,000</i>	<i>\$0</i>	<i>\$145,000</i>	<i>\$0</i>
Total General Fund	\$46,877,200	\$5,686,400	\$4,083,200	\$37,107,600

- One-time development fees are not projected because they are netted from projected Development Services costs.
- Certain revenues, such as transient occupancy tax, that are not impacted by the proposed projects are not projected as recurring revenues.

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

Table B-4
Summary of Special Fund Revenues, Operating Budget Fiscal Year 2017-18
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Revenue Category	Total	Recurring Revenues	
		Not Projected in Fiscal Analysis ¹	Projected in Fiscal Analysis
<u>Gas Tax Fund</u>			
State Gasoline Tax			
- Section 2103	\$336,000	\$0	\$336,000
- Section 2105	487,700	0	487,700
- Section 2106	299,400	0	299,400
- Section 2107	<u>630,000</u>	<u>0</u>	<u>630,000</u>
Subtotal	\$1,753,100	\$0	\$1,753,100
- Section 2107.5 flat amount	<u>7,500</u>	<u>7,500</u>	<u>0</u>
Subtotal	\$1,760,600	\$7,500	\$1,753,100
Loan Repayment	96,000	96,000	0
Road Maintenance Rehab Account	483,900	483,900	0
Interest Income	<u>18,100</u>	<u>18,100</u>	<u>0</u>
Total Gas Tax Fund	<u>\$2,358,600</u>	<u>\$605,500</u>	<u>\$1,753,100</u>
<u>Measure M2 Fund</u>			
Turnback Allocation	\$1,278,000	\$0	\$1,278,000
Interest	<u>11,600</u>	<u>11,600</u>	<u>0</u>
Total Measure M2 Fund	<u>\$1,289,600</u>	<u>\$11,600</u>	<u>\$1,278,000</u>

1. Section 2107.5 gas tax revenues are allocated base on the population size-range of the City. The City currently falls within the population size-range of 50,000 to 99,999. The population of the proposed project will not move the City to a new size range. Therefore, Section 2107.5 gas tax revenues are not projected in the fiscal analysis. Gas Tax Fund loan repayment revenues and road maintenance rehab account revenues are not projected in the fiscal analysis. Interest revenues for these funds are minimal and therefore they are not projected in the fiscal analysis.

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

Table B-5
Current Tax Rate Area (TRA) Allocations: Nakase Project Site
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Fund Description ¹	Tax Rate Area 30-007
Lake Forest City	0.041856
Lake Forest City (SB1406)	<u>0.011667</u>
City of Lake Forest Total	0.053523
Irvine Ranch Water - Los Alisos Water District Area	0.044233
Orange County Fire Authority - General Fund	0.113422
Orange County Transit Authority	0.002832
Saddleback Valley Unified General Fund	0.457402
South Orange County Community College District	0.089331
Orange County Department of Education - General Fund	0.016464
Orange County General Fund	0.033884
Orange County Public Library	0.016825
Orange County Flood Control District	0.019955
Orange County Harbors Beaches and Parks CSA 26	0.015425
Education Revenue Augmentation Fund (ERAF)	0.135077
Orange County Vector Control District	0.001127
Orange County Cemetery Fund - General	<u>0.000502</u>
Total	1.000000

1. The funds in bold face are presented in the fiscal analysis.

Sources: Stanley R. Hoffman Associates, Inc.

Orange County Auditor Controller, *Report AT68AH AT68AH71, Section 99*
Factor Report by TRA, November 15, 2017

Table B-6
Estimated Increase in Vehicle License Fee (VLF) Property Tax Factor
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Fiscal Year Ended	Property Tax In-Lieu of VLF ¹	Assessed Valuation (AV) ²	VLF per \$1,000,000 AV ³
2012	\$5,535,493	\$10,750,347,000	\$510
2013	\$5,620,452	\$10,912,307,000	\$520
2014	\$5,802,719	\$11,232,966,000	\$520
2015	\$6,154,486	\$11,921,239,000	\$520
2016	\$6,543,212	\$12,572,393,000	\$520
Average			\$520

1. The property tax in lieu VLF amounts are from the City budget documents cited below.
2. Assessed valuation amounts are from page 131 of the City's 2016 CAFR as cited below.
3. Estimated VLF per \$1,000,000 AV is rounded to the nearest tens.

Sources: Stanley R. Hoffman Associates, Inc.

City of Lake Forest, *Operating Budget Fiscal Year 2013-14, Operating Budget Fiscal Year 2014-15,*
Operating Budget Fiscal Year 2015-16, Operating Budget Fiscal Year 2017-18
City of Lake Forest, *Comprehensive Annual Financial Report (CAFR), Year Ended June 30, 2016*

Table B-7
Estimated Residential Turnover Rate
Nakase Project Fiscal Impact Analysis, City of Lake Forest

Category	Occupied Housing Units ¹	Percent Turnover
Total Owner Occupied Units: Lake Forest	27,551	
Moved in 2015 or later	1,523	
Moved in 2009 to 2014	8,317	
Moved in 2000 to 2009	<u>8,652</u>	
Total Moved 2000 to 2016	18,492	
Annual Turnover Rate: 2000 to 2016 ²	1,088	4%

1. The number of occupied housing units and their distribution by year moved in is from the U. S. Census Bureau *American Community Survey* cited below.
2. The annual turnover rate is based on the assumption of seventeen years for the 2000 to 2016 period.

Sources: Stanley R. Hoffman Associates, Inc.

U. S. Census Bureau, *2012-2016 American Community Survey, Report DP04*

Table B-8
Calculation of Use Tax Factor
Nakase Project Fiscal Impact Analysis, City of Lake Forest

City of Lake Forest	Amount
Use Tax	
County Pool	\$2,043,674
State Pool	<u>\$4,044</u>
Total Use Tax	\$2,047,718
	<i>divided by</i>
Point-of-Sale	\$12,891,276
	<i>equals</i>
Use Tax Rate ¹	15.9%

1. The use tax rate is the County Pool plus the State Pool divided by point-of-sale taxable sales tax.

Source: Stanley R. Hoffman Associates, Inc.
The HdL Companies, *Sales Tax Allocation Totals, Calendar Year 2016*

Table B-9
General Fund Net Development Services and Net Public Works-Engineering Costs
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

Category	Amount
A. Net Development Services Costs	
Total General Fund Development Services Costs	\$4,192,600
	<i>minus</i>
<u>One-Time Fees</u>	
Building Permit Fees	\$2,961,400
Sign Permits	2,500
Plan Check Fees	523,000
Fire Plan Check Fees	4,000
Planning and Zoning Fees	<u>390,000</u>
Total One-Time Development Related Fees	\$3,880,900
	<i>equals</i>
Recurring Net Development Services Costs	\$311,700
	<i>divided by</i>
City Service Population	127,481
	<i>equals</i>
Net Development Services Costs per Service Population	\$2.45
 B. Net Public Works-Engineering Division Costs	
Total General Fund Public Works-Engineering Costs	\$2,632,900
	<i>minus</i>
<u>One-Time Fees</u>	
Engineering Fees	<u>\$1,801,000</u>
	<i>equals</i>
Recurring Net Public Works-Engineering Services Costs	\$831,900
	<i>divided by</i>
City Service Population	127,481
	<i>equals</i>
Net Public Works-Engineering Costs per Service Population	\$6.53

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

Table B-10
Calculation of Public Works Overhead Costs
Nakase Project Fiscal Impact Analysis, City of Lake Forest
(In Constant 2018 Dollars)

General Fund Public Works Department	Operating Budget FY 2017-18		
	General Fund	Other Funds/Grants	Total
A. PUBLIC WORKS COSTS			
<u>Administrative Costs</u>			
Administration Division	\$421,000	\$61,000	\$482,000
<u>Direct Services Costs</u>			
Engineering Division	\$2,632,900	\$0	\$2,632,900
Landscape/Building Maintenance Division	5,084,700	0	5,084,700
Street Maintenance/Traffic Management Division	470,100	1,762,300	2,232,400
Sports Park Division	1,455,900	0	1,455,900
NPDES/Water Quality Division	<u>1,224,300</u>	<u>0</u>	<u>1,224,300</u>
Subtotal Direct Services Costs	\$10,867,900	\$1,823,300	\$12,691,200
Total Public Works Costs	\$11,288,900	\$1,884,300	\$13,173,200
B. CALCULATION OF DEPARTMENT OVERHEAD COSTS			
Administrative Costs	\$421,000	\$61,000	\$482,000
Direct Services Costs	\$10,867,900	\$1,823,300	\$12,691,200
Administrative Costs as a percent of Directs Services Costs	3.87%	3.35%	3.80%

Sources: Stanley R. Hoffman Associates, Inc.
City of Lake Forest, *Operating Budget Fiscal Year 2017-18*

APPENDIX C PROJECT REFERENCES

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