

FISCAL IMPACT ANALYSIS For Rockport Ranch

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Table of Contents

	<u>Page</u>
1. Purpose of Fiscal Impact Analysis.....	1
2. Project Description.....	1
3. FIA Limiting Conditions.....	2
4. General Sources of Information and Methodology Used in FIA.....	2
5. FIA Summary and Conclusions	3
6. FIA Recurring Revenues.....	5
6.1 Property Tax	5
6.2 Sales Tax.....	6
6.2.1 Off-Site Retail Sales and Measure DD Sales Tax	6
6.3 Property Tax In-Lieu of Vehicle License Fees (“VLF”).....	6
6.4 Property Transfer Tax.....	6
6.5 Other Revenues.....	7
7. FIA Recurring Costs	7
7.1 Legislative	7
7.2 Police Services.....	7
7.3 Fire Services	7
7.4 Emergency Operations Services	7
7.5 Animal Control	7
7.6 Measure DD.....	8
7.7 Public Works	8
7.8 Engineering Department.....	8
7.9 Finance Department.....	8
8. Glossary of Defined Terms and Acronyms	8

1. Purpose of Fiscal Impact Analysis

This Fiscal Impact Analysis (“FIA”) has been prepared to determine the estimated fiscal impacts on the City of Menifee (“City”) in connection with the proposed development of Rockport Ranch (“Project”), a 305-unit residential development. The purpose of the FIA is to show the net benefit of the proposed land use plan compared to the existing land use plan. 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 project the Project’s net fiscal impact on the City’s General Fund over a 20-year time period.

2. Project Description

The Project is located slightly East of Highway 215 on the Southwestern corner of Newport Road and Briggs Road. The Project is proposing to implement a General Plan Amendment (GPA No. 2016-287), Change of Zone (CZ No. 2016-288), Specific Plan (SP No. 2016-286), and Tentative Tract Map (TR No. 2016-285 [TR 37131]) to allow a subdivision with the proposed planning areas detailed in the land use assumption table below, located on 72.6 acres.

LAND USE ASSUMPTIONS

Planning Area	Residential Land Use Designation	Density Range	Net Area	Proposed Du’s	Target Density
PA-1	Courtyard Residential MHDR	5-8 du/ac	16.8 acres	96	5.71
PA-2	Single-Family Residential MDR	2-5 du/ac	12.8 acres	60	4.69
PA-3	Single-Family Residential MDR	2-5 du/ac	17.6 acres	79	4.49
PA-4	Single-Family Residential MDR	2-5 du/ac	13.3 acres	43	3.23
PA-5	Single-Family Residential MDR	2-5 du/ac	12.1 acres	27	2.23
Specific Plan Area Total	-	2-5	72.6	305	3.83

Each planning area is anticipated to be comprised of 3 plans; 90 DU’s of 40’ Wide product with an average square footage of 2,150, 119 DU’s of 50’ Wide product with an average square footage of 2,860 and 96 DU’s of Cluster product with an average square footage of 1,684.

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 DPFG’s research, interviews, telephone discussions with City staff, and information from DPFG’s database which were collected through fiscal impact analyses previously prepared by DPFG and others.
- The sources of information and basis of the estimates are stated herein. While we believe the sources of information are reliable, DPFG 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 per capita, per employee, and per capita and employee factors (“Factors”) to the Project land use assumptions. The Factors were calculated using the City of Menifee Adopted 2017-18 Budget (“Budget”). Cost and revenue factors are projected in 2018 dollars.

Information used in preparing the FIA was obtained from the following sources: (1) City Adopted and Mid-Year Budgets; (2) Developer (land use information); (3) Sales price projections per Real Estate Economics; (4) the California Department of Finance (population information); and (5) the California Employment Development Department (employment information).

5. FIA Summary and Conclusions

The FIA examines the financial impact the Project will have on the General Fund over a 20-year time period. The Project will generate additional revenue for the General Fund primarily through increased property taxes, property taxes in-lieu of vehicle license fees, sales tax, and Measure DD sales tax.

The Project's direct impact to the General Fund at build-out is summarized in Table 1 of this report.

Table 1 - Fiscal Impact Analysis Summary
Rockport Ranch
May 3, 2018

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<u>Recurring Revenues:</u>	Appendix	Percent of	
	Table Ref.	Buildout	Total
Property Tax	4	\$ 143,331	39.5%
Property Tax In-Lieu of MVLFF	5	74,373	20.5%
Real Property Transfer Tax	6	6,043	1.7%
Measure DD	7	34,005	9.4%
Sales Tax	7	56,760	15.6%
Building/Planning/Engineering Fees	8	-	0.0%
Franchise Fees	8	28,025	7.7%
County Augmentation	8	9,796	2.7%
Business License	8	904	0.2%
Transient Occupancy Tax	8	-	0.0%
Recreation Program Fees	8	1,978	0.5%
Fines & Fees	8	4,769	1.3%
Misc. Fees	8	1,653	0.5%
Transfer In	8	1,239	0.3%
Total Recurring Revenue		\$ 362,875	100.0%
<u>Recurring Expenditures:</u>			
Measure DD	7	\$ 34,005	10.9%
Legislative	9	7,764	2.5%
Police Services	9	117,837	37.9%
Fire Services	9	91,305	29.4%
Emergency Operations Services	9	68	0.0%
Animal Control	9	3,846	1.2%
Public Works	9	26,690	8.6%
Engineering Department	9	12,137	3.9%
Finance Department	9	17,282	5.6%
Total Recurring Expenditures		\$ 310,933	100.0%
Net Annual General Fund Fiscal Surplus (Deficit)		\$ 51,942	

The following table shows the population and employment assumptions used in the FIA:

	City	Project
Population	90,660 (a)	976 (a)
Employees	34,600 (b)	- (c)
Residents + 50% Employees	107,960	976

Footnotes:

- (a) Per the California Department of Finance. Based on 3.2 persons per household.
- (b) Per the California Employment Development Department.
- (c) Per DPFG experience and database of Projects.

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 county 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 anticipated to generate **\$143,331** in annual property taxes per Table 4 of Appendix A.

The following table summarizes the Project’s Property Tax impact to the General Fund:

<u>Property Tax</u>	<u>Appendix</u>	
	<u>Table Ref.</u>	
Total Project Assessed Value	3	\$ 109,871,260
Basic Rate		<u>1.00%</u>
Basic Tax Paid	[1]	<u>\$ 1,098,713</u>
City General Fund Share of Basic Tax (a)	[2]	<u>6.618370%</u>
City General Fund Property Tax Revenue	[3]=[1]x[2]	<u>\$ 72,717</u>
City Fire Protection Share of Basic Tax (a)	[4]	<u>6.426982%</u>
City General Fire Protection Property Tax Revenue	[5]=[1]x[4]	<u>\$ 70,614</u>
Total Annual Property Taxes to City	=[3]+[5]	<u>\$ 143,331</u>

Footnotes:

- (a) Per County of Riverside Auditor/Controller. Based on proposed development located within Tax Rate Area 026-004.

6.2 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.

As of November 2016, the effective sales tax rate in the City of Menifee is 8.00% of taxable sales. The City receives 1.00% and the remainder goes to the State (6.50%) and the Riverside County Transportation Commission (0.50%). On November 8, 2016, the City passed Measure DD that authorized a 1.00% transaction and use tax, which increases the sales tax rate to 9.00%. According to the City Manager's budget message in the FY 2017-18 City of Menifee Annual Budget, 66.22% of Measure DD revenue is dedicated towards fire and police services.

6.2.1 Off-Site Retail Sales and Measure DD Sales Tax

The City will receive sales tax revenue from taxable purchases made within the City but outside the Project area by the Project's residents. Per the Bureau of Labor Statistics Consumer Expenditure for 2016, a household spends 35% of their annual income on housing cost. Similarly, each household spends 74% of their income in consumer expenditure of which 32.56% counts towards taxable sales. It is assumed that 25% of the taxable sales is captured outside of the City, leaving 75% of taxable spending to estimate retail taxable expenditures captured by the City. The City will receive 1.00% in Sales Tax Revenue; 10.50% of the 1.00% in Use Tax Revenue and 1.00% in Measure DD will generate **\$56,760** in total off-site sales tax and **\$34,005** in Measure DD sales tax per Table 7 of Appendix A.

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

In May 2004, Governor Schwarzenegger proposed a swap of city and county 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 agency's 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 \$6,062,792 expected to be received per the Budget. Based on these calculations, the Project is anticipated to generate **\$74,373** annually in property tax in-lieu of VLF revenue per Table 5 of Appendix A.

6.4 Property Transfer Tax

The County may levy a transfer tax at the rate of \$0.55 for each \$500 of assessed value. The FIA assumes a non-residential turnover rate of 10.00% of total assessed value per year (i.e. properties change ownership every 10 years on average). Using these assumptions, the City is anticipated to receive approximately **\$6,043** in annual property tax transfer revenue at buildout per Table 6 of Appendix A.

6.5 Other Revenues

The City receives various other revenues analyzed under the FIA. These revenues include:

- Franchise Fees
- County Augmentation
- Business License
- Recreation Program Fees
- Fines & Fees
- Misc. Fees
- Transfer In

These revenues have been estimated using a Per Capita & 50% Employee Multiplier against the City's budgeted revenue for each respective revenue category. Based on the weighted average Per Capita & 50% Employee Multiplier, the total annual Other Revenues are anticipated to be **\$48,363** at buildout per Table 8 of Appendix A.

7. FIA Recurring Costs

7.1 Legislative

The Legislative cost category includes City Council, City Manager, City Attorneys, City Clerk, and all administrative expenses relating to those positions. Using a Per Capita & 50% Employee Multiplier and a marginal increase of 50%, the total annual Legislative services costs are anticipated to be **\$7,764** at buildout per Table 9 of Appendix A.

7.2 Police Services

The Police Department, under the direction of Captain Greg Fellows, is charged with ensuring the safety of our community while maintaining the desired quality of life. The City contracts with the Riverside County Sheriff's Department for Police Services. Using a Per Capita & 50% Employee Multiplier and a marginal increase of 100%, the total annual Police Services costs are anticipated to be **\$117,837** at buildout per Table 9 of Appendix A.

7.3 Fire Services

The City contracts with the Riverside County Fire Department for all Fire Services. Currently, the City operates four fire stations within the City Limits. Using a Per Capita & 50% Employee Multiplier and a marginal increase of 100%, the total annual Fire Services costs are anticipated to be **\$91,305** at buildout per Table 9 of Appendix A.

7.4 Emergency Operations Services

Using a Per Capita & 50% Employee Multiplier and a marginal increase of 100%, the total annual Emergency Operations Services costs are anticipated to be **\$68** at buildout per Table 9 of Appendix A.

7.5 Animal Control

The City contracts with private agencies to provide field and shelter services to the public and also provides educational services about programs such as licensing, spay/neuter

services, and adoption. Using a Per Capita & 50% Employee Multiplier and a marginal increase of 100%, the total annual Animal Control costs are anticipated to be **\$3,846** at buildout per Table 9 of Appendix A.

7.6 Measure DD

The Measure DD expenditure category includes all expenses related to the transaction and use tax which passed on November 8, 2016. The total annual Measure DD costs are anticipated to be **\$34,005** at buildout per Table 7 of Appendix A.

7.7 Public Works

The Public Works cost category includes Planning, Building Safety, Code Enforcement, Economic Development, and all public works administration expenses. Using a Per Capita & 50% Employee Multiplier and marginal increase of 100%, the total annual Public Works costs are anticipated to be **\$26,690** at buildout per Table 9 of Appendix A.

7.8 Engineering Department

The Engineering cost category includes all engineering expenses as well as all costs associated with the NPDES. Using a Per Capita & 50% Employee Multiplier and marginal increase of 50%, the total annual Engineering costs are anticipated to be **\$12,137** at buildout per Table 9 of Appendix A.

7.9 Finance Department

The Finance and General Government services cost category includes executive office, assessor/recorder/county clerk, treasurer – tax collector, Non-Departmental, Community Services, and human resources costs. Using a Per Capita & 50% Employee Multiplier and a marginal increase of 50%, the total Finance Department costs are anticipated to be **\$17,282** at buildout per Table 9 of Appendix A.

8. Glossary of Defined Terms and Acronyms

Budget	City Adopted Budget for Years 2017-2018
County	County of Riverside
Project Planner	Abacherli Family Trust
DPFG	Development Planning & Financing Group
FIA	Fiscal Impact Analysis
General Fund	City of Menifee General Fund
Project	Rockport Ranch
State	State of California
TRA	Tax Rate Area
VLF	Vehicle License Fees

Appendix A