

FISCAL IMPACT ANALYSIS FOR SAFARI HIGHLANDS RANCH

July 27, 2016

DRAFT

Prepared By:



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1. Purpose of Fiscal Impact Analysis

This Fiscal Impact Analysis (“FIA”) has been prepared to determine the estimated fiscal impacts on the City of Escondido (“City”) in connection with the proposed annexation and development of the Safari Highlands Ranch project (“Project”), a proposed master planned residential community. The reader should be aware that the FIA contains estimates or projections of the Project’s future revenue and cost impacts on the City and actual fiscal results may vary from estimates because events and circumstances may occur in a manner that is different than projected in the FIA. The primary purpose of this FIA is to estimate the Project’s net fiscal impact on the City’s General Fund upon build-out. Please note, this analysis is predicated on the assumption that the Project will annex into the jurisdictional boundaries of the City.

2. Project Description

The Project site consists of approximately 1,100 gross acres in northern San Diego County, within the unincorporated area of the County of San Diego. The Project is located on the eastern boundary of the City of Escondido.

The Project is located within the current City General Plan boundary and is a portion of Specific Plan #4 (Valley View), located north of the San Pasqual Valley. The City General Plan provides guidance for development of the subject property. The Escondido City Council authorized initiation of the annexation process for the subject property in 2014. Proposed entitlements for the Project include an update to the City Sphere of Influence (SOI), Specific Plan, a Tentative Subdivision Map, a Development Agreement, and various other documents and approvals.

The Project is envisioned as an upscale residential community and is planned for the development of 550 homes on lots ranging from 8,000 square feet to over 200,000 square feet clustered into seven neighborhoods and a “Village Core” including a new fire station, private recreation center, and community gathering areas. Additionally, development of the Project will include approximately 750 acres of permanently preserved open space, two offsite emergency access roads, improvements to the nearby Eagle Crest Golf Club and various off-site intersection and road improvements. Please refer to Appendix A for a Project Site Plan.

LAND USE ASSUMPTIONS

Residential Assessed Value (AV)				
Neighborhood	No. of Units	Avg. Home Size (SF) (a)	Projected Avg. Home Price (a)	Total Residential Assessed Value
R-1	109	3,569	\$ 841,488	\$ 91,722,192
R-2	119	3,569	849,330	101,070,270
R-3	87	3,733	894,646	77,834,202
R-4	51	4,167	964,910	49,210,410
R-5	61	4,167	964,907	58,859,327
E-1	41	4,805	1,159,270	47,530,070
E-2	82	4,805	1,154,027	94,630,214
Residential Total/Avg.	550	3,993	\$ 947,012	\$ 520,856,685

Footnotes:

(a) Source: Market Study prepared by Meyers Research dated December 2015.
Home price includes estimated options/upgrades and lot premiums.

3. FIA Limiting Conditions

The FIA is subject to the following limiting conditions:

- The FIA contains an analysis of recurring revenues and costs to the City from development of the Project. The FIA is based on estimates, assumptions and other information developed from DPGF's research, interviews, telephone discussions with City staff, and information from DPGF's database which were collected through fiscal impact analyses previously prepared by DPGF and others.
- The sources of information and basis of the estimates are stated herein. While we believe the sources of information are reliable, DPGF does not express an opinion or any other form of assurance on the accuracy of such information.
- The analysis of recurring revenues and cost impacts to the City contained in the FIA is not considered to be a "financial forecast" or a "financial projection" as technically defined by the American Institute of Certified Public Accountants. The word "projection" used within this report relates to broad expectations of future events or market conditions.
- Since the analyses contained herein are based on estimates and assumptions which are inherently subject to uncertainty and variation depending on evolving events,

DPFG cannot represent that results will definitely be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from the projections.

4. General Sources of Information and Methodology Used in FIA

The FIA was prepared to estimate the allocable revenue and cost impacts to the City's general fund ("General Fund") as a result of the Project's development. The FIA uses a combination of case study methods and multiplier methods to estimate Project impacts.

When projecting fiscal impacts using a multiplier method, the FIA determines per capita/employee impacts by applying the appropriate multiplier to the Project's land use assumptions. The Per-Capita-and-Employee-Multiplier Method involves dividing a cost or revenue figure by the number of residents and 50% of all employees working in the City, and then multiplying that number by the number of residents projected for the Project at buildout. This method assumes that recurring costs and revenues will result from the Project at the same rates that currently prevail within the City, with each employee counted as one-half of a resident to reflect the relative significance of employees (i.e. non-residential land uses) in generating City public services costs or City revenues. The multipliers were calculated using fiscal year 2015-16 budget data from the City of Escondido Adopted Budget for Fiscal Year 2015-2016 ("Budget"). Where appropriate, City Budget data is adjusted to account for expected marginal increases when the nature of the cost or revenue item contains a fixed component that is not anticipated to change based on population growth from the Project. All cost and revenue factors are projected in 2016 dollars, and are not adjusted for inflation, based on the assumption that the relative impacts of inflation in future years will be offsetting.

Information used in preparing the FIA was obtained from the following sources: (1) City of Escondido Adopted Budget for Fiscal Year 2015-2016; (2) Safari Highlands Ranch, LLC ("Developer"); (3) City of Escondido Comprehensive Annual Financial Report for Fiscal Year 2015-2016 (employment information); (4) SANDAG demographics information (persons per household); (5) San Diego City Auditor-Controller's Office (fiscal year 2015-16 share of the basic tax information); (6) U.S. Bureau of Labor Statistics (household expenditure data); and (7) Meyers Research (home prices)

The FIA is organized as follows:

Appendix	Table	Description
B	1	Fiscal Impact Analysis Summary
B	2	Population and Employment Data
B	3	Land Use and Assessed Value Assumptions
B	4	Property Tax Revenue
B	5	Property Taxes In-lieu of VLF
B	6	Property Transfer Tax Revenue
B	7	Sales Tax Revenue
B	8	Other Recurring Revenues
B	9	Recurring Expenditures
B	10	Marginal Increase for Police Costs

The following table shows the key demographic and property tax assumptions used in the FIA:

	City of Escondido	Project
Population	150,243 (a)	1,804 (b)
Employees	69,246 (c)	-
Residents + 50% Employees	184,866	1,804

Base (Prop. 13) 1% Ad-Valorem Tax		
	TRA 78021	TRA 94178
County Share of 1%:		
County General	16.8047%	17.8134%
County Library	3.3042%	3.3873%
San Diego County Flood Control District	0.9410%	0.9126%
County Service Area No. 135 Fire & EMS	2.1619%	0.0000%
Total Annual Property Taxes to County	23.2117%	22.1133%
County Tax Share with City of Escondido (d)	36.00%	36.00%
City of Escondido Share of 1%	8.36%	7.96%

Footnotes:

(a) Per United States Census Bureau, City of Escondido population estimate (2014).

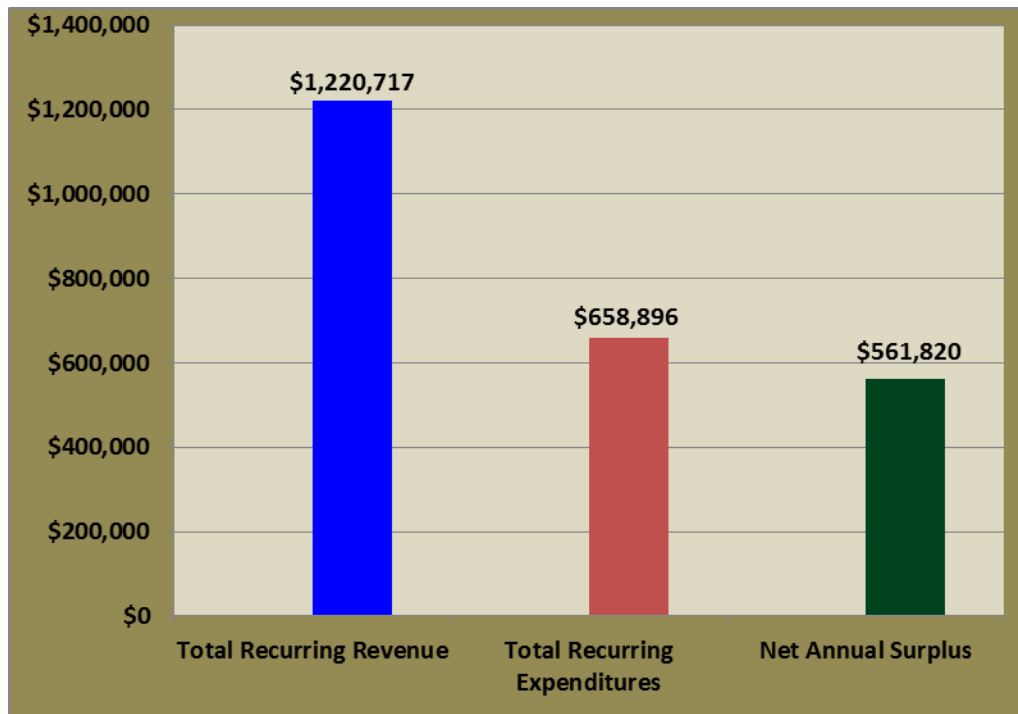
(b) Based on 3.28 persons per household per SANDAG Demographic and Socio Economic Estimates for Zip Code 92027 (January 1, 2014).

(c) Per City of Escondido Comprehensive Annual Financial Report for Fiscal Year 2015 (pg 180).

(d) Per County Master Property Tax Transfer Agreement approved November, 1984.

5. FIA Summary and Conclusions

The FIA examines the financial impact the Project will have at buildout on the General Fund. The Project will generate additional revenue for the General Fund primarily through increased property taxes, property taxes in-lieu of vehicle license fees, and sales taxes. The additional costs incurred to the General Fund as a result of the Project are less than the additional revenues generated, and consist primarily of police and fire services. The Project's direct impact to the General Fund at buildout is summarized in the following chart:



As seen in the chart above, the Project is anticipated to generate a **\$561,820** surplus to the City on an annual basis, once the Project is fully developed.

OVERALL SUMMARY

FISCAL IMPACT		
<u>Recurring Revenues:</u>		<u>Table Ref:</u>
Property Tax	\$ 425,168	Table 4
Property Tax in-lieu of VLF	481,268	Table 5
Property Transfer Tax	28,647	Table 6
Sales Tax	150,372	Table 7
Other Revenues	135,261	Table 8
Total Recurring Revenue	\$ 1,220,717	
<u>Recurring Expenditures:</u>		
City Council	\$ 1,350	Table 9
City Manager/Video Svcs	4,007	Table 9
City Attorney	347	Table 9
City Clerk	1,736	Table 9
City Treasurer	982	Table 9
Administrative Services	6,108	Table 9
Information Services	3,795	Table 9
Community Services	18,529	Table 9
Community Development	0	Table 9
Public Works - Engineering	21,748	Table 9
Public Works - Street Maintenance	56,801	Table 9
Public Works - Park Maintenance	32,285	Table 9
Other Expenditures	1,961	Table 9
Police	291,571	Table 9
Fire/Emergency Mgt.	217,676	Table 9
Nondepartmental	0	Table 9
Comm. Relations/Grants	0	Table 9
Total Recurring Expenditures	\$ 658,896	
Net Fiscal Surplus (Deficit)	\$ 561,820	

6. FIA Recurring Revenues

6.1 Property Tax

In addition to other ad valorem charges imposed by various local agencies, land owners in the State of California ("State") are required to pay annual property taxes of 1% on the assessed value of their property pursuant to Proposition 13. Each City in California is divided into tax rate areas ("TRA"). After the basic 1% property tax is collected by the County, the tax is allocated to various local agencies based on each agency's share of the basic tax within the property's applicable TRA. The Project is subject to two different tax rate areas, TRA 78021 and 94178. Pursuant to a Master Property Tax Transfer Agreement entered into between the County and various cities including the City of Escondido, the City will receive 36% of the County and detaching special districts share of the base 1% tax with respect to annexing property. The breakdown of lots and estimated assessed value by TRA is detailed in Appendix B, Table 3. In total, the Project is anticipated to generate **\$425,168** per year in property taxes.

	TRA 78021 (a)		TRA 94178 (b)		Total
Total Assessed Value from Table 3		\$ 266,153,434		\$ 254,703,251	\$ 520,856,685
Base 1% Ad-Valorem Tax	1.00%	\$ 2,661,534	1.00%	\$ 2,547,033	\$ 5,208,567
County Share of 1% (c):					
County General	16.8047%	\$ 447,262	17.8134%	\$ 453,713	\$ 900,975
County Library	3.3042%	87,942	3.3873%	86,276	174,218
San Diego County Flood Control District	0.9410%	25,044	0.9126%	23,245	48,289
County Service Area No. 135 Fire Prot. & EMS	2.1619%	57,540	0.0000%	-	57,540
Total Annual Property Taxes to County	23.2117%	\$ 617,788	22.1133%	\$ 563,234	\$ 1,181,022
County Tax Share with City of Escondido (d)	36.00%	\$ 222,404	36.00%	\$ 202,764	\$ 425,168

Footnotes:

- (a) TRA 78021 includes all residential lots from R-1 and R-2, and 82 lots from R-3.
- (b) TRA 94178 includes all residential lots from R-4, R-5, E-1, and E-2 in addition to 5 lots in R-3.
- (c) Per County of San Diego Auditor/Controller.
- (d) Per County Master Property Tax Transfer Agreement approved November, 1984.

6.2 Property Transfer Tax

The City receives property transfer tax revenue as new or existing property is sold and ownership is transferred. In accordance with California Revenue and Taxation Code Section 11911, a City may levy a transfer tax at the rate of \$0.55 for each \$1,000 of assessed value. The FIA assumes a residential turnover rate of 10.00% of total assessed value per year (i.e., properties change ownership every 10 years on average). Using this assumption, the City is anticipated to receive approximately **\$28,647** in annual property tax transfer revenue at buildout, as shown in the table below (reference Appendix B, Table 6).

	Residential
Total Assessed Value from Table 4	\$ 520,856,685
Turnover Rate (a)	10.00%
Annual Taxable Assessed Value	\$ 52,085,669
Property Transfer Tax Rate (b)	0.055000%
Total Annual Property Transfer Taxes	\$ 28,647

Footnotes:

(a) Based on assumption that residential property will change ownership once every 10 years.

(b) Represents property transfer tax rate of \$0.55 per \$1,000 of sale or resale value per Revenue and Taxation Code Section 11911-11929.

6.3 Sales Tax

Under the California Sales and Use Tax Law, the sale of tangible personal property is subject to sales or use tax unless exempt or otherwise excluded. When the sales tax applies, the use tax does not apply and the opposite is also true. The sales tax is imposed on all retailers for the privilege of selling tangible personal property in the State and is measured by the retailer's gross receipts.

Currently, there is a 7.50% statewide sales and use tax base rate that is collected by the State Board of Equalization. The State government receives 6.50% of the 7.50% and local governments receive the remaining 1.00% which is transferred to the local government's general fund.

The City will receive sales tax revenue from taxable purchases made within the City limits by the Project's residents. The FIA derives an average household income of \$196,000 based on 35% of income being spent on annual housing costs (i.e., principal, interest, and property taxes). Then it is assumed that 81.2% of household income is spent on consumer expenditures and 31.2% of such expenditures are taxable, based on data for the San Diego MSA from the U.S. Bureau of Labor Statistics 2013-14 Consumer Expenditure Survey. Next, of the total taxable spending, it is assumed that 45% is captured outside of City limits leaving an estimated 55% of taxable spending to estimate retail taxable expenditures captured by the City. After calculating total Project retail taxable expenditures captured in the City, the FIA assumes the City receives sales tax revenue of 1% of taxable sales. Applying this methodology, the City is anticipated to receive approximately **\$150,372** in annual sales tax as detailed in the table below (reference Appendix B, Table 7).

Spending by Residents:	Factor	
Aggregate Incomes (from table below)	\$196K per Unit	\$ 107,800,000
Consumer Expenditures (a)	81.2%	\$ 87,549,312
Taxable Spending (a)	31.2%	\$ 27,340,369
Less: Capture Outside City Limits (b)	45.0%	\$ (12,303,166)
Net Taxable Spending in City		\$ 15,037,203
Annual Sales Taxes to City	1.00%	\$ 150,372

Household Income Calculation:		
Avg. Sales Price		\$ 947,012
Down Payment	20%	\$ 189,402
Loan Amount		\$ 757,610
Interest Rate		5.5%
Term (years)		30
Annual Mortgage Payment		\$51,619
HOA (c)	\$ 150	\$ 1,800
Insurance	\$ 80	\$ 960
Property Taxes (c)	1.50%	\$ 14,205
Total Annual Housing Costs		\$ 68,585
% Income spent on Housing		35.0%
Annual Income Required		\$ 195,956
Annual Income Required (rounded)		\$ 196,000

Footnotes:

(a) Per U.S. Department of Labor, Bureau of Labor Statistics Consumer Expenditure Survey, 2013-14 for San Diego Metropolitan Statistical Area

(b) Capture percentage represents DPGF's preliminary estimate; subject to change.

(c) HOA and Property Tax rate assumptions per draft Market Study prepared by Meyers Research dated December 2015.

6.4 Property Tax In-Lieu of Vehicle License Fees ("VLF")

In May 2004, Governor Schwarzenegger proposed a swap of city and City VLF revenue for additional property tax share as part of a budget agreement between the State and local governments. The swap was included in the 2004 budget package. Under this legislation, property tax in-lieu of VLF is allocated to Cities and Counties pursuant to a complex formula involving each agencies relative share of assessed value. The property tax in-lieu of VLF revenue that will be generated by the Project can be estimated by determining the (i) percentage growth in the total assessed value of the City

attributable to the Project, and multiplying by (ii) the property tax in-lieu of VLF revenue of \$11,658,000 expected to be received by the City in fiscal year 2015/16 per the City Budget. Based on these calculations, the Project is anticipated to generate **\$481,268** annually in property tax in-lieu of VLF revenue, as shown in the table below (reference Appendix B, Table 5).

FY 2015/16 In Lieu VLF Allocation to City	\$	11,658,000	(a)
FY 2015/16 City of Escondido Assessed Value	\$	12,445,954,612	(b)
Total Project Assessed Value from Table 3	\$	520,856,685	
Less: Existing Assessed Value	\$	(7,060,066)	
Net (New) Assessed Value	\$	513,796,619	
AV Growth from Project		4.128%	
Annual City Property Taxes In Lieu of VLF	\$	481,268	

Footnotes:

(a) Per City of Escondido Fiscal Year 2015-2016 Operating Budget (pg. xxiv)

(b) Per County of "San Diego, California Property Valuations, Tax Rates, Useful Information for Taxpayers Fiscal Year Ending June 30, 2015" Table 4, pg 25.

6.5 Other Revenues

The City receives various other revenues analyzed under the FIA. These include (i) franchise fees, (ii) fines and forfeitures, and (iii) charges for services. These revenues have been estimated using the appropriate multiplier against the City budgeted revenues for each respective revenue category. Accordingly, total annual "other" revenues are anticipated to be **\$135,261** at buildout, as seen in Appendix B, Table 8.

7. FIA Recurring Costs

7.1 Police Department

The City police department will be responsible for providing police protection services to the Project. To estimate the Project's impact on police service costs the FIA uses a Per Capita & 50% Employee Multiplier of \$161.62 based on the City's police service budget after adjusting for an estimated marginal increase of 76%. Based on this multiplier, total annual police service costs for the Project are estimated to be **\$291,571** at buildout, as shown in Appendix B, Table 9. Based upon our research, as shown in Appendix B, Table 10, the City of Escondido's police service costs per capita and per "service population" (i.e., residents + 50% employees) is significantly higher than surrounding cities and it implies the department will require marginal increases in cost to provide adequate police services to nominal increases in population growth.

Additionally, the Project will be a gated community limiting access to the general public. As such, DPFG believes that the cost to provide police services to the Project will be substantially less than that reflected by the current ratio. For this reason, a 76% marginal increase based on the average cost ratio of the surrounding cities of San Marcos and Vista (see Appendix B, Table 10) has been applied to applicable Police costs to derive the Project's estimated impact to the Police budget.

7.2 Fire Department

The Escondido Fire Department provides fire protection and emergency medical services to the City of Escondido and, through a contractual arrangement established in 1984, the Rincon Del Diablo Fire Protection District. A new fire station proposed to be constructed near the Project's main entry will enable acceptable response times to be maintained. It is anticipated the station's service area will be capable of serving not only the Project but also the Rancho San Pasqual and Rancho Vistamonte neighborhoods, San Pasqual Union School, and the San Diego Zoo Safari Park. The service area will ultimately be determined by the City of Escondido.

To estimate the Project's impact on fire service costs the FIA uses a Per Capita & 50% Employee Multiplier of \$120.66 based on the City's budgeted fire service costs of \$22,306,515. Based on this multiplier, total annual fire service costs are estimated to be **\$217,676** at buildout, as shown in Appendix B, Table 9.

7.3 General Government

General Government services cost includes City Council, City Manager, City Attorney, City Clerk, City Treasurer, administrative service, and information services. The FIA assumes an estimated 33% marginal increase for these costs as they do not have a 1:1 relationship with population growth (i.e., majority of costs are fixed, not variable). Accordingly, using a Per Capita & 50% Employee Multiplier general government costs are anticipated to be **\$18,325** at buildout, as shown in Appendix B, Table 9.

7.4 Community Services

The Community Services cost category includes library, the older adult services division, and senior nutrition center. The FIA assumes an estimated 33% marginal increase for these costs as they are not anticipated to have a 1:1 relationship with population growth (i.e., majority of costs are fixed, not variable). Accordingly, using a Per Capita Multiplier total annual community services costs are anticipated to be **\$18,529** at buildout, as shown in Appendix B, Table 9.

7.5 Public Works

The Public Works cost category includes engineering, street maintenance, and park maintenance. Using a Per Capita & 50% Employee Multiplier for engineering and street maintenance and a Per Capita Multiplier for park maintenance, total public works costs are anticipated to be **\$110,834** at buildout, as shown in Appendix B, Table 9.

7.6 Other Expenditures

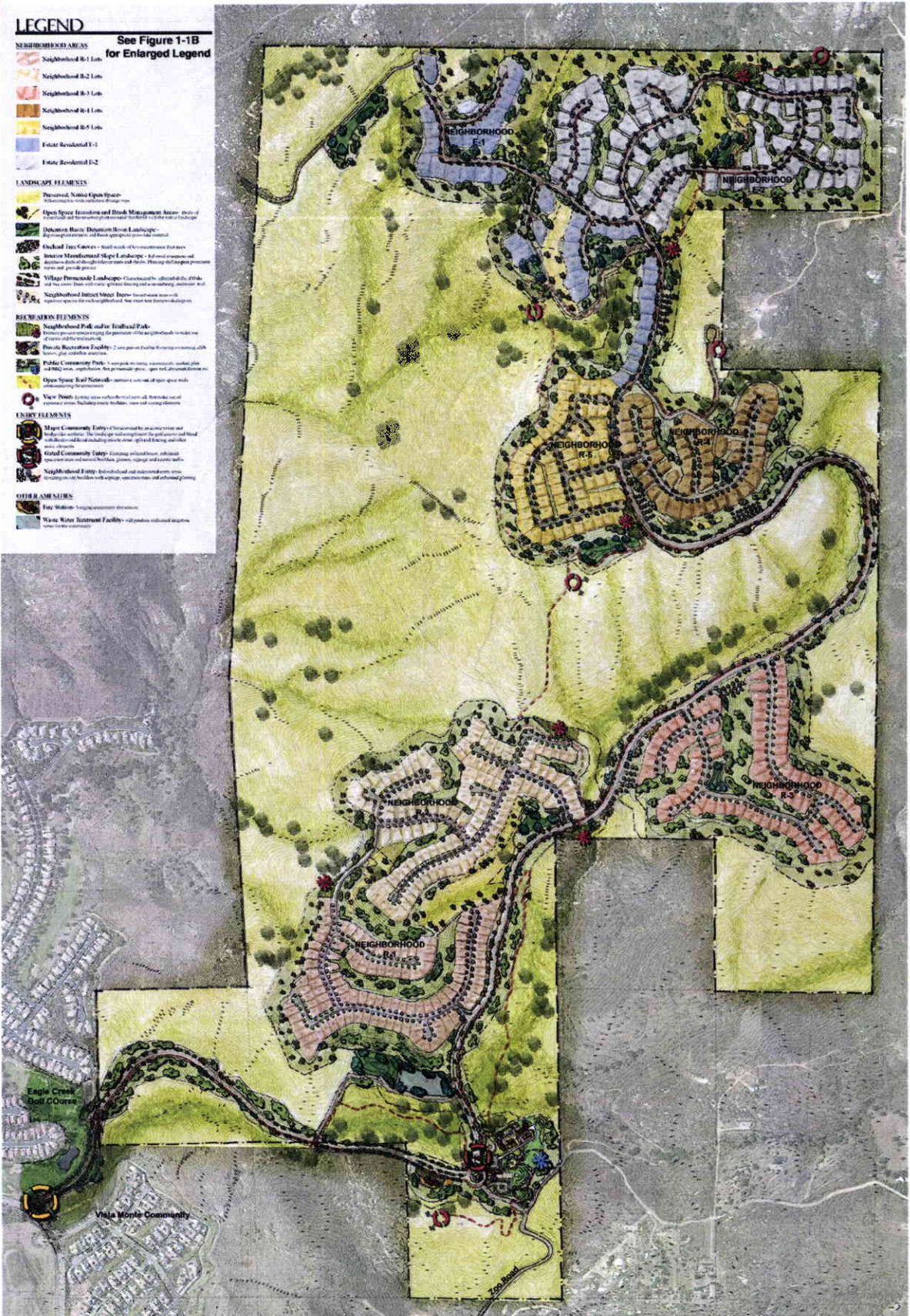
Other applicable City service costs include Recycling and Waste Reduction. The FIA assumes an estimated 33% marginal increase for these costs as they are not anticipated to have a 1:1 relationship with population growth (i.e. majority of costs are fixed, not variable). Accordingly, using a Per Capita & 50% Employee Multiplier total costs are anticipated to be **\$1,961** at buildout, as shown in Appendix B, Table 9.

8. Glossary of Defined Terms and Acronyms

Budget	City of Escondido Comprehensive Annual Financial Report for Fiscal Year 2015-2016
City	City of Escondido
Developer	Safari Highlands Ranch LLC.
DPFG	Development Planning & Financing Group
ERAF	Educational Revenue Augmentation Fund
FIA	Fiscal Impact Analysis
General Fund	City of Escondido General Fund
Project	Safari Highlands Ranch
State	State of California
TRA	Tax Rate Area
VLF	Vehicle License Fees

Appendix A:

Project Site Plan



Illustrative Site Plan

Figure I-1A

SAFARI HIGHLANDS RANCH

NTS



LANDSCAPE ILLUSTRATIVE PLAN



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Appendix B:

Fiscal Impact Analysis Tables

Draft

Table 1
Fiscal Impact Analysis Summary
Safari Highlands Ranch

FISCAL IMPACT		
<u>Recurring Revenues:</u>		<u>Table Ref:</u>
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Fire/Emergency Mgt.	217,676	Table 9
Nondepartmental	0	Table 9
Comm. Relations/Grants	0	Table 9
Total Recurring Expenditures	\$ 658,896	
Net Fiscal Surplus (Deficit)	\$ 561,820	

Table 2
Population and Employment Data
Safari Highlands Ranch

Draft

	City of Escondido	Project
Population	150,243 (a)	1,804 (b)
Employees	69,246 (c)	-
Residents + 50% Employees	184,866	1,804

Footnotes:

(a) Per United States Census Bureau, City of Escondido population estimate (2014).

(b) Based on 3.28 persons per household per SANDAG Demographic and Socio Economic Estimates for Zip Code 92027 (January 1, 2014).

(c) Per City of Escondido Comprehensive Annual Financial Report for Fiscal Year 2015 (pg 180).

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Table 3
Land Use and Assessed Value Assumptions
Safari Highlands Ranch

Residential Assessed Value (AV)					Residential AV by Tax Rate Area (TRA)		
Neighborhood	No. of Units	Avg. Home Size (SF) (a)	Projected Avg. Home Price (a)	Total Residential Assessed Value	TRA 78021	TRA 94178	Total Assessed Value
R-1	109	3,569	\$ 841,488	\$ 91,722,192	\$ 91,722,192	\$ -	\$ 91,722,192
R-2	119	3,569	849,330	101,070,270	101,070,270	-	101,070,270
R-3	87	3,733	894,646	77,834,202	73,360,972	4,473,230	77,834,202
R-4	51	4,167	964,910	49,210,410	-	49,210,410	49,210,410
R-5	61	4,167	964,907	58,859,327	-	58,859,327	58,859,327
E-1	41	4,805	1,159,270	47,530,070	-	47,530,070	47,530,070
E-2	82	4,805	1,154,027	94,630,214	-	94,630,214	94,630,214
Residential Total/Avg.	550	3,993	\$ 947,012	\$ 520,856,685	\$ 266,153,434	\$ 254,703,251	\$ 520,856,685

Footnotes:

(a) Source: Market Study prepared by Meyers Research dated December 2015. Home price includes estimated options/upgrades and lot premiums.

Table 4
Property Tax Revenue
Safari Highlands Ranch

Draft

	TRA 78021 (a)		TRA 94178 (b)		Total
Total Assessed Value from Table 3		\$ 266,153,434		\$ 254,703,251	\$ 520,856,685
Base 1% Ad-Valorem Tax	1.00%	\$ 2,661,534	1.00%	\$ 2,547,033	\$ 5,208,567
County Share of 1% (c):					
County General	16.8047%	\$ 447,262	17.8134%	\$ 453,713	\$ 900,975
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County Tax Share with City of Escondido (d)	36.00%	\$ 222,404	36.00%	\$ 202,764	\$ 425,168

Footnotes:

- (a) TRA 78021 includes all residential lots from R-1 and R-2, and 82 lots from R-3.
(b) TRA 94178 includes all residential lots from R-4, R-5, E-1, and E-2 in addition to 5 lots in R-3.
(c) Per County of San Diego Auditor/Controller.
(d) Per County Master Property Tax Transfer Agreement approved November, 1984.

Table 5
Property Taxes in Lieu of VLF
Safari Highlands Ranch

Draft

FY 2015/16 In Lieu VLF Allocation to City	\$ 11,658,000	(a)
FY 2015/16 City of Escondido Assessed Value	\$ 12,445,954,612	(b)
Total Project Assessed Value from Table 3	\$ 520,856,685	
Less: Existing Assessed Value	\$ (7,060,066)	
Net (New) Assessed Value	\$ 513,796,619	
Assessed Value Growth from Project	4.128%	
Annual City Property Taxes In Lieu of VLF	\$ 481,268	

Footnotes:

(a) Per City of Escondido Fiscal Year 2015-2016 Operating Budget (pg. xxiv)

(b) Per County of "San Diego, California Property Valuations, Tax Rates, Useful Information for Taxpayers Fiscal Year Ending June 30, 2015" Table 4, pg 25.

Table 6
Property Transfer Tax Revenue
Safari Highlands Ranch

	Residential
Total Assessed Value from Table 3	\$ 520,856,685
Turnover Rate (a)	10.00%
Annual Taxable Assessed Value	\$ 52,085,669
Property Transfer Tax Rate (b)	0.055000%
Total Annual Property Transfer Taxes	\$ 28,647

Footnotes:

(a) Based on assumption that residential property will change ownership once every 10 years.

(b) Represents property transfer tax rate of \$0.55 per \$1,000 of sale or resale value per Revenue and Taxation Code Section 11911-11929.

Table 7
Sales Tax Revenue
Safari Highlands Ranch

Draft

Spending by Residents:	Factor	
Aggregate Incomes (from table below)	\$196K per Unit	\$ 107,800,000
Consumer Expenditures (a)	81.2%	\$ 87,549,312
Taxable Spending (a)	31.2%	\$ 27,340,369
Less: Capture Outside City Limits (b)	45.0%	\$ (12,303,166)
Net Taxable Spending in City		\$ 15,037,203
Annual Sales Taxes to City	1.00%	\$ 150,372

Household Income Calculation:		
Avg. Sales Price		\$ 947,012
Down Payment	20%	\$ 189,402
Loan Amount		\$ 757,610
Interest Rate		5.5%
Term (years)		30
Annual Mortgage Payment		\$51,619
HOA (c)	\$ 150	\$ 1,800
Insurance	\$ 80	\$ 960
Property Taxes (c)	1.50%	\$ 14,205
Total Annual Housing Costs		\$ 68,585
% Income spent on Housing		35.0%
Annual Income Required		\$ 195,956
Annual Income Required (rounded)		\$ 196,000

Footnotes:

(a) Per U.S. Department of Labor, Bureau of Labor Statistics Consumer Expenditure Survey, 2013-14 for San Diego Metropolitan Statistical Area (MSA).

(b) Capture percentage represents DPF's preliminary estimate; subject to change.

(c) HOA and Property Tax rate assumptions per draft Market Study prepared by Meyers Research dated December 2015.

Table 8
Other Recurring Revenues
Safari Highlands Ranch

Draft

Revenue Category	City FY 2015-16 Operating Budget (a)	Multiplier	Factor	Project Equivalent Persons	Project Revenue
Sales Tax Subtotal	\$ 30,719,015	Case Study	N/A	-	\$ -
Other Taxes					
Property Tax	11,592,000	Case Study	N/A	-	-
Property Transfer	551,000	Case Study	N/A	-	-
Franchise Fees	6,722,000	Per Capita & 50% Employee	\$ 36.36	1,804	65,596
Transient Occupancy Tax	1,411,000	N/A	N/A	-	-
Transfer Station Fee	643,000	N/A	N/A	-	-
Business Licenses	1,754,000	N/A	N/A	-	-
Property Tax in Lieu of Sales Tax	6,855,000	N/A	N/A	-	-
Property Tax in Lieu of VLF	11,658,000	Case Study	N/A	-	-
RPTTF Residual Payment	846,000	N/A	N/A	-	-
CDC Tax Sharing Payment	208,000	N/A	N/A	-	-
Penalties	2,000	N/A	N/A	-	-
Other Incentive Fees	82,000	N/A	N/A	-	-
PEG Fees	-	N/A	N/A	-	-
Other Taxes Subtotal	42,324,000				65,596
Permits and Licenses Subtotal	761,000	N/A	N/A	-	-
Fines and Forfeitures Subtotal	1,180,000	Per Capita & 50% Employee	\$ 6.38	1,804	11,515
Intergovernmental Revenue					
Vehicles in Lieu Fees	-	N/A	N/A	-	-
Rincon Fire Agreement	2,146,000	N/A	N/A	-	-
Grants	861,000	N/A	N/A	-	-
Intergovernmental Revenue Subtotal	3,007,000				-
Charges for Services					
Planning Charges	455,000	N/A	N/A	-	-
Building Plan Check	267,000	N/A	N/A	-	-
Engineering Fees	725,000	N/A	N/A	-	-
Police Services	589,000	Per Capita & 50% Employee	\$ 3.19	1,804	5,748
Paramedic	4,100,000	Per Capita & 50% Employee	\$ 22.18	1,804	40,009
Other Services	1,270,000	Per Capita & 50% Employee	\$ 6.87	1,804	12,393
Community Services	95,000	N/A	N/A	-	-
Charges For Services Subtotal	7,501,000				58,150
Investment Income	150,000	N/A	N/A	-	-
Other Revenues					
Leased Property	3,187,000	N/A	N/A	-	-
Other Revenue	333,895	N/A	N/A	-	-
Mobilehome Fee	51,000	N/A	N/A	-	-
Other Revenues Subtotal	3,571,895				-
Total Revenues	\$ 89,213,910				\$ 135,261

Footnotes:

(a) Based on City of Escondido general fund revenue comparison table (pg. xxiv).

Table 9
Recurring Expenditures
Safari Highlands Ranch

Draft

Expenditure Category	City FY 2015-16			Multiplier	Factor	Project Equivalent Persons	Project Cost
	Operating Budget (a)	Marginal Increase	Adjusted Budget				
City Council	\$ 419,180	33%	\$ 138,329	Per Capita & 50% Employee	\$ 0.75	1,804	\$ 1,350
City Manager/Video Svcs	1,244,170	33%	410,576	Per Capita & 50% Employee	2.22	1,804	4,007
City Attorney	107,750	33%	35,558	Per Capita & 50% Employee	0.19	1,804	347
City Clerk	539,000	33%	177,870	Per Capita & 50% Employee	0.96	1,804	1,736
City Treasurer	304,795	33%	100,582	Per Capita & 50% Employee	0.54	1,804	982
Administrative Services	1,896,845	33%	625,959	Per Capita & 50% Employee	3.39	1,804	6,108
Information Services	1,178,625	33%	388,946	Per Capita & 50% Employee	2.10	1,804	3,795
Economic Development	-	33%	-	Per Capita & 50% Employee	-	1,804	-
Community Services	4,676,245	33%	1,543,161	Per Capita	10.27	1,804	18,529
Community Development	3,622,375	0% (b)	-	Per Capita & 50% Employee	-	1,804	-
Public Works - Engineering	2,228,635	100%	2,228,635	Per Capita & 50% Employee	12.06	1,804	21,748
Public Works - Street Maintenance	5,820,725	100%	5,820,725	Per Capita & 50% Employee	31.49	1,804	56,801
Public Works - Park Maintenance	2,688,840	100%	2,688,840	Per Capita	17.90	1,804	32,285
Recycling & Waste Reduction	608,910	33%	200,940	Per Capita & 50% Employee	1.09	1,804	1,961
Police	39,314,435	76% (c)	29,878,971	Per Capita & 50% Employee	161.62	1,804	291,571
Fire/Emergency Mgt.	22,306,515	100%	22,306,515	Per Capita & 50% Employee	120.66	1,804	217,676
Nondepartmental	1,291,660	0%	-	Per Capita & 50% Employee	-	1,804	-
Comm. Relations/Grants	2,219,800	0%	-	Per Capita & 50% Employee	-	1,804	-
Total	\$ 90,468,505		\$ 66,545,607				\$ 658,896

Footnotes:

(a) Based on City of Escondido general fund expenditure summary (pg xxii).

(b) Community Development costs (i.e., planning, building, and code enforcement) are assumed to be offset in full by direct service charges, therefore, there is no estimated increase in costs to the City.

(c) Police service costs assumed to be at a 76% marginal increase based on service cost data for surrounding cities as shown on Table 10. This assumption is also supported by the fact that a gated community is anticipated to have fewer calls for service relative to a standard subdivision.

Table 10
Calculation of Marginal Increase for Police Costs
Safari Highlands Ranch

	City of Escondido	Surrounding Cities				Average of Surrounding Cities	Cost Ratio (Surrounding Cities vs. Escondido)
		City of San Marcos	City of Vista				
Population	150,243 (a)	92,929 (b)	96,929 (c)			94,929	
Employees	69,246 (a)	38,947 (d)	43,317 (e)			41,132	
50% Employees	34,623	19,474	21,658			20,566	
Service Population (Pop. + 50% Emp.)	184,866	112,403	118,587			115,495	
Police Budget	\$ 39,314,435 (f)	\$ 16,547,267 (g)	\$ 20,733,314 (h)			18,640,291	
Per Capita	\$ 262	\$ 178	\$ 214			196	
Per Service Pop.	\$ 213	\$ 147	\$ 175			161	76%

Footnotes:

(a) Population and Employment statistics per Table 2.

(b) Per United States Census Bureau, City of San Marcos population estimate (2014).

(c) Per United States Census Bureau, City of Vista population estimate (2014).

(d) Per City of San Marcos 2015 Comprehensive Annual Financial Report, page 163.

(e) Per City of Vista 2015 Comprehensive Annual Financial Report, page 174.

(f) Based on City of Escondido FY 2015-2016 operations and maintenance budget fund expenditure summary, page xxii.

(g) Based on City of San Marcos FY 2015-2016 operations and maintenance budget, page 1.

(h) Based on City of Vista FY 2015-2016 operations and maintenance budget, page 114