

Laguna Woods Residential Fiscal Impact Analysis City of Laguna Woods

Prepared for:

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EXECUTIVE SUMMARY

Project Description

The Robert Mayer Corporation has proposed to build 134 age-restricted housing units along with a recreation building on the site located at 24264 El Toro Road near the intersection of El Toro Road and Moulton Parkway. The fiscal analysis has been prepared for both the proposed project and the existing use of an improved 28,000 square-foot office building. The proposed project has an estimated population of 188 and the existing office use has an estimated potential 112 employees.

Fiscal Impacts to the City's General Fund

After project build-out, an annual recurring surplus of \$18,027 is projected for the proposed residential project. Total recurring General Fund revenues are estimated at \$36,111 annually and total costs are estimated at \$18,084 annually, resulting in a revenue/cost ratio of 2.00. For the improved office building, an annual recurring surplus of \$376 is projected. Total recurring General Fund revenues are estimated at \$5,408 annually and General Fund costs are estimated at \$5,032 annually, resulting in a revenue/cost ratio of 1.07.

Fiscal Impacts to City Special Funds

In addition to General Fund revenues, the proposed residential use has an impact on selected special revenue funds received by the City. At build-out, the proposed residential use is estimated to generate about \$3,696 annually in gas tax revenues and about \$2,728 annually in other selected revenues. It is anticipated that these revenues will cover the associated costs of maintenance related to increased use of City streets generated by the residential project.

Fiscal Impacts to County Fire

The Orange County Fire Authority (OCFA) receives about 11.57 percent of the basic one percent property tax levy revenues to fund the costs associated with providing fire and emergency medical services to the City of Laguna Woods. These revenues are estimated at \$83,998 annually for the proposed project. Annual costs have been estimated at \$96,148, which exceed projected revenues to the OCFA by \$12,150. However, the Secured Fire Protection Agreement with the Orange County Fire Authority (OCFA) requires a one-time fee of \$600 per unit to the OCFA. This results in an estimated \$80,400 to the OCFA from the proposed residential uses. The improved office use is estimated to generate about \$5,599 annually in property tax revenues, but costs were not provided by OCFA for office uses.

Fiscal Impacts to County Library

The Orange County Public Library system receives about 1.72 percent of the basic one percent property tax levy revenues to fund the costs associated with providing library services to the City of Laguna Woods. This results in an estimated \$12,461 annually for the proposed project, and about \$830 annually for the improved office use. However, the City will not directly benefit from this revenue, since the project does not warrant expansion of the City's existing library branch.

CHAPTER 1 - INTRODUCTION

1.1 Background

The proposed project is located in the City of Laguna Woods in Orange County. Figure 1-1 shows the project area and vicinity. The Robert Mayer Corporation is seeking to build 134 age-restricted housing units along with a recreation building on the existing property. The existing use consists of an office building. The City has requested a fiscal analysis of the effects on the City's General Fund operating budget, of changing the uses from commercial office to residential development. There is no retail development associated with the proposed project.

1.2 Project Description

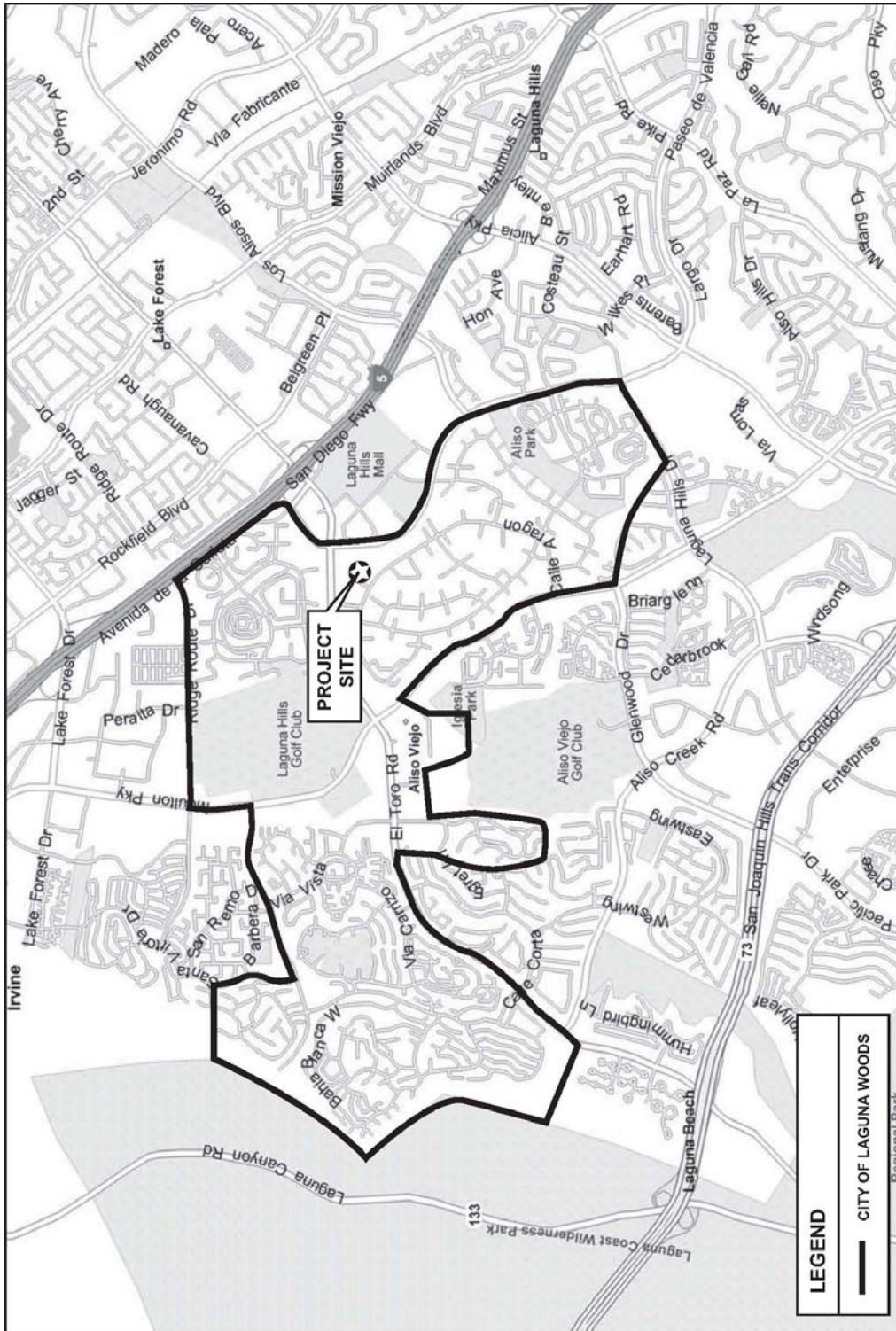
Figure 1-2 shows the project site. The project is proposed for about 134 age-restricted residential attached units with a 12,000 square-foot recreation center. The population is estimated at 188. The project site is located on Assessor's Parcel Number 621-191-02, which is located at 24264 El Toro Road near the intersection of El Toro Road and Moulton Parkway. All internal roads are already existing and no new maintenance costs will be incurred by the City. There are no new roads or signalized intersections required. This parcel currently has one office building with an estimated potential 112 employees.

1.3 Methodology and Assumptions

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

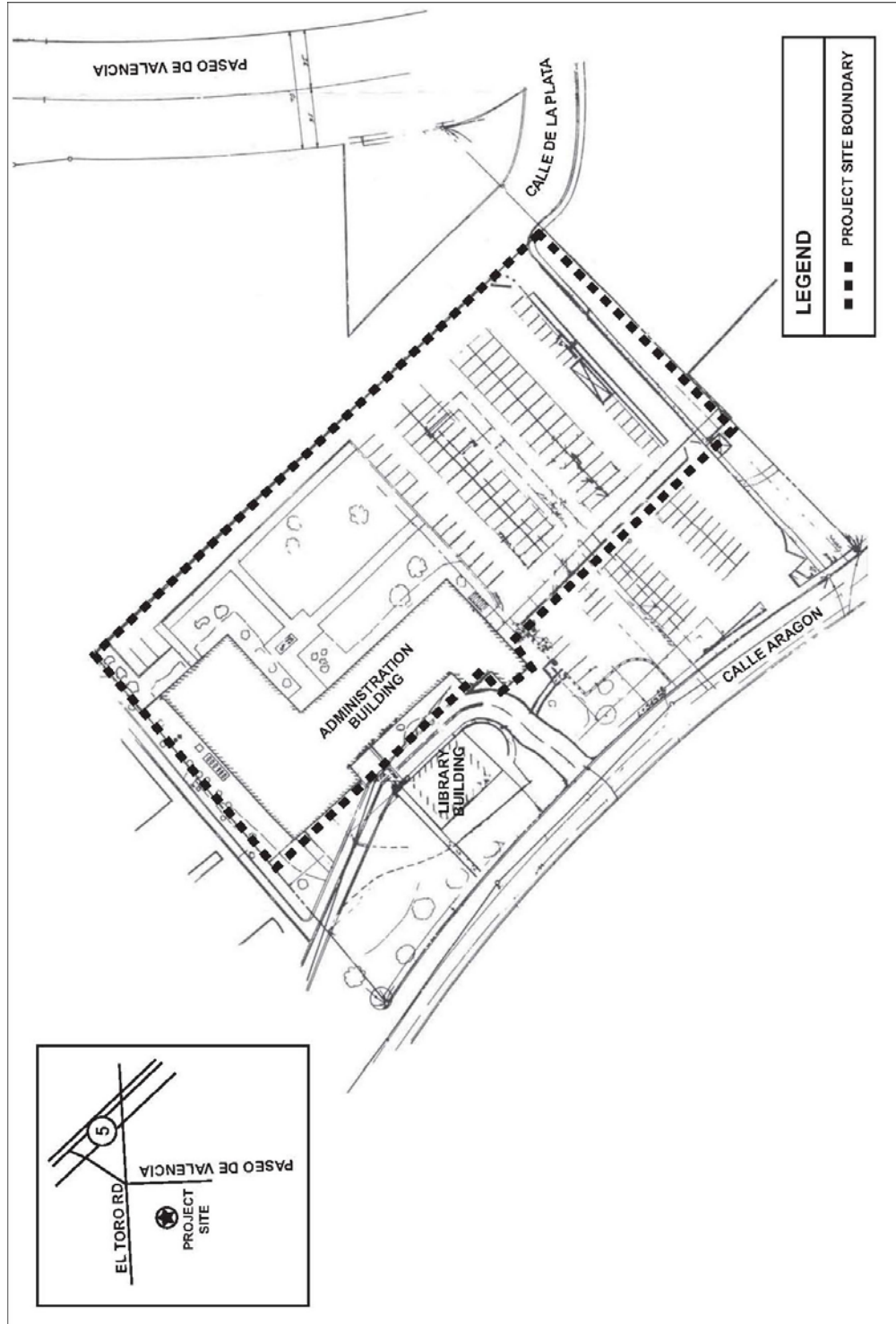
1. Land use descriptions for the proposed residential project are based on information provided by The Robert Mayer Corporation. Valuation for the existing administration building is also provided by The Robert Mayer Corporation.
2. Population is estimated based on an average of 1.4 persons per household, according to factor used in the estimates from the California Department of Finance, January 1, 2004.
3. Cost and revenue factors for the City General Fund were derived through an analysis of the *City of Laguna Woods Adopted Budget, Fiscal Year 2006* and discussions with City staff.
4. Property tax allocation factors for the Tax Rate Area (TRA) in which the project site is located were obtained from the Orange County Auditor-Controller's Office.
5. All revenue and cost projections are presented in constant 2005 dollars.

**Figure 1-1
Project Area and Vicinity**



Source: The Robert Mayer Corporation.

Figure 1-2
Project Site Plan



Source: The Robert Mayer Corporation.

1.4 Report Organization

In addition to the Executive Summary, the report is organized into the following sections:

- Project background and overview are presented in Chapter 1.
- A summary of the projected impacts is presented in Chapter 2.
- The project description is presented in Chapter 3.
- The detailed fiscal impacts on the City's General Fund and selected revenues are presented in Chapter 4.
- Cost and revenue assumptions and factors are presented in Chapter 5.
- Supporting detailed assumptions and calculations are presented in Appendix A.
- A list of persons and agencies contacted is presented in Appendix B.

CHAPTER 2 –SUMMARY OF PROJECTED FISCAL IMPACTS

The following summarizes the projected annual fiscal impacts of the proposed residential project in the City of Laguna Woods at project build-out. The project site is located on El Toro Road near Moulton Parkway in the City of Laguna Woods in Orange County. The fiscal analysis has been presented for a proposed senior residential project consisting of 134 housing units with an estimated population of 188 and a 12,000- square foot recreational building. This report analyzes the fiscal impacts of the proposed project at build-out on the City's General Fund operating budget and compares it with an improved office building of 28,000 square feet and an estimated potential 112 employees. In addition, revenues have been estimated for selected special funds and gas tax fund revenues.

Fiscal impacts are presented in constant 2005 dollars. The projected impacts are based on the project description provided by The Robert Mayer Corporation, an analysis of the City's proposed Fiscal Year 2005-2006 Budget, and discussions with key City staff.

2.1 Fiscal Impacts to the City's General Fund

As shown in Table 2-1, after project build-out, an annual recurring surplus of \$18,027 is projected for the proposed project, with a revenue/cost ratio of 2.00. Total General Fund revenues are estimated at \$36,111 annually. Key General Fund revenues include property taxes in lieu of vehicle license fees, motor vehicle in lieu taxes and property taxes. Total General Fund costs are estimated at \$18,084 annually. Major projected costs include public safety and general government costs.

As shown in Table 2-1, after project build-out, an annual recurring surplus of \$376 is projected for the improved office building, with a revenue/cost ratio of 1.07. The office use is essentially break-even for the City's General Fund. Total General Fund revenues are estimated at \$5,408 annually. Key General Fund revenues include property tax in lieu of vehicle license fees, franchise fees and offsite sales and use tax from office employees. Total General Fund costs are estimated at \$5,032 annually. Major projected costs include public safety and general government costs.

TABLE 2-1
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
ANNUAL RECURRING GENERAL FUND FISCAL IMPACTS AT BUILD-OUT
(In Constant 2005 Dollars)

Category	Existing Office Improved	Proposed Residential
Annual Recurring Revenues	\$5,408	\$36,111
Annual Recurring Costs	<u>5,032</u>	<u>18,084</u>
Annual General Fund Surplus/Deficit	\$376	\$18,027
Revenue/Cost Ratio	1.07	2.00

Sources: Stanley R. Hoffman Associates, Inc.

City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

2.2 Fiscal Impacts to City Special Funds

In addition to General Fund revenues, the proposed residential use has an impact on selected special revenue funds received by the City. As shown in Table 2-2, after build-out, the proposed residential use is estimated to generate about \$3,696 annually in gas tax revenues. These can be used to mitigate the citywide impact on Citywide road maintenance and infrastructure caused by the proposed project. In addition, the proposed project is estimated to generate about \$2,728 annually in other selected revenues, including Congestion Management Relief, OCTA/Senior Mobility and AB2766 Mobile Source Reduction grants from the Southern California Air Quality Management District (SCAQMD). It is anticipated that these revenues will cover the associated costs of maintenance related to increased use of City streets generated by the residential project. The improved office use does not generate any gas tax revenues or special fund revenues since there is no resident population associated with the office use.

TABLE 2-2
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
NON-GENERAL FUND REVENUES AT BUILD-OUT
(In Constant 2005 Dollars)

Category	Existing Office Improved ¹	Proposed Residential
<u>Gas Tax Fund</u>	\$0	\$3,696
<u>Other Grants and Revenues</u>		
Congestion Management Relief	\$0	\$788
OCTA/Senior Mobility	\$0	\$1,704
AB2766 Mobile Source Reduction (SCAQMD)	<u>\$0</u>	<u>\$236</u>
Sub-Total	\$0	\$2,728
Total Other Recurring Revenues	\$0	\$6,424

1. There are no residential population revenues generated by the existing improved office use.

Sources: Stanley R. Hoffman Associates, Inc.
City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

2.3 Fiscal Impacts to County Fire

As shown in Table 2-3, the Orange County Fire Authority (OCFA) receives a portion of the basic one percent property tax levy revenues to fund the costs associated with providing fire and emergency medical services to the City of Laguna Woods. The Orange County Fire Authority receives 11.6 percent of the one percent basic property tax levy. This results in an estimated \$83,998 annually for the proposed project to fund the annual recurring operations and maintenance costs related to fire protection and emergency medical services generated by the proposed residential project. As shown, the improved office use is estimated to generate about \$5,599 annually in property tax revenues to the Orange County Fire Authority.

CITY OF LAGUNA WOODS
ESTIMATED FISCAL IMPACTS TO COUNTY FIRE AND LIBRARY DISTRICTS
(In Constant 2005 Dollars)

Category	Existing Office Improved	Proposed Residential
<u>Orange County Fire Authority (OCFA)</u>		
Revenues	\$5,599	\$83,998
Costs	<u>n/a</u>	<u>\$96,148</u>
Difference	n/a	(\$12,150)
<u>Orange County Public Library</u>		
Revenues	\$830	\$12,461
Costs ¹	<u>0</u>	<u>0</u>
Difference	\$830	\$12,461

1. Costs are expected to remain the same as current level.

Sources: Stanley R. Hoffman Associates, Inc.

Orange County Auditor Controller, 2004-2005.

Annual costs for emergency medical services for the proposed residential project are estimated at \$96,148, which exceed projected revenues to the OCFA by \$12,150. Information was not provided by OCFA to estimate costs for the office use.

The developer of the proposed project is required to enter into a Secured Fire Protection Agreement with the Orange County Fire Authority (OCFA) for purposes of mitigating the impact of the proposed project on OCFA as it impacts capital and infrastructure needs. The site is currently served by Fire Station #22, which staffs three fire engine company units. This agreement requires a one-time fee of \$600 per unit to the OCFA. This results in an estimated \$80,400 to the OCFA from the proposed residential uses.

2.4 Fiscal Impacts to County Library

As shown in Table 2-3, the Orange County Public Library system receives about 1.72 percent of the basic one percent property tax levy revenues to fund the costs associated with providing library services to the City of Laguna Woods. This results in an estimated \$12,461 annually for the proposed project, and about \$830 annually for the improved office use. However, although the proposed project will generate property tax to the County Public Library, the City will not directly benefit from this revenue, since the project does not warrant expansion of the City's existing library branch.

CHAPTER 3 – PROJECT DESCRIPTION

The following chapter presents the detailed land uses for the proposed project and the existing commercial office use.

3.1 Project Development Summary

As shown in Table 3-1, the proposed project includes 134 housing units. The population is projected at 188 based on an average 1.4 persons per household, according to the California Department of Finance estimates for January 1, 2005. In the proposed plan, the fiscal analysis assumes a Homeowner's Association (HOA) will maintain the recreation building, landscaping, roads and other on-site facilities. Employment is not generated for the proposed residential project. The improved office administration building is about 28,000 square feet with an estimated potential employment of 112.

3.2 Project Valuation

The proposed project consists of 134 attached housing units and 12,000 square feet of recreation uses. As shown in Table 3-2, the residential unit values are estimated to range from \$264,000 to \$750,000. Based on the number of units times the weighted average price of \$567,500, this results in an estimated new residential valuation of \$76.0 million.

Valuation of the existing administration building is estimated at \$3.4 million according to the purchase price paid by the project proponent. The total net valuation of the proposed project is estimated at \$72.6 million, which is the new valuation less the existing valuation of \$3.4 million. Based on the existing valuation of \$3.4 million and an additional \$1.4 million for improvements to the existing building, the net valuation for the existing office use with improvements is estimated at \$4.8 million. Improvements have been estimated at \$50 per square foot, according to the developer.

TABLE 3-1
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
LAND USE AND DEVELOPMENT SUMMARY
(in Constant 2005 Dollars)

	Existing Office Improved	Proposed Residential
<u>Residential</u>		
Units	0	134
Population @ 1.4 persons per unit	0	188
Recreation Square Feet	0	12,000
<u>Administration/Office Use</u>		
Square Feet	28,000	0
Employment	112	0
<u>Valuation</u>		
Average Weighted Value per Unit	\$0	\$567,000
Total Residential Valuation	\$0	\$76,010,000
Total Non-Residential Valuation	\$1,400,000	\$0
Existing Valuation	<u>\$3,437,000</u>	<u>(\$3,437,000)</u>
Net Assessed Valuation	\$4,837,000	\$72,573,000

1. Operations and maintenance of the recreation center, landscaping and roads will be the responsibility of a homeowners' association.
2. The cost of improvements to bring the existing building up to code requirements is estimated at \$50 per square foot based on costs provided by the Robert Mayer Corporation. These improvements are estimated at \$1.4 million.

Sources: Stanley R. Hoffman Associates, Inc.
The Robert Mayer Corporation.

TABLE 3-2
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
ESTIMATED RESIDENTIAL VALUATION AT BUILD-OUT
(In Constant 2005 Dollars)

Plan	Number of Units	Average Value	Total Valuation
1	6	\$264,000	\$1,584,000
2	9	264,000	2,376,000
2A	2	450,000	900,000
3	39	550,000	21,450,000
4	12	575,000	6,900,000
5	16	625,000	10,000,000
6	47	650,000	30,550,000
7	3	<u>\$750,000</u>	<u>\$2,250,000</u>
TOTAL	134	\$567,000	\$76,010,000

Source: Stanley R. Hoffman Associates, Inc.
The Robert Mayer Corporation.

CHAPTER 4 - FISCAL ANALYSIS

This chapter presents the fiscal analysis for the proposed Laguna Woods residential project and the office use. Fiscal impacts to the City General Fund are projected for the following: 1) the proposed residential project of 134 housing units and an estimated population of 188; and 2) the improved office use estimated at 28,000 square feet and an estimated potential employment of 112.

4.1 Summary of General Fund Projected Impacts

Table 4-1 summarizes the projected fiscal impacts of the proposed project to the City of Laguna Woods for the recurring revenues and costs that impact the General Fund. Projections are presented in constant 2005 dollars. The fiscal factors used to project the recurring impacts are presented in Chapter 5. As shown in Table 4-1, the projected revenues of \$36,111 for the proposed residential project less the costs of \$18,084 result in a projected annual surplus at build-out of \$18,027. This represents a revenue/cost ratio of 2.00.

Table 4-1 also shows the fiscal impacts for the improved office use. The projected revenues of \$5,408 less costs of \$5,032 result in a small projected annual surplus at build-out of \$376, or a revenue-cost ratio of 1.07.

General Fund Recurring Revenues

As shown in Table 4-1, after build-out, the net recurring revenues are projected at \$36,111 for the proposed residential retail project. As shown, key revenues include property tax in lieu of motor vehicle license fees (20.8 percent), motor vehicle in lieu taxes (19.2 percent), and property taxes (17.7 percent). Franchise fees and off-site sales and use taxes from project households also comprise a sizable portion of the total revenues.

As shown in Table 4-1, after build-out, annual recurring revenues are projected at \$5,408 for the improved office use. As shown, key revenues include property tax in lieu of motor vehicle license fees (41.4 percent), franchise fees (23.3 percent) and off-site sales and use tax from estimated employee purchases at the City's retail establishments (19.7 percent).

TABLE 4-1
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
PROJECTED ANNUAL RECURRING GENERAL FUND FISCAL IMPACTS
(In Constant 2005 Dollars)

Source	Existing Office Improved	% of Total	Proposed Residential	% of Total
<u>Total Annual Recurring Revenues</u>				
Property Taxes General Fund	\$425	7.9%	\$6,382	17.7%
Property Transfer Tax - Residential	0	0.0%	1,996	5.5%
Property Tax in Lieu of MVLFF	2,238	41.4%	7,513	20.8%
Off-site Sales and Use Tax from Households	0	0.0%	5,504	15.2%
Off-site Sales and Use Tax from Employees	1,066	19.7%	0	0.0%
Motor Vehicle In Lieu Fees	0	0.0%	6,931	19.2%
Franchise Fees	1,260	23.3%	6,030	16.7%
Vehicle Code Fines	312	5.8%	1,048	2.9%
Interest Earnings	<u>106</u>	<u>2.0%</u>	<u>708</u>	<u>2.0%</u>
Total	\$5,408	100.0%	\$36,111	100.0%
<u>Total Annual General Fund Recurring Costs</u>				
General Government	\$1,655	32.9%	\$5,947	32.9%
Code Enforcement	162	3.2%	544	3.0%
Public Works	568	11.3%	1,906	10.5%
Public Works HHW	0	0.0%	798	4.4%
Public Safety	<u>2,648</u>	<u>52.6%</u>	<u>8,888</u>	<u>49.1%</u>
Total	\$5,032	100.0%	\$18,084	100.0%
Annual Surplus or (Deficit)	\$376		\$18,027	
Revenue/Cost Ratio	1.07		2.00	

Sources: Stanley R. Hoffman Associates, Inc.

City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

General Fund Recurring Costs

As shown in Table 4-1, after build-out, the net recurring costs are projected at \$18,084 for the proposed residential project. As shown, the major costs to the City's General Fund include public safety, general government services and public works. The costs for public safety comprise about 49.1 percent of the total costs. As shown in Table 4-1, the office use generates lower costs than the proposed project due to the lower development intensity associated with the office employment, or about \$5,032 annually. The costs for public safety comprise about 52.6 percent of the total costs.

4.2 Annual Recurring Revenues to Special Funds

In addition to General Fund revenues, both the existing use and proposed residential use have an impact on selected special revenue funds received by the City. As shown in Table 4-2, after build-out, the proposed residential use is estimated to generate about \$3,696 annually in gas tax revenues. These can be used to mitigate the citywide impact on road maintenance and infrastructure caused by the proposed project. In addition, the proposed project is estimated to generate about \$2,728 annually in other selected revenues, including Congestion Management Relief, OCTA/Senior Mobility and AB2766 Mobile Source Reduction grants from the Southern California Air Quality Management District (SCAQMD). It is anticipated that these revenues will cover the associated costs of maintenance related to increased use of City streets generated by the residential project. The improved office use does not generate any gas tax revenues since there is no resident population associated with the office use.

4.3 Annual Recurring Fiscal Impacts to County Fire

As shown in Table 4-3, the Orange County Fire Authority (OCFA) receives a portion of the basic one percent property tax levy revenues to fund the costs associated with providing fire and emergency medical services to the City of Laguna Woods. The Orange County Fire Authority receives 11.57 percent of the one percent basic property tax levy. This results in an estimated \$83,998 annually for the proposed project to fund the annual recurring operations and maintenance costs related to fire protection and emergency medical services generated by the proposed residential project. As shown, the improved office use is estimated to generate about \$5,599 annually in property tax revenues to the Orange County Fire Authority.

TABLE 4-2
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
NON-GENERAL FUND REVENUES AT BUILD-OUT
(In Constant 2005 Dollars)

Category	Existing Office Improved ¹	Proposed Residential
<u>Gas Tax Fund</u>	\$0	\$3,696
<u>Other Grants and Revenues</u>		
Congestion Management Relief	\$0	\$788
OCTA/Senior Mobility	\$0	\$1,704
AB2766 Mobile Source Reduction (SCAQMD)	<u>\$0</u>	<u>\$236</u>
Sub-Total	\$0	\$2,728
Total Other Recurring Revenues	\$0	\$6,424

1. There are no residential population revenues generated by the existing improved office use.

Sources: Stanley R. Hoffman Associates, Inc.

City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

As shown, based on the estimated cost of a residential service call of \$2,419 and an estimated 3,884 annual calls for service from Laguna Woods, annual costs for emergency medical services are estimated at \$96,148, which exceed project revenues to the OCFA by \$12,150. Cost information for office uses was not provided by the OCFA.

The developer of the proposed project is required to enter into a Secured Fire Protection Agreement with the Orange County Fire Authority (OCFA) for purposes of mitigating the impact of the proposed project on OCFA as it impacts capital and infrastructure needs. The site is currently served by Fire Station #22, which staffs three fire engine company units. This agreement requires a one-time fee of \$600 per unit to the OCFA. This results in an estimated \$80,400 to the OCFA from the proposed residential uses.

TABLE 4-3
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
ANNUAL RECURRING IMPACTS FIRE AND EMERGENCY MEDICAL SERVICES
(In Constant 2005 Dollars)

	Existing Office Improved	Proposed Residential
<u>A. City of Laguna Woods</u>		
Cost per Call for Service to OCFA	n/a	\$2,419
Calls per Year	n/a	3,884
Total Cost per Year	n/a	\$9,395,396
Cost per Capita	n/a	\$511.43
Calls per Capita	n/a	0.21
Population	n/a	18,371
<u>B. Residential Project</u>		
Total Cost per Year	n/a	\$96,148
Population	n/a	188
O C Fire Authority - Gen. Fund	11.57%	11.57%
Estimated property tax revenues to OCFA	\$5,599	\$83,998
Shortfall	n/a	\$12,150

Sources: Stanley R. Hoffman Associates, Inc.
Orange County Fire Authority.

4.4 Annual Recurring Fiscal Impacts to County Library

As shown in Table 4-4, the Orange County Public Library system receives about 1.72 percent of the basic one percent property tax levy revenues to fund the costs associated with providing library services to the City of Laguna Woods. This results in an estimated \$12,461 annually for the proposed project, and about \$830 annually for the improved office use. However, the City will not directly benefit from this revenue since the proposed project does not warrant expansion of the City's existing library branch.

TABLE 4-4
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
ANNUAL RECURRING IMPACTS TO COUNTY LIBRARY DISTRICT
(In Constant 2005 Dollars)

Category	Existing Office Improved	Proposed Residential
<u>Orange County Public Library</u>		
Revenues	\$830	\$12,461
Costs ¹	<u>0</u>	<u>0</u>
Surplus/Deficit	\$830	\$12,461

1. Costs are expected to remain the same as current level.

Sources: Stanley R. Hoffman Associates, Inc.

Orange County Auditor Controller, 2004-2005.

CHAPTER 5 - GENERAL ASSUMPTIONS AND FISCAL FACTORS

This chapter presents the general assumptions as well as the revenue and cost factors used to prepare the Laguna Woods fiscal analysis.

5.1 General Assumptions

Table 5-1 provides the general assumptions for this fiscal analysis.

Resident Population. The City's population of 18,371 is based on the California State Department of Finance (DOF) estimates as of January 1, 2005. The City's senior population for fiscal year 2005-2006 is estimated at 16,976, as provided by the City.

Average Household Size. The City's average household size of 1.4 persons per household has been calculated based on a household population of 18,297 and occupied housing units of 12,591.

Employment. Based on the Southern California Association of Governments' (SCAG) Regional Transportation Plan (RTP) 2004 estimates, the City's employment is estimated at 3,071.

Resident Equivalent Population. Several revenues and costs are impacted by both population and employment growth. Therefore, these fiscal factors are estimated by allocating total budgeted revenues or costs to both population and employment. The resident equivalent population is the City's population plus employment weighted at 50.0 percent. This weighting accounts for the estimated less frequent use of City public services by employment versus the resident population. As shown in Table 5-1, an estimated resident equivalent population of 19,907 was used to calculate the fiscal factors that apply to both population and employment. This includes the resident population of 18,371 and the estimated weighted employment of 1,536.

5.2 Revenue Assumptions and Factors

Table 5-2 presents the revenue factors developed from the City's recurring Fiscal Year 2006 revenues. These revenues are Revenue factors are projected primarily on: 1) a per capita basis, or 2) a per residential equivalent population. Any exceptions to this are noted in the description for the particular revenue factor. The revenue amount is divided by the total population or resident equivalent population to determine the factor. The City's General Fund revenues are shown in Table A-1 of Appendix A.

**TABLE 5-1
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
SUMMARY OF GENERAL ASSUMPTIONS**

Assumption	Description
	<u>Population and Housing</u>¹
18,371	Total Resident Population
74	Group Quarters
18,297	Household Population
16,976	Senior population (per City)
13,629	Total Housing Units
12,591	Occupied Housing Units
1.4	Average Household Size (based on that used in the Mitigated Negative Declaration)
	<u>Employment</u>
3,071	Total Employment ²
1,536	Employment at 50% ³
	<u>Population and Employment</u>
19,907	Resident equivalent population (Resident Population + Weighted Employment)

- Notes: 1. Population and housing estimates are from the California Department of Finance (DOF) for January 1, 2005.
2. The total employment estimate is based on the Southern California Association of Governments (SCAG) RTP 2004 Projections.
3. The total estimated employment was weighted by 50% to account for the estimated less frequent use of City public services by employment versus population.

Sources: Stanley R. Hoffman Associates, Inc.

State of California, Department of Finance, *E-5 City/County Population and Housing Estimates, 2005*.

Southern California Association of Governments, *RTP 2004 Projections*.

TABLE 5-2
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
SUMMARY OF RECURRING REVENUE FACTORS
(In Constant 2005 Dollars)

Revenue Source	FY 2006 Budget ¹	Projection Basis ²	Projection Factor
<u>GENERAL FUND</u>			
<u>Property Tax Revenue</u>			
Property Taxes General Fund	\$164,283	Assessed Valuation	0.88% City share of 1% levy
Property Transfer Tax	\$108,160	Property turnover and valuation assumptions	5% Residential turnover rate
Property Tax in Lieu of MVLF ³	\$795,486	Resident Equiv. Population	\$39.96 per resident equiv. population
<u>Revenue from Other Agencies</u>			
Sales and Use Tax ⁴	Case Study Case Study	Population Employment	\$29.28 per capita \$1,904 per employee
Motor Vehicle In Lieu Taxes ⁵	\$677,239	Population	\$36.86 per capita
<u>Franchise Fees⁶</u>	n/a	Case Study Case Study	\$900 per residential unit \$0.90 per office square foot 5.0% Utility rate
<u>Vehicle Codes Fines</u>	\$111,000	Resident Equiv. Population	\$5.58 per resident equiv. population
<u>Interest Earnings</u>	\$100,000	General Fund Revenues	2.0% of total general fund revenues
<u>GAS TAX FUND</u>	\$361,199	Population	\$19.66 per capita
<u>CONGESTION MANAGEMENT RELIEF</u>	\$77,000	Population	\$4.19 per capita
<u>OCTA/SENIOR MOBILITY</u>	\$153,836	Senior Population	\$9.06 per capita
<u>AB2766 MOBILE SOURCE REDUCTION⁶</u>	\$23,075	Population	\$1.26 per capita

1. Budget numbers shown are from the FY 2006 Adopted Budget unless noted otherwise.
2. For revenue factors that are based on population and employment, an estimated resident equivalent factor is applied to the estimated resident equivalent population, which represents the total population plus 50% of the employment.
3. Sales tax of \$29.39 per capita has been estimated by the City, based on 2005 annual sales tax of \$537,814, for all retail categories other than building materials.
4. The State has lowered the MVLF rate, which reduces the amount of MVLF received by cities counties. However, they will provide property taxes to offset the MVLF backfill. This amount will change according to the assessed valuation for the City. For purposes of this analysis the in lieu property tax has been projected on a per resident equivalent population basis.
5. Under the law, a newly incorporated city receives MVLF revenues based on three times the number of registered voters in the city at the time of incorporation (46,188) for its first seven years. After this time period, MVLF revenues for Laguna Woods are estimated based on the City's estimated 2005 population of 18,371, which is 39.8% of the 46,188. Therefore, 39.8% of the \$1,702,701 in MVLF is used as the basis for projection.
6. This includes electric and gas franchise fees.
7. AB2766 is funding from the Southern California Air Quality Management District (SCAQMD). It allows a motor vehicle registration fee to be added to each registration, which can be used to fund projects which reduce pollution for automobiles.

Source: Stanley R. Hoffman Associates, Inc.
City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

General Fund

Property Tax.

Property tax will be generated to the City's General Fund, which receives 0.88 percent of the 1.0 percent basic property tax levy. Property tax revenues are projected by multiplying one percent times the tax allocation percentage for each jurisdiction or special district within a tax rate area (TRA) by the assessed value of the proposed project in constant dollars. The current property tax allocations for the TRAs within the Laguna Woods project area are shown in Appendix Table A-4.

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 of Laguna Woods receives 50.0 percent of this amount, or \$0.55 per \$1,000 of transferred value. In this analysis, transfer tax is calculated assuming that 5.0 percent of residential uses will change owners annually (estimated 5.0 percent annual turnover rate).

Property Tax in Lieu of MVLF. These revenues are received by the City to offset the backfill for 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. For purposes of this analysis, these revenues are allocated on a per resident equivalent population basis. Based on FY 2006 budgeted revenues of \$795,486 and the total resident equivalent population of 19,907, property tax in lieu of motor vehicle license fees are projected at \$39.96 per resident equivalent population. In actuality, the property tax in lieu of MLVF amount received by the City could be higher or lower according to the future change in assessed valuation.

Offsite Sales and Use Tax. Sales and use tax is projected on a per capita basis for purchases that will be made by project households at the City's retail establishments. This is estimated based on the City's annual 2005 sales tax of \$537,814. The total has been adjusted to reflect all sales tax except building materials. This results in an estimated \$29.28 sales and use tax per capita.

Offsite Sales and Use Tax from Employees . Sales and use tax is projected on a per employee basis for estimated purchases made by office employees at the City's retail establishments. This is estimated based on an estimated \$1,904 per worker annually that is spend on lunches, dinner and after work retail purchases such as groceries. It is assumed that the City could capture about 50.0 percent of these purchases. The detailed calculations are presented in Table A-2 of Appendix A.

Motor Vehicle in Lieu Fees. These revenues are allocated to the population. These revenues are allocated to the population. Under the law, a newly incorporated city receives motor vehicle license fee revenues based on three times the number of registered voters in the city at the time of incorporation for its first seven years. The amount shown in the FY 2006 budget of \$1,702,701 was based on this estimate of 46,188, or three times the number of registered voters in the City at the time of incorporation. Since the seven-year period will end after this year, estimated motor vehicle license fee revenues for Laguna Woods are projected based on the proportion of this amount that would apply to the City's estimated 2005 population, or about 39.8 percent (18,371/46,188) of \$1,702,701. This results in an estimated \$677,239 or \$36.86 per capita.

Franchise Fees. Franchise fees are charged to various entities in exchange for the exclusive right to operate franchises within the City's jurisdiction. Franchise fees have been projected for utilities and gas. These revenues are projected at a rate of 5.0 percent of total utilities and gas, based on an average monthly total utility bill of \$75 per housing unit, or \$900 per unit annually. Non-residential utilities are estimated based on the assumption that utility usage for 1,000 square feet of office is equivalent to usage for an average residential unit of 1,000 square feet, or \$0.90 per square feet annually ($\$900/1,000 = \0.90).

Vehicle Codes Fines. Fines and penalties consist of vehicle code violations related to violations of the municipal code. These revenues are projected at \$5.58 per resident equivalent population, based on FY 2006 budgeted revenues of \$111,111.

Interest Earnings. Interest earnings are projected at 2.0 percent of total General Fund recurring revenues.

Other Revenues

Gas Tax Fund. The State Controller allocates State gas taxes to cities. These revenues can be used for road related maintenance. Under the law, a newly incorporated city receives gas tax fund revenues based on three times the number of registered voters in the city at the time of incorporation for its first seven years. The amount shown in the FY 2006 budget of \$908,120 was based on this estimate of 46,188, or three times the number of registered voters in the City at the time of incorporation. Since the seven-year period will end after this year, estimated gas tax fund revenues for Laguna Woods are projected based on the proportion of this amount that would apply to the

City's estimated 2005 population, or about 39.8 percent (18,371/46,188) of \$908,120. This results in an estimated \$361,199 or \$19.66 per capita.

Congestion Management Relief. These grant revenues have been projected at \$4.19 per capita based on FY 2006 revenues of \$77,000 and the City's resident population of 18,371.

OCTA/Senior Mobility. These grant revenues have been projected at \$9.06 per capita of senior population based on FY 2006 revenues of \$153,836 and the City's senior resident population of 16,976, as provided by the City.

AB2766 Mobile Source Reduction. These grant revenues have been projected at \$1.26 per capita based on FY 2006 revenues of \$23,075 and the City's resident population of 18,371.

5.3 Cost Assumptions and Factors

Table 5-3 provides a summary of the recurring General Fund cost factors developed from the City's recurring Fiscal Year 2006 expenditures. As with revenues, cost factors are projected primarily on a per capita basis or a per resident equivalent population factor. Community Services costs are shown as net costs, since they are partially offset by some selected revenues. The General Fund expenditures are included in Table A-3 of Appendix A.

General Government. General Government costs such as City Council, City Attorney and Finance provide generalized services and cannot be directly linked to a specific development project. General government costs arise from administration and support of departmental line costs such as police, community development and public works. These costs are typically viewed as Citywide overhead and are projected using an overhead rate applied to departmental line costs. Based on discussion with the City's Finance Director, General Government costs are estimated at 49.0 percent of non-general government costs.

Code Enforcement. Costs for code enforcement are estimated on a per resident equivalent population basis. Based on FY 2006 budgeted expenditures of \$57,641 for a Code Enforcement officer salary and a total resident equivalent population of 19,907, code enforcement costs are projected at \$2.90 per resident equivalent population.

TABLE 5-3
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
SUMMARY OF RECURRING GENERAL FUND COST FACTORS
(In Constant 2005 Dollars)

General Fund	FY 2006 Budget	Projection Basis ¹	Projection Factor	
General Government ²	\$2,183,132	Percent of direct costs	49.0%	of direct department costs
Code Enforcement ³	\$57,641	Resident Equiv. Population	\$2.90	per resident equiv. population
Public Safety	\$941,119	Resident Equiv. Population	\$47.28	per resident equiv. population
Public Works	\$201,824	Resident Equiv. Population	\$10.14	per resident equiv. population
Public Works - Household Waste	\$78,000	Population	\$4.25	per capita

1. For cost factors that are based on population and employment, an estimated resident equivalent factor is applied to the estimated resident equivalent population, which represents the total population plus 50% of the employment.
2. Overhead rate of 49.0% provided by the City Finance Director.
3. This includes the estimated salary for a Code Enforcement officer.

Sources: Stanley R. Hoffman Associates, Inc.
City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

Public Safety. Costs related to police protection services are estimated on a per resident equivalent population basis. As shown in Table 5-3, based on FY 2006 budgeted expenditures of \$941,119 and the City’s resident equivalent population of 19,907, police protection costs are projected at \$47.28 per resident equivalent population.

Public Works. These costs are estimated on a per resident equivalent population basis. Based on FY 2006 budgeted operations and maintenance expenditures of \$201,824, and the City’s resident equivalent population of 19,907, public works costs are projected at \$10.14 per resident equivalent population.

Public Works- Household Hazardous Waste. These costs are estimated on a per capita basis. Based on FY 2006 budgeted expenditures of \$78,000 for household hazardous waste and the City’s resident population of 18,371, public works costs for household hazardous waste are projected at \$4.25 per capita.

APPENDIX A - SUPPORTING TABLES

Table A-1	Summary of General Fund Revenues, 2006
Table A-2	Estimated Retail Sales Tax from Employees
Table A-3	Summary of General Fund Expenditures, 2006
Table A-4	Current Tax Rate Area (TRA) Allocations

**TABLE A-1
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
SUMMARY OF GENERAL FUND REVENUES, 2006**

Revenue Category	Total	Non-recurring	Recurring	Revenue Type ¹
<u>Property Taxes</u>				
Current Secured/Unsecured	\$155,589	\$0	\$155,589	R
Prior Year Secured Taxes	3,121	0	3,121	R
Supplemental	5,573	0	5,573	R
Prop Tax In Lieu of VLF	795,486	0	795,486	R
Property Tax In Lieu of Sales Tax	229,800	0	229,800	R
Property Tax Transfer	<u>108,160</u>	<u>0</u>	<u>108,160</u>	R
<i>Subtotal</i>	<i>\$1,297,729</i>	<i>\$0</i>	<i>\$1,297,729</i>	
<u>Intergovernmental</u>				
Sales and Use Tax	\$723,775	\$0	\$723,775	R
Motor Vehicle in Lieu Taxes	1,702,701	0	1,702,701	R
Off-Highway Vehicle Tax	<u>1,100</u>	<u>0</u>	<u>1,100</u>	R
<i>Subtotal</i>	<i>\$2,427,576</i>	<i>\$0</i>	<i>\$2,427,576</i>	
<u>Franchise Fees</u>				
Utilities	155,960	0	155,960	R
Gas	6,671	0	6,671	R
Solid Waste	30,750	0	30,750	R
Cable Television	36,720	0	36,720	R
Bus Benches	<u>60,102</u>	<u>0</u>	<u>60,102</u>	R
<i>Subtotal</i>	<i>\$290,203</i>	<i>\$0</i>	<i>\$290,203</i>	
<u>Transient Occupancy Tax</u>				
Transient Occupancy Tax	<u>\$350,000</u>	<u>\$0</u>	<u>\$350,000</u>	R
<i>Subtotal</i>	<i>\$350,000</i>	<i>\$0</i>	<i>\$350,000</i>	
<u>Fines and Penalties</u>				
Vehicle Code Fines	\$111,000	\$0	\$111,000	R
Parking Fines	1,100	0	1,100	R
Administrative Fines	<u>1,000</u>	<u>0</u>	<u>1,000</u>	R
<i>Subtotal</i>	<i>\$113,100</i>	<i>\$0</i>	<i>\$113,100</i>	
<u>Licenses and Permits</u>				
Building	<u>\$225,000</u>	<u>\$0</u>	<u>\$225,000</u>	O
<i>Subtotal</i>	<i>\$225,000</i>	<i>\$0</i>	<i>\$225,000</i>	
<u>Charges for Service</u>				
Planning Development Services	\$50,000	\$50,000	\$0	O
Encroachment	2,000	2,000	0	O
Grading	1,000	1,000	0	O
Sale of Publications/Maps	2,000	0	2,000	R
Notary Charges	<u>1,000</u>	<u>1,000</u>	<u>0</u>	O
<i>Subtotal</i>	<i>\$56,000</i>	<i>\$54,000</i>	<i>\$2,000</i>	
<u>Community Services Programs</u>				
Bus Trips	<u>\$13,500</u>	<u>\$0</u>	<u>\$13,500</u>	R
<i>Subtotal</i>	<i>\$13,500</i>	<i>\$0</i>	<i>\$13,500</i>	
<u>Use of Money & Property</u>				
Interest Earnings	\$100,000	\$0	\$100,000	R
Rents	<u>5,676</u>	<u>0</u>	<u>5,676</u>	R
<i>Subtotal</i>	<i>\$105,676</i>	<i>\$0</i>	<i>\$105,676</i>	
General Fund Total	\$4,878,784	\$54,000	\$4,824,784	

Note: 1. Revenue type = Recurring 'R' or One-time 'O'

Source: Stanley R. Hoffman Associates, Inc.
City of Laguna Woods Adopted Budget, Fiscal Year 2006.

TABLE A-2
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
ESTIMATED RETAIL SALES TAX FROM EMPLOYEES
(in constant 2005 Dollars)

Retail Group	Annual Spending Per Worker ¹ 2005 \$	Total Expenditures 2005 \$
Total Employment		112
Estimated Capture Rate		50.0%
Eating & Drinking Establishments	\$1,554	\$174,097
Lunches	1,366	153,044
Dinner/Drinks	188	21,052
After Work Retail	\$350	\$39,196
Food & Groceries	210	23,545
Other	140	15,651
Total	\$1,904	\$213,292
Total at 50% Capture		\$106,646
Estimated Annual Retail Sales Tax to City @ 1%		\$1,066

1. Spending per worker derived from International Council of Shopping Centers' survey.

Sources: Stanley R. Hoffman Associates, Inc.
International Council of Shopping Centers, *Office Worker Retail Spending, 1988*.
Urban Land Institute, *Dollars and Cents of Shopping Centers, 2004*.

TABLE A-3
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
SUMMARY OF GENERAL FUND EXPENDITURES, 2006
(In Constant 2005 Dollars)

General Fund Expenditures	Total
<u>General Government</u>	
Administrative Services	944,831
Non-Departmental	1,238,301
<u>Non-General Government</u>	
Community Development	\$562,394
Community Services	214,295
Public Safety	941,119
Public Works	201,824
Public Works - Household Waste (Residential Only)	78,000
General Fund Total	\$4,180,764

Source: Stanley R. Hoffman Associates, Inc.
City of Laguna Woods Adopted Budget, *Fiscal Year 2006*.

TABLE A-4
LAGUNA WOODS RESIDENTIAL FISCAL ANALYSIS
CITY OF LAGUNA WOODS
CURRENT TAX RATE AREA (TRA) ALLOCATIONS

Fund Description	32-010
Aliso Viejo City CSA # 4	0.01623716068
Laguna Woods City	0.00879358019
El Toro Water Dist - Gen. Fund	0.01099003392
O C Fire Authority - Gen. Fund	0.11574325659
Orange County Transit Authority	0.00288989339
Saddleback Valley Unif Gen Fund	0.46675717327
South Orange Co Comm Coll Dist-Gen	0.09115840505
O C Dept of Education - Gen. Fund	0.01679974029
Orange Co Gen. Fund	0.05726419072
Orange County Public Library	0.01716972189
OC Flood Control District	0.02036373176
OC Harbors Beaches & Parks CSA 26	0.01574053970
Educational Revenue Augmentation Fund (ERAF)	0.10529689047
Educational Revenue Augmentation Fund (ERAF)	0.01974589764
Educational Revenue Augmentation Fund (ERAF)	0.00075369954
Educational Revenue Augmentation Fund (ERAF)	(0.00656272949)
Educational Revenue Augmentation Fund (ERAF)	0.00192659560
Educational Revenue Augmentation Fund (ERAF)	0.00836566753
Educational Revenue Augmentation Fund (ERAF)	0.00301112954
Educational Revenue Augmentation Fund (ERAF)	0.00094167304
Educational Revenue Augmentation Fund (ERAF)	0.01762526498
Educational Revenue Augmentation Fund (ERAF)	0.00732668947
OC Vector Control Dist	0.00114987562
OC Cemetery Fund - General	0.00051191861
Total	1.0000000000

Source: Stanley R. Hoffman Associates, Inc.
Orange County Auditor Controller, 2004-2005.

APPENDIX B - PERSONS AND AGENCIES CONTACTED

City of Laguna Woods

Lauren Barr, Community Development Director
949-639-0521

Douglas C. Reilly, Assistant City Manager
949-639-0561

Leslie A. Keane, City Manager
949-639-0525

Orange County Fire Authority

Gene Begnell, Strategic Services Chief
714-573-6198

The Robert Mayer Corporation

Larry Brose
949-759-8091