

Fiscal Impact Analysis and Employment Generation Analyses for Proposed Five Lagunas Mixed-Use Development Laguna Hills, California

Prepared for Merlone Geier Partners | October 2015

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Executive Summary

Background

RCLCO conducted a fiscal and economic impact (on-site employment) analysis of the proposed Five Lagunas development on the City of Laguna Hills. The proposed project is at the site of the existing Laguna Hills Mall, a regional shopping center with a total of about 869,000 square feet of gross leasable area.

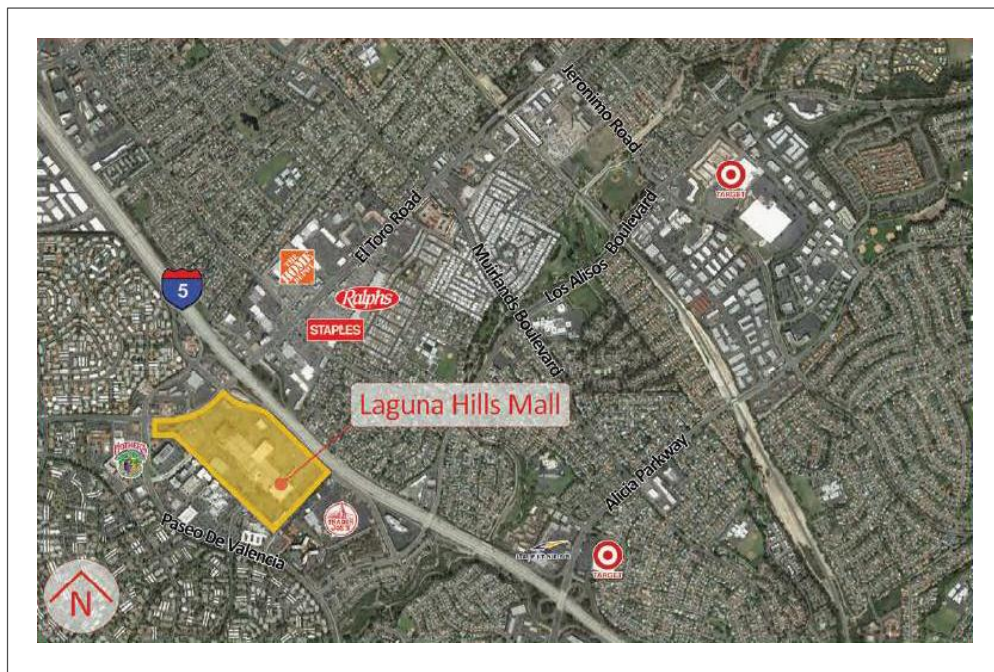
The current development plans call for a revamped mall that reconfigures the retail into a promenade-style urban village while maintaining essentially the same commercial GLA. The mall will be rebranded as Five Lagunas reflecting the expected regional reach to Laguna Hills, Laguna Woods, Laguna Niguel, Laguna Beach, and Laguna Canyon. Redevelopment of the property will add apartments located in three structures situated on the southern edge of the property. Total apartment units amount to 988 units (three buildings), with a weighted average unit size of approximately 890 square feet.

Objectives

The objectives of this report are to: 1) demonstrate the recurring fiscal impacts of the Five Lagunas development on the City's General Fund at build out, defined as the comparison of the recurring project-generated General Fund revenues when the proposed development is operational with the incremental General Fund costs to provide municipal services to the proposed development; 2) provide one-time revenues flowing to the City's General Fund during the construction phase; and 3) project the on-site (direct) employment created during the construction phase and on a recurring basis when the development is built and operational.

The results of this report will enable City Staff, City decision-makers, and the public to understand the fiscal impact of Five Lagunas, as they assess the individual and cumulative merits of this proposed development.

Subject Site Location: Five Lagunas Development



Source: Merlone Geier Partners

Executive Summary (con't)

Methodology

Accomplishment of the stated objectives required the completion of the following tasks:

1. Obtained project characteristics from Merlone Geier which included: on-site employment, total area, and construction costs for each land use; number, average size, and average rent per square foot of the residential units; and anticipated sales per square foot for the retail uses.
2. Calculated the recurring General Fund revenues for certain revenue sources, specifically sales, property, and property transfer, based on the development characteristics of the Five Lagunas development and tax rates appropriate to that revenue source.
3. Determined a resident-equivalent population for use in projecting revenues not calculated directly as per above and expenditure calculations. Using a resident-equivalent population comprised of all residents and 50% of employees is common fiscal practice, as it reflects the employees' presence in the city for only a portion of the day and consequently a reduced demand for public services. We used this resident-equivalent population to derive certain average revenues and service costs and then applied these factors to Five Lagunas' anticipated on-site resident and employee populations to project specific General Fund Revenues and all General Fund expenditures. The City's actual revenues and expenditures for Fiscal Year 2014-15, provided by the Laguna Hills Finance Department, was the source for City-wide General Fund revenues and expenditures from which we derived per resident-equivalent population revenues and cost factors.
4. Projected one-time sales taxes from the local purchase of construction materials. Estimated one-time construction jobs during the construction phase. This analysis contained herein is a conservative estimated based on 3% of construction materials being purchased in the city.
5. Determined the incremental net fiscal impact above what the city currently collects from the existing development. All projections are shown in constant 2015 dollars.
6. Estimated on-site (direct) employment during the construction phase given labor and materials costs provided by client. Estimated recurring on-site employment based on a combination of inputs from client and RCLCO.

Executive Summary (con't)

Conclusions

Fiscal Impact

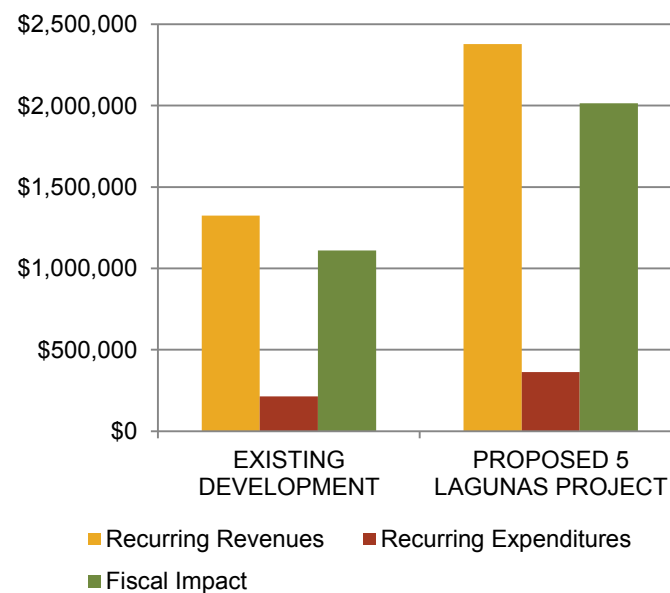
The Five Lagunas development is anticipated to generate an overall positive net fiscal impact on the City's General Fund at full build-out, with an approximate \$2.08 million in net recurring revenues (Exhibit 1A and Figure 2 below).

- General Fund revenues are projected at \$3,051,700, less \$966,800 in increased expenditures to yield \$2,084,900 annual net fiscal impact. From another statistical perspective, the Five Lagunas development would generate approximately \$3.16 in additional revenue for each \$1.00 in incremental municipal service costs.

- The existing mall generates General Fund revenues and expenditures for the City of Laguna Hills. We estimate a net fiscal impact of \$1,110,700 annually for the existing mall.
- Considering the above, the projected Five Lagunas development is expected to generate an incremental net fiscal impact of \$974,200 above the existing development (\$2,084,900 from the proposed project less \$1,110,700 from the existing mall). This represents an increase of 88% over the existing condition.
- Over the first ten years, from construction of the proposed 5 Lagunas program, through lease up, and stabilized operation, the proposed development would generate a net fiscal impact of \$6,900,000 (Exhibit 1B). That projection nets out the fiscal impact of the existing mall.

Summary of Recurring Net Fiscal Impacts Five Lagunas Development

GENERAL FUND	TOTAL, ALL USES	APARTMENTS MARKET-RATE	RETAIL
PROPOSED 5 LAGUNAS PROJECT			
Revenues	\$3,051,700	\$673,500	\$2,378,100
Less: Expenditures	(\$966,800)	(\$603,400)	(\$363,400)
FISCAL IMPACT	\$2,084,900	\$70,100	\$2,014,700
EXISTING DEVELOPMENT			
Revenues	\$1,324,300	---	\$1,324,300
Less: Expenditures	(\$213,600)	---	(\$213,600)
FISCAL IMPACT	\$1,110,700	---	\$1,110,700
PROPOSED PROJECT VS. EXISTING DEVELOPMENT			
NET FISCAL IMPACT	\$974,200	\$70,100	\$904,000



Executive Summary (con't)

Conclusions (con't)

One-Time Revenues

RCLCO estimated the project-construction related one-time revenues to the City of Laguna Hills from the Five Lagunas development, specifically sales taxes from construction materials. Those fees would amount to approximately \$48,600, including \$32,500 from the residential portion and \$16,100 from retail (Exhibits 7 and 8). In addition, Five Lagunas would generate \$18,600,000 in impact fees (Exhibit 4.6). Note that these figures do not include potential other costs such as environmental mitigations, LEED certifications, and other public benefit commitments.

Job Creation

During the construction phase, planned construction at Five Lagunas would generate 2,430 on-site, full-time employees in person-years.

At full development, the business activities generated at Five Lagunas (retail center and apartments) have the potential to generate about 2,055 on-site, permanent full-time jobs, with Five Lagunas virtually generating all of the jobs. By comparison, the estimated job count at the existing mall is 1,200. Therefore, the net increase in permanent on-site jobs would be 855.

* * * * *

The attached Technical Appendix includes the statistical documentation in the form of tables and charts.

Summary of Job Creation of Full-Time Equivalent Employees Five Lagunas Development

JOB CREATION: FULL-TIME EQUIVALENT EMPLOYEES	TOTAL, ALL USES	APARTMENTS MARKET-RATE	RETAIL
Permanent On-Site, Annual - NET	855	20	835
Permanent On-Site, Annual - 5 Laguna Development		20	2,035
Permanent On-Site, Annual - Existing Development		--	1,200
Construction Phase (person yrs)	2,430	1,630	800



Critical Assumptions

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will grow at a stable and moderate rate to 2020 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

With the above in mind, we assume that the long term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- Economic, employment, and household growth.
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels.
- The cost of development and construction.
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth).
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers.
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand.
- Major public works projects occur and are completed as planned.

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not

be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.

Appendix: Supporting Exhibits

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LIST OF EXHIBITS

<i>Exhibit 1A</i>	Net Fiscal Impact at Full Development, General Fund; Proposed 5 Lagunas Development; Laguna Hills, CA; October 2015
<i>Exhibit 1B</i>	Net Fiscal Impact at Full Development, General Fund; 10-Year Time Frame; Proposed 5 Lagunas Development; Laguna Hills, CA; October 2015
<i>Exhibit 2</i>	Development Characteristics; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 3</i>	Summary Projected Recurring General Fund Revenues; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 4.1</i>	Projected Real Property Tax; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 4.2</i>	Projected Sales Tax Revenues - Residential; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 4.3</i>	Projected Annual Sales Tax Revenues - Commercial; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 4.4</i>	Property Tax in Lieu of VLF; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 4.5</i>	Projected Other Recurring Revenues by Residents and Resident Equivalents; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 4.6</i>	Additional Taxes; 5 Lagunas - New Development; Laguna Hills, CA; October 2015
<i>Exhibit 5</i>	Projected Recurring Expenditures by Residents and Resident Equivalents; Proposed 5 Lagunas Development; Laguna Hills, CA; October 2015
<i>Exhibit 6.1</i>	Summary Projected Recurring General Fund Revenues; 5 Lagunas - Existing Development; Laguna Hills, CA; October 2015
<i>Exhibit 6.2</i>	Projected Real Property Tax; 5 Lagunas - Existing Development; Laguna Hills, CA; October 2015

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- Exhibit 6.3* Development Characteristics; 5 Lagunas - Existing Development; Laguna Hills, CA; October 2015
- Exhibit 6.4* Estimated Annual Sales Tax Revenues - Commercial; 5 Lagunas - Existing Development; Laguna Hills, CA; October 2015
- Exhibit 6.5* Projected Other Recurring Revenues by Residents and Resident Equivalents; 5 Lagunas - Existing Development; Laguna Hills, CA; October 2015
- Exhibit 6.6* Projected Recurring Expenditures by Residents and Resident Equivalents; 5 Lagunas - Existing Development; Laguna Hills, CA; October 2015
- Exhibit 7* Projected One-Time Revenues - Construction Phase; Proposed 5 Lagunas Development; Laguna Hills, CA; October 2015
- Exhibit 8* Additional One-Time Revenues; 5 Lagunas - New Development; Laguna Hills, CA; October 2015

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Exhibit 1A

NET FISCAL IMPACT AT FULL DEVELOPMENT, GENERAL FUND PROPOSED 5 LAGUNAS DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

GENERAL FUND	TOTAL, ALL USES	APARTMENTS MARKET-RATE	RETAIL
PROPOSED 5 LAGUNAS PROJECT			
Revenues ¹	\$3,051,700	\$673,500	\$2,378,100
Less: Expenditures ²	(\$966,800)	(\$603,400)	(\$363,400)
FISCAL IMPACT	\$2,084,900	\$70,100	\$2,014,700
EXISTING DEVELOPMENT			
Revenues ³	\$1,324,300	---	\$1,324,300
Less: Expenditures ⁴	(\$213,600)	---	(\$213,600)
FISCAL IMPACT	\$1,110,700	---	\$1,110,700
PROPOSED PROJECT VS. EXISTING DEVELOPMENT			
INCREMENTAL NET FISCAL IMPACT	\$974,200	\$70,100	\$904,000
JOB CREATION: FULL-TIME EQUIVALENT EMPLOYEES⁵			
Permanent On-Site, Annual - NET	855	20	835
Permanent On-Site, Annual - 5 Laguna Development		20	2,035
Permanent On-Site, Annual - Existing Development		0	1,200
Construction Phase (person yrs)	2,430	1,630	800

¹ From Exhibit 3.

² From Exhibit 5.

³ From Exhibit 6.1.

⁴ From Exhibit 6.6.

⁵ From Exhibit 7. Estimates rounded to nearest 10.

SOURCE: RCLCO

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Exhibit 1B

NET FISCAL IMPACT AT FULL DEVELOPMENT, GENERAL FUND 10-YEAR TIME FRAME PROPOSED 5 LAGUNAS DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

GENERAL FUND	YEAR										10-YEAR TOTAL
	1	2	3	4	5	6	7	8	9	10	
PROPOSED 5 LAGUNAS PROJECT											
One-Time Fees ¹	\$25,500	\$25,500	\$25,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$76,630
Property Transfer Tax (Res. Units)	\$40,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,800
Recurring Net Revenues - Retail ²	\$0	\$0	\$0	\$2,014,700	\$2,014,700	\$2,014,700	\$2,014,700	\$2,014,700	\$2,014,700	\$2,014,700	\$14,102,900
Recurring Net Revenues - Apartments ³	\$0	\$0	\$0	\$35,100	\$70,100	\$70,100	\$70,100	\$70,100	\$70,100	\$70,100	\$455,700
Continued Operation -- Existing Mall	\$1,110,700	\$1,110,700	\$1,110,700	--	--	--	--	--	--	--	\$3,332,100
FISCAL IMPACT	\$1,177,000	\$1,136,200	\$1,136,200	\$2,049,800	\$2,084,800	\$2,084,800	\$2,084,800	\$2,084,800	\$2,084,800	\$2,084,800	\$18,008,130
LESS: EXISTING MALL											
Recurring Net Revenues - Retail ⁴	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$11,107,000
FISCAL IMPACT	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$1,110,700	\$11,107,000
PROPOSED PROJECT VS. EXISTING DEVELOPMENT											
NET FISCAL IMPACT	\$66,300	\$25,500	\$25,500	\$939,100	\$974,100	\$974,100	\$974,100	\$974,100	\$974,100	\$974,100	\$6,901,000

Note: All figures rounded to nearest \$100.

¹ From Exhibit 7 and 8.

² Assumes that 100% of retail would come on line in Year 4. Annual total from Exhibit 1A.

³ Assumes that 50% of apartments would be leased by Year 4 and that stabilization would occur in Year 5. Annual total from Exhibit 1A

⁴ From Exhibit 1A. Years 1-3 reflect continued operation of the existing mall. Thereafter, 5 Lagunas opens and annual fiscal impact reflects 5 Lagunas' performance less the net fiscal impact formerly generated by the existing mall.

SOURCE: Merlone Geier, RCLCO

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Exhibit 2

DEVELOPMENT CHARACTERISTICS 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

CHARACTERISTICS		TOTAL, ALL USES	APARTMENTS MARKET-RATE	RETAIL
Gross Construction Floor Area		2,226,429	1,300,000	926,429
Net Developed Floor Area		1,790,896	910,300	880,596
Total Units		988	988	--
Avg. Size Per Unit		--	891	--
Development Hard Costs		\$405,158,871	\$271,203,187	\$133,955,684
Materials ¹	40%	\$162,063,548	\$108,481,275	\$53,582,274
Labor ¹	60%	\$243,095,323	\$162,721,912	\$80,373,410
Avg. Rental Rate Per Month			\$2,628	--
Rental Rate Per Sq. Ft.			\$2.95	--
Resident Population		1,680	1,680	--
Avg. Household Size ²			1.70	--
Employment		2,055	20	2,035
Employment Density ³			1/40 units	1/433 SF
Resident Equivalent Pop. ⁴		2,708	1,690	1,018

¹ Allocation of development costs based on gross floor area for each use.

² Based on the proposed unit mix and the following assumptions: average of 1 person in studios, 1.25 persons in one-bedrooms, 2.25 persons in two-bedrooms, and 3.25 persons in three-bedrooms.

³ Merlone Geier inputs concerning retail employment density.

⁴ Residents equal one resident equivalent; employees equal one-half resident equivalent.

SOURCE: Merlone Geier; RCLCO

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Exhibit 3

SUMMARY PROJECTED RECURRING GENERAL FUND REVENUES 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

REVENUE SOURCES GENERAL FUND	AFFECTED BY DEVELOPMENT	APARTMENTS MARKET-RATE	RETAIL	TOTAL, ALL USES
Property Taxes				
Direct Property Tax ¹	Yes	\$303,800	\$279,700	\$583,500
Real Property Transfer Tax	No	--	--	--
Property Taxes in Lieu of VLF ³	Yes	\$143,300	\$67,400	\$210,700
Franchise Fees				
Utility Franchise Fee ⁴	Yes	\$45,400	\$27,500	\$72,900
Waste Disposal/Recycling Fee ⁴	Yes	\$13,400	\$8,100	\$21,500
Transient Occupancy Tax	No	--	--	--
Intergovernmental Revenues				
Sales Tax ²	Yes	\$112,237	\$1,987,300	\$2,099,537
MV in Lieu	No	--	--	--
Licenses and Permits				
Building Related Licenses/Permits	No	--	--	--
Engineering Permits	No	--	--	--
Charges for Current Services				
Recreation Fees ⁴	Yes	\$42,000	--	\$42,000
Development Service Fees	No	--	--	--
Rental Fees/Leases	No	--	--	--
Misc. & Other Service Charges	No	--	--	--
Fines and Forfeitures ⁴	Yes	\$13,400	\$8,144	\$21,544
Interest Earnings	No	--	--	--
TOTAL		\$673,500	\$2,378,100	\$3,051,700

¹ From Exhibits 4.1.

² From Exhibits 4.2 and 4.3.

³ From Exhibit 4.4.

⁴ From Exhibit 4.5.

SOURCE: RCLCO; City of Laguna Hills - Finance Department

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Exhibit 4.1

PROJECTED REAL PROPERTY TAX 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

LAND USE	DEVELOPMENT VALUE	REAL PROPERTY TAX	
		TOTAL	CITY SHARE ¹
Apartments - Market-Rate	\$336,093,298	\$3,360,933	\$303,800
Retail	\$309,390,602	\$3,093,906	\$279,700
TOTAL	\$645,483,900	\$6,454,839	\$583,500

NOTE: Development value includes land, hard, and soft costs.

¹ City share is 9.04% of 1% property tax levy.

SOURCE: RCLCO; City of Laguna Hills - Finance Department; Orange County Auditor Controller

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Exhibit 4.2

PROJECTED SALES TAX REVENUES - RESIDENTIAL 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

LAND USE	TOTAL HH	AVERAGE HOUSEHOLD INCOME ¹	TOTAL TAXABLE RETAIL EXPENDITURES PER HH	TOTAL TAXABLE SALES	ASSUME 50% SPENT IN CITY OF LH	LESS: 10% SPENT ON-SITE	TOTAL RESIDENTIAL TAXABLE SALES	TOTAL CITY SALES TAX REVENUES
Apartments - Market-Rate	988	\$105,000	\$28,400	\$28,059,200	\$14,029,600	(\$2,805,900)	\$11,223,700	\$112,237
TOTAL SALES TAX REVENUES								\$112,237

NOTE: Taxable retail spending at 27% of household income derived from the California State Board of Equalization's Consumer Expenditure Survey, 2013. Sales taxes @ 1% of projected sales.

¹ For apartments, household income assumes that the projected rents are 30% of gross income.

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

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Exhibit 4.3

PROJECTED ANNUAL SALES TAX REVENUES - COMMERCIAL 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

DEVELOPMENT SCENARIO/ LAND USE	TOTAL ANNUAL SALES	TAXABLE SALES	CITY SHARE
Retail	\$220,810,560	90%	\$1,987,300
TOTAL	\$220,810,560		\$1,987,300

Notes: Annual sales based on 880,596 square feet of gross leasable area and projected sales per square foot of approximately \$251. 90% of total sales is estimated as taxable. City receives 1% of projected taxable sales.

SOURCE: Merlone Geier; RCLCO

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Exhibit 4.4

PROPERTY TAX IN LIEU OF VLF 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

DEVELOPMENT SCENARIO/ LAND USE	EXISTING DEV. ASSESSED VALUE	NEW DEV. ASSESSED VALUE	TOTAL INCREASE IN ASSESSED VALUE	% INCREASE IN CITY OF LH ASSESSED VALUE	INCREASE IN PROPERTY TAX IN LIEU OF VLF
Apartments	\$0	\$336,093,298	\$336,093,298	5.6%	\$143,300
Retail	\$151,234,180	\$309,390,602	\$158,156,422	2.7%	\$67,400
TOTAL	\$151,234,180	\$645,483,900	\$494,249,720	8.3%	\$210,700

TOTAL ASSESSED VALUE, CITY OF LAGUNA HILLS (2014-2015)	\$5,961,946,732
PROPERTY TAX IN LIEU OF VLF (2014-2015)	\$2,541,609

NOTE: City receives 1% of projected taxable sales.

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

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Exhibit 4.5

PROJECTED OTHER RECURRING REVENUES BY RESIDENTS AND RESIDENT EQUIVALENTS 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

RESIDENT EQUIVALENT POP./ REVENUE CATEGORY	TOTAL REVENUES, CITY BUDGET ¹	REVENUE PROJECTION		APARTMENTS	RETAIL	TOTAL
		BASIS	FACTOR			
Projected Residents				1,680		
Resident Equivalents Population				1,690	1,018	2,708
Utility Franchise Fee	\$1,051,734	Res. Equivalent Pop.	\$27	\$45,400	\$27,500	\$72,900
Waste Disposal/Recycling Fees	\$291,770	Res. Equivalent Pop.	\$8	\$13,400	\$8,100	\$21,500
Recreation Fees	\$775,330	Residents	\$25	\$42,000	--	\$42,000
Fines and Forfeitures	\$300,032	Res. Equivalent Pop.	\$8	\$13,400	\$8,144	\$21,544
TOTAL REVENUES	\$2,418,866			\$114,200	\$43,744	\$157,944

Resident-Equivalent Population, City of Laguna Hills	
Resident Population	30,857
Employment ²	15,688
Employment in Res. Equivalents @ 50%	7,844
Total Resident Equivalent Population	38,701

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 4.6

ADDITIONAL TAXES 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

OTHER TAXES	CALCULATION		NEW GLA/ TOTAL UNITS	APARTMENTS MARKET-RATE	RETAIL	TOTAL
DEVELOPMENT VALUE				\$271,203,187	\$133,955,684	\$405,158,871
PLANNING & ENTITLEMENT FEES						
Fire Plan Check				\$378		\$378
IMPACT FEES						
School Fees						\$4,589,685
Commercial	\$0.54	per SF	410,528 SF		\$221,685	
Residential	\$3.36	per SF	1,300,000 SF	\$4,368,000		
CARITS						\$2,271,546
Commercial	\$1.76	per SF	410,528 SF		\$723,350	
Residential	\$1,567	per unit	988 units	\$1,548,196		
San Joaquin Transportation Corridor Fees, Zone B						\$4,405,766
Commercial	\$5.11	per SF	410,528 SF		\$2,097,798	
Residential	\$2,336	per unit	988 SF	\$2,307,968		
Parks & Recreation ("Quimby Fees")						\$7,303,296
Commercial	--	--	--		--	
Residential	\$7,392	per unit	988 SF	\$7,303,296		
TOTAL IMPACT FEES						\$18,570,294

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 5

PROJECTED RECURRING EXPENDITURES BY RESIDENTS AND RESIDENT EQUIVALENTS PROPOSED 5 LAGUNAS DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

RESIDENT EQUIVALENT POP./ EXPENDITURE CATEGORY	AFFECTED BY DEVELOPMENT	TOTAL EXPENDITURES, CITY BUDGET	EXPENDITURE PROJECTION		ON-SITE USES		TOTAL
			BASIS	FACTOR	APTS.	RETAIL	
Projected Residents					1,680		1,680
Resident Equivalent Population					1,690	1018	2,708
General Fund Operating Budget							
Council/Manager	No	\$1,101,767	--	--	--	--	--
Clerk	No	\$388,013	--	--	--	--	--
Administrative Services	No	\$1,331,358	--	--	--	--	--
Information Technology	No	\$405,030	--	--	--	--	--
Community Development	No	\$1,259,996	--	--	--	--	--
Public Services	Yes	\$4,240,819	Res. Equivalent Pop.	\$110	\$185,900	\$112,000	\$297,900
Community Services	Yes	\$1,926,986	Residents	\$62	\$104,800	\$63,100	\$167,900
Public Safety	Yes	\$7,151,941	Res. Equivalent Pop.	\$185	\$312,700	\$188,300	\$501,000
TOTAL EXPENDITURES		\$17,805,910			\$603,400	\$363,400	\$966,800

Resident-Equivalent Population, City of Laguna Hills	
Resident Population	30,857
Employment ¹	15,688
Employment in Res. Equivalents @ 50%	7,844
Total Resident Equivalent Population	38,701

¹ Number of employees living outside Laguna Hills to avoid double counting.

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 6.1

SUMMARY PROJECTED RECURRING GENERAL FUND REVENUES 5 LAGUNAS - EXISTING DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

REVENUE SOURCES GENERAL FUND	AFFECTED BY DEVELOPMENT	TOTAL, RETAIL
Property Taxes		
Direct Property Tax ¹	Yes	\$136,700
Real Property Transfer Tax	No	--
Property Taxes in Lieu of VLF	No	--
Franchise Fees		
Utility Franchise Fee ⁴	Yes	\$15,000
Waste Disposal/Recycling Fee ⁴	Yes	\$4,800
Transient Occupancy Tax	No	--
Intergovernmental Revenues		
Sales Tax ³	Yes	\$1,163,000
MV in Lieu	No	--
Licenses and Permits		
Building Related Licenses/Permits	No	--
Engineering Permits	No	--
Charges for Current Services		
Recreation Fees	No	--
Development Service Fees	No	--
Rental Fees/Leases	No	--
Misc. & Other Service Charges	No	--
Fines and Forfeitures ⁴	Yes	\$4,800
Interest Earnings	No	--
TOTAL		\$1,324,300

REAL PROPERTY TRANSFER TAX ²		
PROPERTY SALE PRICE	TOTAL SALE PRICE	CITY SHARE OF REAL PROPERTY TRANSFER TAX
988 Apartment Units @ \$75,000/unit	\$74,100,000	\$40,755

¹ From Exhibits 6.2.

² Property sale price (proposed apartments) from Merlone Geier. Real Property Transfer Tax calculated based on \$0.55 per \$1,000. Rates per City of Laguna Hills Finance Department.

³ From Exhibits 6.4.

⁴ From Exhibit 6.5.

SOURCE: RCLCO; City of Laguna Hills - Finance Department (for tax rates only)

MERLONE GEIER PARTNERS

Exhibit 6.2

PROJECTED REAL PROPERTY TAX 5 LAGUNAS - EXISTING DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

LAND USE	PROPERTY TAX AMOUNT	REAL PROPERTY TAX	
		TOTAL	CITY SHARE ¹
TOTAL, Retail	\$1,512,342	\$1,512,342	\$136,700

NOTE: Property tax amount from 2014 tax bills for existing parcels.

¹ City share is 9.04% of 1% property tax levy.

SOURCE: RCLCO; City of Laguna Hills - Finance Department; Orange County Auditor Controller

MERLONE GEIER PARTNERS

Exhibit 6.3

DEVELOPMENT CHARACTERISTICS 5 LAGUNAS - EXISTING DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

CHARACTERISTICS	TOTAL, RETAIL
Gross Construction Floor Area	865,613
Net Developed Floor Area	865,613
Total Units	--
Avg. Size Per Unit	--
Employment	1,200
Employment Density ¹	1/721 SF
Resident Equivalent Population ²	600

¹ From Merlone Geier.

² Residents equal one resident equivalent; employees equal one-half resident equivalent.

SOURCE: Merlone Geier; RCLCO

MERLONE GEIER PARTNERS

Exhibit 6.4

**ESTIMATED ANNUAL SALES TAX REVENUES - COMMERCIAL
5 LAGUNAS - EXISTING DEVELOPMENT
LAGUNA HILLS, CA
OCTOBER 2015**

DEVELOPMENT SCENARIO/ LAND USE	TOTAL
TOTAL, RETAIL	\$1,163,000

NOTE: Taxable sales for existing mall provided by Laguna Hills Finance Dept.

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 6.5

PROJECTED OTHER RECURRING REVENUES BY RESIDENTS AND RESIDENT EQUIVALENTS 5 LAGUNAS - EXISTING DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

RESIDENT EQUIVALENT POP./ REVENUE CATEGORY	TOTAL REVENUES, CITY BUDGET ¹	REVENUE PROJECTION		TOTAL, RETAIL
		BASIS	FACTOR	
Projected Residents				
Resident Equivalents Population				600
Utility Franchise Fee	\$986,008	Res. Equivalent Pop.	\$25	\$15,000
Waste Disposal/Recycling Fees	\$292,899	Res. Equivalent Pop.	\$8	\$4,800
Recreation Fees	\$686,058	Residents	\$22	--
Rental Fees/Leases	\$125,583	Residents	\$4	--
Misc. & Other Service Charges	\$50,000	Residents	\$2	--
Fines and Forfeitures	\$325,000	Res. Equivalent Pop.	\$8	\$4,800
TOTAL REVENUES	\$2,465,548			\$24,600

Resident-Equivalent Population, City of Laguna Hills	
Resident Population	30,857
Employment ²	15,688
Employment in Res. Equivalents @ 50%	7,844
Total Resident Equivalent Population	38,701

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 6.6

PROJECTED RECURRING EXPENDITURES BY RESIDENTS AND RESIDENT EQUIVALENTS 5 LAGUNAS - EXISTING DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

RESIDENT EQUIVALENT POP./ EXPENDITURE CATEGORY	AFFECTED BY DEVELOPMENT	TOTAL EXPENDITURES, CITY BUDGET	EXPENDITURE PROJECTION		TOTAL, RETAIL
			BASIS	FACTOR	
Projected Residents					
Resident Equivalent Population					600
General Fund Operating Budget					
Council/Manager	No	\$1,137,767	--	--	--
Clerk	No	\$379,199	--	--	--
Administrative Services	No	\$1,405,930	--	--	--
Information Technology	No	\$344,213	--	--	--
Community Development	No	\$1,191,500	--	--	--
Public Services	Yes	\$4,331,360	Res. Equivalent Pop.	\$112	\$67,200
Community Services	Yes	\$1,802,580	Residents	\$58	\$34,800
Public Safety	Yes	\$7,199,935	Res. Equivalent Pop.	\$186	\$111,600
TOTAL EXPENDITURES		\$17,792,484			\$213,600

Resident-Equivalent Population, City of Laguna Hills	
Resident Population	30,857
Employment ¹	15,688
Employment in Res. Equivalents @ 50%	7,844
Total Resident Equivalent Population	38,701

¹ Number of employees living outside Laguna Hills to avoid double counting.

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 7

PROJECTED ONE-TIME REVENUES - CONSTRUCTION PHASE PROPOSED 5 LAGUNAS DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

DEVELOPMENT SCENARIO	TOTAL, ALL USES	RESIDENTIAL	RETAIL
Total Material Costs	\$162,063,548	\$108,481,275	\$53,582,274
3% Purchases, City of Laguna Hills	\$4,861,906	\$3,254,400	\$1,607,500
Sales Tax, City of Laguna Hills	\$48,600	\$32,500	\$16,100
TOTAL TAX REVENUE, CITY OF LAGUNA HILLS ¹	\$48,600	\$32,500	\$16,100
Total Labor Costs	\$243,095,323	\$162,721,912	\$80,373,410
Annual Labor Cost Per Employee		\$100,000	\$100,000
Construction Employees (person years)		1,627	804

NOTE: Gross Receipts Tax revenue reflects \$75 fee for first \$60,000 of receipts, then applies standard \$1.01 per \$1,000 rate for remainder of fees.

¹ One-time revenues from sales taxes on construction materials purchased in the City of Laguna Hills would be available for spending on infrastructure (roads, parks, etc.)

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

MERLONE GEIER PARTNERS

Exhibit 8

ADDITIONAL ONE-TIME REVENUES 5 LAGUNAS - NEW DEVELOPMENT LAGUNA HILLS, CA OCTOBER 2015

DEVELOPMENT SCENARIO	FEE AMOUNT
Conditional Use Permit	\$4,000
Site Development Permit Major (SDP)	\$4,000
Master Sign Program	\$4,000
Environmental	\$10,000
Permanent Record Retention Fee	\$30
Tentative Tract Map (TTR)	\$6,000
TOTAL	\$28,030

SOURCE: Merlone Geier; RCLCO; City of Laguna Hills - Finance Department

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