



### Memorandum

To: Cheryl Kitzerow

From: Shane Spicer

Date: September 6, 2018

RE: Rockport Ranch Fiscal Impact Analysis Review

The City engaged Spicer Consulting Group ("SCG") to evaluate the May 4, 2018 Fiscal Impact Analysis for Rockport Ranch prepared by Development Planning & Financing Group, Inc. ("DPFG"). The Rockport Ranch Fiscal Impact Analysis (FIA) proposes fiscal impacts with the proposed residential land use for 305 residential units, consisting of 96 single family detached units and 209 multi-family units over a 20-year time period. The 72.6 acre project is located slightly East of Highway 215 on the Southwestern corner of Newport Road and Briggs Road.

### Project Description

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. 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 (from DPFG FIA).

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
<b>Totals</b>			<b>72.6 acres</b>	<b>305</b>	<b>3.83</b>

### Project Analysis

The Project's direct impact to the General Fund at build-out is summarized in Table 1 of this report. The primary difference in the analysis prepared by DPFG and the SCG review is that DPFG factored both population and employment in the build-out assumptions for both general fund revenues and expenditures, see Tables 8 and 9 of the Fiscal Impact Analysis for Rockport Ranch. Rockport Ranch is a residential project which should not include employment factors for the service units and utilized no factor for estimated employees. The Per Capita & 50% Employee Multiplier that was utilized for basis of Table 4 results in an inconsistent application of the factor calculated. Overall, DPFG's analysis shows a positive result, however, construction of residential only is typically a net negative fiscal impact to the General Fund of a City.

SCG recalculated the impacts to the City based upon a Residential Population Growth Model based upon a public services analysis. SCG analyzed and recalculated the fiscal impact at Buildout as follows:

<b>Rockport Ranch</b>	<b>Allocable Share</b>	<b>Service Units</b>	<b>Project Cost Impacts</b>
General Government	\$69	854	\$ 58,699
Community Development	\$68	854	58,294
Public Works/Engineering	\$51	854	43,611
Community Services	\$31	854	26,616
Public Safety			
Police Services	\$225	854	192,279
Fire Services	\$192	854	163,629
Animal Control Services	\$8	854	6,550
Total Public Safety	<u>\$424</u>		<u>\$ 362,458</u>
<b>Total Expenditures</b>	<b>\$644</b>		<b>\$ 549,678</b>
<b>Tax Revenues</b>		<b>305 Homes</b>	<b>Project Revenue Estimates</b>
Property Tax		Table 1	\$ 143,331
Property Transfer Tax			8,212
Property Tax In Lieu of VLF		Table 2	74,373
Sales and Use Tax			138,503
		<i>Subtotal Tax Revenues</i>	<u>\$ 364,419</u>
Franchise Fee			19,913
Recreation Program Fees			2,928
Fines & Forfeiture			4,355
Misc. Revenues/Other			11,895
		<i>Subtotal Other Revenues</i>	<u>\$ 39,092</u>
		<b>Total Revenues</b>	<b>\$ 403,510</b>
		<b>Shortfall</b>	<b>\$ (146,167)</b>

<b>TABLE 1: PROPERTY TAX</b>		
#OF HOMES		305
HOME - ESTIMATED VALUE	\$	360,234
TOTAL ASSESSED VALUATION	\$	109,871,370
AD-VALOREM BASIC RATE		1%
PROPERTY TAXES	\$	<u>1,098,714</u>
GENERAL FUND - TRA (6.618370%)	\$	72,717
STRUCTURAL FIRE TAX (6.426982%)	\$	70,614
TOTAL GENERAL FUND PROPERTY TAX	\$	<u>143,331</u>

A separate analysis was prepared for the City that illustrates the impacts to public safety from development. We prepared a tabular analysis that included information planned for FY 2017-18 and determined the appropriate set of General Fund revenues and expenditures on a per capita basis. SCG evaluated this cost per capita assuming a full build-out scenario and determine the proportionate share associated to the development of new residential properties. This report translates to (\$479) for each newly developed detached single family residential and (\$354) per multi-family residential unit needed to mitigate future impacts.

The analysis in the May 4, 2018 FIA prepared by DPF is based upon current dollars at buildout so the report must also note that historical and future County estimates for Sheriff Services is expected to be 6% to as much as 12.5% for the next 10 years. The following table illustrates the cost of adding 53% of an officer for the impacts related to Sheriff staffing needs for Rockport Ranch.

SCG obtained information germane to the analysis including: the FY 2016-17 Comprehensive Annual Financial Report; the FY 2017-18 Audited Budget, the FY 2018-19 Draft Budget; the General Plan; the Demographic Market Report; Police and Fire Cost information including related County agreements; and line item budget detail data. From this information a line item detailed database was prepared determining the eligible budget items relevant to providing services to the community.

### Recommendations

Given the net negative impact new residential development has on the City's General Fund, the proposed Fiscal Impact Analysis for Rockport Ranch should the proposed land use change be approved the developer will need to mitigate these impacts. The developer could include the \$479 per single-family residential property in a Public Services Community Facilities District or will need to determine other means of paying the annual costs to mitigate its impact to the City's General Fund.

This concludes our review of the Rockport Ranch Fiscal Impact Analysis.

Spicer Consulting Group



Shane Spicer  
Managing Director

APPENDIX A

GENERAL FUND FISCAL IMPACT ANALYSIS  
RESIDENTIAL POPULATION GROWTH

**City of Menifee**  
**General Fund Fiscal Impact Analysis**  
**Residential Population Growth**

Population as of 2018	91,902
Estimated Population Growth (thru 2035)	54,638
Population at Build-out (2035)	146,540

General Fund Expenditures	Service Unit <sup>1</sup>	Per Service Unit	Build-Out LOS
General Government	146,540	\$68.73	\$10,072,322
Community Development	146,540	\$68.26	\$10,002,764
Public Works/Engineering	146,540	\$51.07	\$7,483,402
Community Services	146,540	\$31.17	\$4,567,047
Public Safety			
Police Services	146,540	\$225.15	\$32,993,625
Fire Services	146,540	\$191.60	\$28,077,534
Animal Control Services	146,540	\$7.67	\$1,123,852
<b>Total Public Safety</b>	<b>146,540</b>	<b>\$424.42</b>	<b>\$62,195,011</b>
<b>Total General Fund Expenditures</b>		<b>\$644</b>	<b>\$94,320,547</b>

Total Service Units at Build-out	146,540
New Residential Service Units	54,638
% of Build-out Service Units	37.29%

<b>Allocable Share of General Fund Expenditures</b>	<b>\$35,167,777</b>
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General Fund Revenues - New Development	New Homes	Per New Home	Totals
Tax Revenues			
Property Tax	20,890	\$454.58	\$9,496,077
Property Transfer Tax	20,890	\$26.92	\$562,460
Property Tax In Lieu of Sales Tax	20,890	\$17.81	\$372,085
Sales and Use Tax <sup>3</sup>	20,890	\$454.11	\$9,486,250
<b>Subtotal Tax Revenues</b>		<b>\$953.42</b>	<b>\$19,916,871</b>
Franchise Fee	20,890	\$65.29	\$1,363,901
Recreation Program Fees	20,890	\$9.60	\$200,543
Fines & Forfeiture	20,890	\$14.28	\$298,308
Misc. Revenues	20,890	\$11.33	\$236,682
<b>Subtotal Other Revenues</b>		<b>\$100.50</b>	<b>\$2,099,434</b>
<b>Total General Fund Revenues</b>			<b>\$22,016,305</b>

General Fund Impact	Service Unit <sup>1</sup>	Per Service Unit	Totals
Expenditures	54,638	\$643.65	\$35,167,777
Less: Revenues <sup>4</sup>	54,638	\$472.49	\$25,815,849
<b>Shortfall</b>	54,638	<b>(\$171.16)</b>	<b>(\$9,351,928)</b>

CFD Tax Rates	Factor	Per Service Unit	Tax Rate
Single Family Residential	2.80	\$171.16	<b>\$479</b>
Multi-Family Residential	2.07	\$171.16	<b>\$354</b>

General Fund Expenditures	FY 2018-19 <sup>2</sup>			Projected Build-Out 2035			
	Operating Budget	\$ Per Capita	% of Total	Escalator	Operating Budget	\$ Per Capita	% of Total
General Government	\$6,276,738	\$68	14%	160%	\$10,072,322	\$69	11%
Community Development	\$6,233,392	\$68	14%	160%	\$10,002,764	\$68	11%
Public Works/Engineering	\$4,663,409	\$51	10%	160%	\$7,483,402	\$51	8%
Community Services	\$2,846,033	\$31	6%	160%	\$4,567,047	\$31	5%
Public Safety							
Police Services	\$12,987,818	\$141		254%	\$32,993,625	\$225	
Fire Services	\$11,052,617	\$120		254%	\$28,077,534	\$192	
Animal Control Services	\$442,400	\$5		254%	\$1,123,852	\$8	
<b>Total Public Safety</b>	<b>\$24,482,835</b>	<b>\$266</b>	<b>55%</b>		<b>\$62,195,011</b>	<b>\$424</b>	<b>66%</b>
<b>Total General Fund Expenditures</b>	<b>\$44,502,407</b>	<b>\$484</b>	<b>100%</b>	<b>112%</b>	<b>\$94,320,547</b>	<b>\$644</b>	<b>100%</b>

**Notes:**

<sup>1</sup>Service Unit defined as estimated residential population

<sup>2</sup>FY18-19 Expenditure totals are budget totals from City Annual Operating Budget Fiscal Year 2018-19

<sup>3</sup>Sales and Use Tax estimated using FY18-19 budget per capita rate (\$86.81) applied to estimated population growth

<sup>4</sup>The GF Impact Revenues is estimated using the \$22,016,305 GF Revenues for 2019 escalated at 1% until 2035

APPENDIX B

**General Fund Fiscal Impact Analysis**  
**Tax Detail**

<b>Residential Development</b>	<b>Factor</b>	<b>Total</b>
Total Cumulative SFR Units		15,611
Total Cumulative Residents	2.80	43,710
Constructed SFR Assessed Values	\$380,000	\$5,932,125,714
<b>Total Cumulative Multi-Family Units</b>		
Total Cumulative Multi-Family Units		5,279
Total Cumulative Residents	2.07	10,928
Constructed MFR Assessed Values	\$260,000	\$1,372,548,792
<b>Total Cumulative Residents</b>		
		<b>54,638</b>

**Population Estimation**

2018 Actual	91,902
Estimated Growth	54,638
<b>2035 Total Population</b>	<b>146,540</b>

80% SFR Growth	43,710
20% MFR Growth	10,928

<b>Residential Property Tax</b>	<b>Factor</b>	<b>Total</b>
Constructed Assessed Values		\$7,304,674,507
Ad-Valorem	1.00%	\$73,046,745
Residential Tax Rate	13.00%	
<b>Total Residential Tax</b>		<b>\$9,496,077</b>

<i>Residential Property Tax In-Lieu of Sales Tax</i>		<b>\$372,085</b>
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<b>Residential Property Transfer Tax</b>	<b>Factor</b>	<b>Total</b>
Residential Property Tax Turnover Rate	14.00%	
Transfer Tax Rate	0.055%	
<b>Total Residential Property Transfer Tax</b>		<b>\$562,460</b>

APPENDIX C

TABLES 1 AND 2 – PROJECT ESTIMATES:

**TABLE 1: PROPERTY TAX**

#OF HOMES		305
HOME - ESTIMATED VALUE	\$	360,234
TOTAL ASSESSED VALUATION	\$	109,871,370
AD-VALOREM BASIC RATE		1%
PROPERTY TAXES	\$	<u>1,098,714</u>
GENERAL FUND - TRA (6.618370%)	\$	72,717
STRUCTURAL FIRE TAX (6.426982%)	\$	70,614
TOTAL GENERAL FUND PROPERTY TAX	\$	<u><u>143,331</u></u>

**TABLE 2: PROPERTY TAX IN LIEU OF VLF**

CITYWIDE ASSESSED VALUATION	\$	8,685,564,917 ( B )
PROPERTY TAX IN LIEU OF VLF	\$	<u>6,062,792 ( C )</u>
VLF INCREASE PER \$1,000 IN AV ( C/B*1,000)		<u>0.69803082 (A)</u>
TOTAL ASSESSED VALUATION	\$	109,871,370
LESS: EXISTING AV		<u>(3,324,896)</u>
	\$	<u>106,546,474</u>
DIVIDE PROJECT AV / 1,000	\$	106,546
(A) VLF FACTOR		<u>0.69803082</u>
PROPERTY TAX IN LIEU OF VLF	\$	<u><u>74,373</u></u>

## APPENDIX D – ESCALATOR

Year	Escalator	General Government	Community Development	Public Works/ Engineering	Community Services	Public Safety	Police Services	Fire Services	Animal Control	Total Public Safety	Total
2019	3.00%	\$6,276,738	\$6,233,392	\$4,663,409	\$2,846,033	6.00%	\$12,987,818	\$11,052,617	\$442,400	\$24,482,835	\$44,502,407
2020	3.00%	\$6,465,040	\$6,420,394	\$4,803,311	\$2,931,414	6.00%	\$13,767,087	\$11,715,774	\$468,944	\$25,951,805	\$46,571,964
2021	3.00%	\$6,658,991	\$6,613,006	\$4,947,411	\$3,019,356	6.00%	\$14,593,112	\$12,418,720	\$497,081	\$27,508,913	\$48,747,677
2022	3.00%	\$6,858,761	\$6,811,396	\$5,095,833	\$3,109,937	6.00%	\$15,468,699	\$13,163,844	\$526,905	\$29,159,448	\$51,035,375
2023	3.00%	\$7,064,524	\$7,015,738	\$5,248,708	\$3,203,235	6.00%	\$16,396,821	\$13,953,674	\$558,520	\$30,909,015	\$53,441,220
2024	3.00%	\$7,276,460	\$7,226,210	\$5,406,169	\$3,299,332	6.00%	\$17,380,630	\$14,790,895	\$592,031	\$32,763,556	\$55,971,727
2025	3.00%	\$7,494,753	\$7,442,996	\$5,568,354	\$3,398,312	6.00%	\$18,423,468	\$15,678,348	\$627,553	\$34,729,369	\$58,633,785
2026	3.00%	\$7,719,596	\$7,666,286	\$5,735,405	\$3,500,262	6.00%	\$19,528,876	\$16,619,049	\$665,206	\$36,813,132	\$61,434,680
2027	3.00%	\$7,951,184	\$7,896,274	\$5,907,467	\$3,605,269	6.00%	\$20,700,609	\$17,616,192	\$705,118	\$39,021,919	\$64,382,114
2028	3.00%	\$8,189,719	\$8,133,163	\$6,084,691	\$3,713,428	6.00%	\$21,942,645	\$18,673,164	\$747,425	\$41,363,235	\$67,484,235
2029	3.00%	\$8,435,411	\$8,377,158	\$6,267,232	\$3,824,830	6.00%	\$23,259,204	\$19,793,554	\$792,271	\$43,845,029	\$70,749,659
2030	3.00%	\$8,688,473	\$8,628,472	\$6,455,249	\$3,939,575	6.00%	\$24,654,756	\$20,981,167	\$839,807	\$46,475,730	\$74,187,500
2031	3.00%	\$8,949,128	\$8,887,327	\$6,648,906	\$4,057,763	6.00%	\$26,134,042	\$22,240,037	\$890,196	\$49,264,274	\$77,807,397
2032	3.00%	\$9,217,601	\$9,153,946	\$6,848,373	\$4,179,495	6.00%	\$27,702,084	\$23,574,439	\$943,607	\$52,220,131	\$81,619,547
2033	3.00%	\$9,494,129	\$9,428,565	\$7,053,825	\$4,304,880	6.00%	\$29,364,209	\$24,988,905	\$1,000,224	\$55,353,338	\$85,634,737
2034	3.00%	\$9,778,953	\$9,711,422	\$7,265,439	\$4,434,027	6.00%	\$31,126,062	\$26,488,240	\$1,060,237	\$58,674,539	\$89,864,380
2035	3.00%	\$10,072,322	\$10,002,764	\$7,483,402	\$4,567,047	6.00%	\$32,993,625	\$28,077,534	\$1,123,852	\$62,195,011	\$94,320,547