

APPENDIX A

FISCAL IMPACT ANALYSIS

FISCAL IMPACT ANALYSIS FOR OTAY RANCH RESORT VILLAGE

December 8, 2014

Prepared By:



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1. Purpose of Fiscal Impact Analysis

This Fiscal Impact Analysis (“FIA”) has been prepared to determine the estimated fiscal impacts on the County of San Diego (“County”) in connection with the proposed development of the Otay Ranch Resort Village project (“Project”), a master planned mixed-use community. The Project is also commonly referred to as Otay Ranch Village 13. The reader should be aware that the FIA contains estimates or projections of the Project’s future revenue and cost impacts on the County and actual fiscal results may vary from estimates because events and circumstances may occur in a manner that is different than projected in the FIA. The primary purpose of this FIA is to estimate the Project’s net fiscal impact on the County’s General Fund upon build-out.

2. Project Description

The Project consists of approximately 1,869 gross acres located east of highway 125 off of Otay Lakes Road, in the unincorporated area east of Chula Vista in the Otay Ranch community. The Project is planned for 1,881 single family homes located on 525.1 acres, 57 mixed-use multi-family units, and a 17.4 acre commercial village center that will include approximately 20,000 square feet of retail and service establishments and a resort style hotel with 20,000 square feet of resort-oriented commercial uses catering to the San Diego community. The Project will also include an elementary school site, a site for public safety facilities, open space, and park and recreational facilities.

LAND USE ASSUMPTIONS

Residential		
Lot Size	No. of Units	Avg. Home Size (SF)
Move-Up	470	2,700
Move-Up Plus	753	3,600
Premium Estate	658	4,000
<i>Single Family Subtotal/Avg.</i>	1,881	3,515
Mixed Use (Attached)	57	2,000
Residential Subtotal/Avg.	1,938	3,470

Commercial	
Probable Tenant Type	Bldg. SF (b)
Mixed-Use Areas	
Convenience Store	3,500
Coffee Shop	1,500
Office	3,000
Quick Serve Food	7,500
Dry Cleaner	1,500
Sandwich Shop	1,500
Nail Salon	1,500
Subtotal	20,000
Resort	
Meeting Rooms	1,000
Conference Center	5,000
Office	3,000
Retail Shops	6,000
Restaurant	5,000
Subtotal	20,000
Commercial Subtotal/Avg.	40,000
Hotel (Rooms)	200

Footnotes:

(a) Estimated square footages per site information provided by Developers.

3. FIA Limiting Conditions

The FIA is subject to the following limiting conditions:

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

4. General Sources of Information and Methodology Used in FIA

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

When projecting fiscal impacts using a multiplier method, the FIA determines per capita/employee impacts by applying the appropriate multiplier to the Project's land use assumptions. The Per-Capita-and-Employee-Multiplier Method involves dividing a cost or revenue figure by the number of residents and 50% of all employees working in the County or unincorporated County, and then multiplying that number by the number of residents and 50% of the employees projected for the Project at buildout. This method assumes that recurring costs and revenues will result from the Project at the same rates that currently prevail within the County or unincorporated County, with each employee counted as one-half of a resident to reflect the relative significance of employees (i.e. non-residential land uses) in generating County public services costs or County revenues. County-wide population and employment data is

used for those services costs or revenues generated on a County-wide basis (e.g., Health and Human Services), while unincorporated County population and employment data is used for those services costs or revenues generated only within the unincorporated County (e.g., certain Public Safety Group services). The multipliers were calculated using fiscal year 2014-15 budget data from the County of San Diego Adopted Operational Budget for years 2013-2014 and 2014-2015 (“Budget”). All cost and revenue factors are projected in 2014 dollars, and are not adjusted for inflation, based on the assumption that the relative impacts of inflation in future years will be offsetting.

Information used in preparing the FIA was obtained from the following sources: (1) County of San Diego 2013-2014 and 2014-2015 Budget; (2) Baldwin & Sons and Otay Ranch New Homes (“Developer”) (land use information); (3) SANDAG demographics information (persons per household); (4) County of San Diego General Plan Update EIR, August 2011 (employment and sheriff information); (5) Planner’s Estimating Guide – Projecting Land-Use and Facility Needs, 2004 (employment generation data); (6) San Diego County Auditor-Controller’s Office (fiscal year 2013-14 share of the basic tax information); (7) U.S. Department of Labor (household expenditure data); (8) Urban Land Institute (retail sales per square foot data), (9) CBRE (retail and office market information), and other sources as noted.

The FIA is organized as follows:

Appendix	Table	Description
B	1	Fiscal Impact Analysis Summary
B	2	Population and Employment Data
B	3	Land Use and Assessed Value Assumptions
B	4	Estimated Property Values
B	5	Property Tax Revenue
B	6	Property Taxes In-lieu of VLF
B	7	Property Transfer Tax Revenue
B	8	On-Site Sales Tax Revenue
B	9	Off-Site Sales Tax Revenue
B	10	Transient Occupancy Taxes
B	11	Other Recurring Revenues
B	12	Recurring Expenditures
B	13	Permanent Employment

The following table shows the key assumptions used in the FIA:

	County	Unincorporated County	Project
Population	3,150,178 (a)	492,491 (a)	6,957 (b)
Employees	1,276,500 (a)	180,036 (c)	382 (d)
Residents + 50% Employees	3,788,428	582,509	7,148

County Share of 1%:	
County General	16.2652%
County Library	3.2017%
San Diego County Flood Control District	1.1921%
Total Annual Property Taxes to County	20.6590%

Footnotes:

(a) Per County of San Diego Fiscal Year 2013 Adopted Budget (pg. 12, 16).

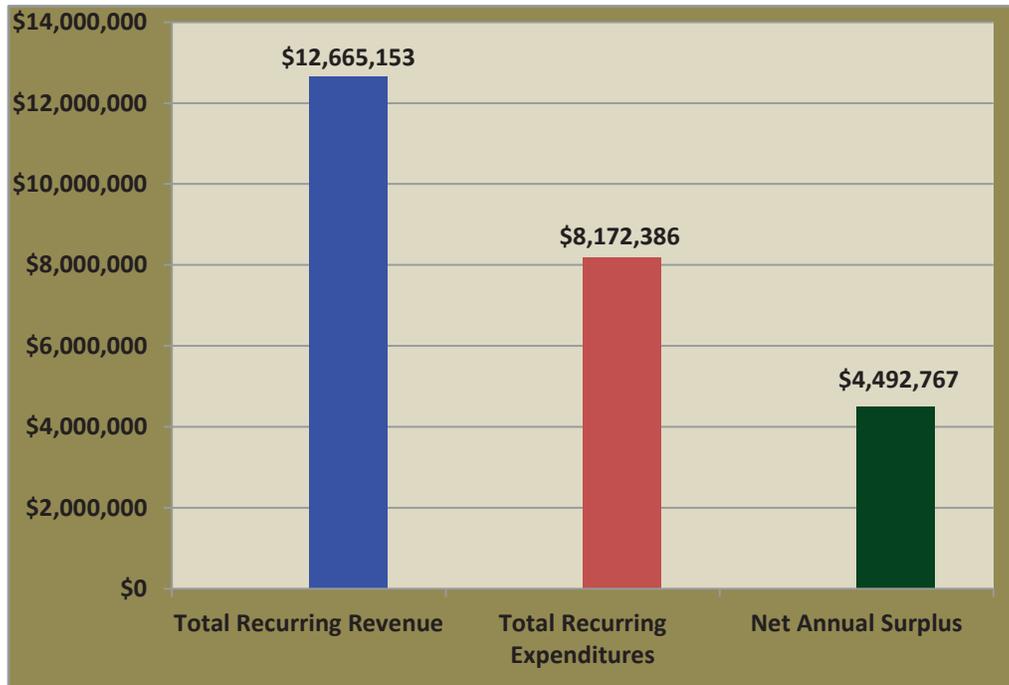
(b) Based on 3.59 persons per household per SANDAG Demographic and Socio-Economic Estimates for Zip Code 91914 (January 1, 2013).

(c) Per County of San Diego General Plan Update EIR, August 2011 (Employment by Industry: 2000).

(d) Represents estimated permanent employees per Table 13 in Appendix B.

5. FIA Summary and Conclusions

The FIA examines the financial impact the Project will have at buildout on the General Fund. The Project will generate additional revenue for the General Fund primarily through increased property taxes, property taxes in-lieu of vehicle license fees, and transient occupancy taxes. The additional costs incurred to the General Fund as a result of the Project are less than the additional revenues generated, and consist primarily of police and other public safety functions. The Project’s direct impact to the General Fund is summarized as follows:



As seen in the chart above, the Project is anticipated to generate a **\$4,492,767** surplus to the County on an annual basis, once the Project is fully developed. The FIA does not consider the impact of potential reduced General Fund costs due to a Project Homeowner’s Association (e.g., privately maintained parks or streets).

OVERALL SUMMARY

FISCAL IMPACT		
<u>Recurring Revenues:</u>		<u>Appendix B Ref:</u>
Property Tax	\$ 3,149,647	Table 5
Property Tax in-lieu of VLF	8,090,176	Table 6
Property Transfer Tax	164,196	Table 7
On-site Sales Tax	68,319	Table 8
Off-site Sales Tax	78,178	Table 9
Transient Occupancy Tax	1,062,880	Table 10
Other Revenues	51,757	Table 11
Total Recurring Revenue	\$ 12,665,153	
<u>Recurring Expenditures:</u>		
Public Safety	\$ 7,495,969	Table 12
Health & Human Services	124,151	Table 12
Land Use & Environment	88,113	Table 12
Community Services	38,491	Table 12
Finance and General Government	225,284	Table 12
Finance Other	200,378	Table 12
Total Recurring Expenditures	\$ 8,172,386	
Net Fiscal Surplus (Deficit)	\$ 4,492,767	

6. FIA Recurring Revenues

6.1 Property Tax

In addition to other ad valorem charges imposed by various local agencies, land owners in the State of California ("State") are required to pay annual property taxes of 1% on the assessed value of their property pursuant to Proposition 13. Each county in California is divided into tax rate areas ("TRA"). After the basic 1% property tax is collected by the County, the tax is allocated to various local agencies based on each agency's share of the basic tax within the property's applicable TRA. As shown in the table below (reference Appendix B, Table 5), the County receives a 20.65% share of the basic tax and accordingly, is anticipated to generate \$3,149,647 per year in property taxes at buildout.

Total Assessed Value from Table 3		\$ 1,524,591,000
Base 1% Ad-Valorem Tax	1.00%	\$ 15,245,910
County Share of 1% for TRA 63075 (a):		
County General	16.2652%	\$ 2,479,779
County Library	3.2017%	\$ 488,124
San Diego County Flood Control District	1.1921%	\$ 181,744
Total Annual Property Taxes to County	20.6590%	\$ 3,149,647

Footnotes:

(a) Per County of San Diego Auditor/Controller.

6.1.1 Property Tax In-Lieu of Sales Tax

In March 2004, voters approved Proposition 57, the California Economic Recovery Bond Act which allowed the State to purchase bonds to reduce the State budget deficit. The legislature enacted provisions that changed how sales and use taxes and other revenues are distributed to schools and local governments on and after July 1, 2004. These changes will remain in effect until the State Director of Finance notifies the Board of Equalization that the State's bond obligations have been satisfied. Under the revenue "swapping" procedures commonly referred to as the "Sales Tax Triple Flip", the local government portion of the statewide sales tax rate will decrease by 0.25%, and the State portion will increase by 0.25%. The County Auditor in each county uses property tax revenues to reimburse the county and cities within the county. County Auditors set aside a portion of funds from the County Educational Revenue Augmentation Fund and place them in a Sales and Use Tax Compensation Fund. In January and May of each year, the State Director of Finance instructs County Auditors to allocate revenues from the Compensation Fund to the county and to the cities within the county. As the Sale Tax Triple Flip affects the timing, not the amount of revenue received by the City, this analysis does not assume 0.25% of sales and use tax is redirected to property tax per the Triple Flip. Therefore, sales taxes in the FIA are estimated using the full 1.00% County share.

6.2 Property Transfer Tax

The County receives property transfer tax revenue as new or existing property is sold and ownership is transferred. In accordance with California Revenue and Taxation Code Section 11911, a county may levy a transfer tax at the rate of \$1.10 for each \$1,000 of assessed value. The FIA assumes a residential turnover rate of 10.00% of total assessed value per year (i.e. properties change ownership every 10 years on average) and a non-residential turnover rate of 5.00% of total assessed value per year (i.e. properties change ownership every 20 years on average). Using these assumptions, the County is anticipated to receive approximately \$164,196 in annual property tax transfer revenue at buildout, as shown in the table below (reference Appendix B, Table 7).

	Residential	Commercial	Total
Total Assessed Value from Table 4	\$ 1,460,791,000	\$ 63,800,000	\$ 1,524,591,000
Turnover Rate (a)	10.00%	5.00%	
Annual Taxable Assessed Value	\$ 146,079,100	\$ 3,190,000	\$ 149,269,100
Property Transfer Tax Rate (b)	0.110000%	0.110000%	0.110000%
Total Annual Property Transfer Taxes	\$ 160,687	\$ 3,509	\$ 164,196

Footnotes:

(a) Based on assumption that residential property will change ownership once every 10 years and commercial property will change ownership once every 20 years.

(b) Represents property transfer tax rate of \$1.10 per \$1,000 of sale or resale value per Revenue and Taxation Code Section 11911-11929.

6.3 Sales Tax

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

Effective January 1, 2013, there is a 7.50% statewide sales and use tax base rate that is collected by the State. The State government receives 6.50% of the 7.50% and local governments receive the remaining 1.00% which is transferred to the local government's general fund.

6.3.1 Onsite Sales Tax

The FIA assumes that the County will receive sales tax revenue from taxable purchases made within the Project's commercial village center. Using data from *Dollars & Cents of Shopping Centers (2008)* published by the Urban Land Institute, the FIA assumes that the proposed mixed use areas will generate approximately \$50 to \$405 of taxable sales per building square foot. The resort retail shops will generate approximately \$200 of

taxable sales per building square foot, and the resort restaurants will generate approximately \$308 of taxable sales per building square foot. Applying this methodology, the Project would generate approximately \$6,831,854 in annual taxable sales at buildout, as shown in the table below (reference Appendix B, Table 8). Assuming the County receives sales tax revenue of 1% of taxable sales, the County would receive approximately \$68,319 in annual on-site sales tax revenue at buildout.

Probable Tenant Type	Bldg. SF	Estimated	Estimated %	Estimated	Total
		Sales per SF (a)	Taxable	Taxable Sales per SF	Estimated Taxable Sales
Mixed-Use Areas					
Convenience Store	3,500	\$ 429	75%	\$ 322	\$ 1,127,359
Coffee Shop	1,500	405	100%	405	606,840
Office	3,000	N/A	0%	-	-
Quick Serve Food	7,500	246	100%	246	1,847,400
Dry Cleaner	1,500	200	0%	-	-
Sandwich Shop	1,500	290	100%	290	434,355
Nail Salon	1,500	200	25%	50	75,000
Subtotal	20,000	-			\$ 4,090,954
Resort					
Meeting Rooms	1,000	N/A	0%	\$ -	\$ -
Conference Center	5,000	N/A	0%	-	-
Office	3,000	N/A	0%	-	-
Retail Shops	6,000	200	100%	200	1,200,000
Restaurant	5,000	308	100%	308	1,540,900
Subtotal	20,000			-	\$ 2,740,900
Total	40,000				\$ 6,831,854
Annual Sales Tax to County				1.00%	\$ 68,319

Footnotes:

(a) Per Dollars & Cents of Shopping Centers (2008) by Urban Land Institute.

6.3.2 Off-Site Retail Sales Tax

The County will receive sales tax revenue from taxable purchases made within the unincorporated County but outside the Project area by the Project's residents. The FIA derives an average household income of \$151,000 based on 35% of income being spent on annual housing costs (i.e. principal, interest, taxes, and insurance/maintenance). Then it is assumed that 78.4% of household income is spent on consumer expenditures and 34.1% of such expenditures are taxable, based on data from the U.S. Bureau of Labor Statistics 2012 Consumer Expenditure Survey. Next, of the total taxable spending, it is assumed that 5% is captured within the commercial uses of the Project and 85% is captured by incorporated Cities such as Chula Vista and San Diego, leaving an estimate

of 10% of taxable spending to estimate off-site retail taxable expenditures captured by the County. After calculating total Project retail taxable expenditures captured in the County, the FIA assumes the County receives sales tax revenue of 1% of taxable sales. Applying this methodology, the County is anticipated to receive approximately \$78,178 in annual off-site sales tax as detailed in the table below (reference Appendix B, Table 9).

Spending by Residents:	Factor	
Aggregate Incomes (from table below)	\$151K per Unit	\$ 292,638,000
Consumer Expenditures (a)	78.4%	\$ 229,493,932
Taxable Spending (a)	34.1%	\$ 78,178,369
Less: On-site Capture (b)	5.0%	\$ (3,908,918)
Less: Incorporated City Capture (b)	85.0%	\$ (66,451,614)
Net Taxable Spending in County		\$ 7,817,837
Annual Sales Taxes to County	1.0%	\$ 78,178

Household Income Calculation:		
Avg. Sales Price		\$ 753,762
Down Payment	20%	\$ 150,752
Loan Amount		\$ 603,010
Interest Rate		5.5%
Term (years)		30
Annual Mortgage Payment		\$41,086
HOA	\$ 200	\$ 2,400
Maintenance/Insurance	\$ 50	\$ 600
Property Taxes	1.1413%	\$ 8,603
Total Annual Housing Costs		\$ 52,689
% Income spent on Housing		35%
Annual Income Required		\$ 150,539
Annual Income Required (rounded)		\$ 151,000

Footnotes:

(a) Per Bureau of Labor Statistics Consumer Expenditure Survey, 2012.

(b) Capture percentage represents DPFG's estimate based on location relative to other retail establishments in the market area.

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

In May 2004, Governor Schwarzenegger proposed a swap of city and county VLF revenue for additional property tax share as part of a budget agreement between the State and local governments. The swap was included in the 2004 budget package. Under this legislation, property tax in-lieu of VLF is allocated to Cities and Counties

pursuant to a complex formula involving each agencies relative share of assessed value. The property tax in-lieu of VLF revenue that will be generated by the Project can be estimated by determining the (i) percentage growth in the total assessed value of the unincorporated area of the County attributable to the Project, and multiplying by (ii) the property tax in-lieu of VLF revenue of \$306.6M expected to be received by the County in FY 2013-14 per the County Budget. Based on these calculations, the Project is anticipated to generate \$8,090,176 annually in property tax in-lieu of VLF revenue, as shown in the table below (reference Appendix B, Table 6).

FY 2013/14 In Lieu MVLF Allocation to County	\$	306,580,585	(a)
FY 2013/14 Unincorporated County AV	\$	57,418,137,249	(b)
Total Project Assessed Value from Table 3	\$	1,524,591,000	
Less: Existing Assessed Value	\$	(9,417,336)	
Net (New) Assessed Value	\$	1,515,173,664	
AV Growth from Project		2.639%	
Annual County Property Taxes In Lieu of MVLF	\$	8,090,176	

Footnotes:

- (a) Per County of San Diego Fiscal Year 2013 Adopted Budget (pg. 77).
 (b) Per County of San Diego Assessor's Office.

6.5 Transient Occupancy Tax ("TOT")

The transient occupancy tax (hotel, motel, campground or bed tax) is authorized under State Revenue and Taxation Code Section 7280, as an additional source of non-property tax revenue to local government. Per County of San Diego Ordinance 2708, the County levies a transient occupancy tax at a rate of 8.0% of room rental revenue. The Project is proposed to include a 200-room high-end luxury resort hotel with attached mixed commercial uses. The luxury resort planned for the property is expected to be exclusive, tucked away in the hills overlooking the adjacent Lower Otay Lake. In as much, the Developers anticipate that the pricing and positioning of the hotel to be similar to that of The Inn at Rancho Santa Fe. Based on market research conducted by hospitality consulting firm PKF Consulting, the average daily rate for upper tier hotels in the greater San Diego market is approximately \$170 with an average occupancy of approximately 70%. It should be noted that the upper tier category includes a broad range of hotels from luxury full-service hotels to limited service franchise hotels such as Courtyard by Marriott and Residence Inn by Marriott. Further, our research indicates that non-holiday asking rents at the The Inn at Rancho Santa Fe range from approximately \$199 to \$319 per night for a standard room. Based on the forgoing, we have projected transient occupancy tax assuming a 70% occupancy rate and an average nightly room rate of \$260. Accordingly, the FIA projects annual transient occupancy tax revenue of \$1,062,880, as calculated in the table below (reference Appendix B, Table 10).

Proposed Resort Hotel		
No. of Rooms		200
Average Daily Rate (ADR)		\$ 260.00 (a)
Occupancy Rate (%)		70.0% (a)
Total Annual Room Revenues		\$ 13,286,000
Annual County Transient Occupancy Tax	8.00% (b)	\$ 1,062,880

Footnotes:

(a) Source: HR&A, PKF Consulting, and DPFPG.

(b) Transient occupancy tax rate per County of San Diego Transient Occupancy Tax Ordinance effective 10/1/1964, amended 10/26/2007.

6.6 Other Revenues

The County receives various other revenues analyzed under the FIA. These include (i) franchise, license, and permit revenues, (ii) fees, fines, and forfeitures, (iii) penalties & cost delinquency taxes, and (iv) miscellaneous revenues. These revenues have been estimated using a Per Capita & 50% Employee Multiplier against the County budgeted revenues for each respective revenue category. Based on the total Per Capita & 50% Employee Multiplier of \$7.24, total annual “other” revenues are anticipated to be \$51,757 at buildout, as seen in Appendix B, Table 11.

7. FIA Recurring Costs**7.1 Public Safety**

Public Safety costs include expenses related to the District Attorney, Sheriff, Fire, Probation Department, trial courts, child support services and other services, many of which are provided on a County-wide basis to all County residents. However, certain services such as Fire and Sheriff are only provided to unincorporated areas, except for certain contractual arrangements. For example, as noted in Section 7.1.2 below, the Sheriff's Department provides contract law enforcement services for the cities of Del Mar, Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, Solana Beach and Vista. Also, the San Diego County Fire Authority has contracts in place with various other agencies. Due to the abbreviated scope of this analysis and the unavailability of detailed breakdowns of certain County Budget data, this analysis does not dissect and stratify the County Public Safety budget and attempt to allocate specific costs to the Project based on each expense subcategory and associated service area or population. Instead, the FIA uses a Per Capita & 50% Employee (Unincorporated) Multiplier against the entire Public Safety general purpose revenue allocation of \$627.6M less \$16.7M allocable to the San Diego County Fire Authority for fire services, resulting in a multiplier of \$1,048.68 per person. This methodology is viewed as being conservative in

that the service population utilized for spreading costs represents only the unincorporated area, despite the fact that many of the applicable services are provided on a county-wide basis. Based on this multiplier, total annual public safety costs are estimated at \$7,495,969 at buildout, as seen in Appendix B, Table 12.

7.1.1 Fire Protection

The San Diego Rural Fire Protection District is responsible for providing fire services to the Resort Village property. A separate fiscal impact analysis has concurrently been prepared to determine the net fiscal impact to the agency, and as such is not analyzed in this report. For informational purposes, the results of that analysis are summarized below:

FIRE SERVICE FISCAL IMPACT	
San Diego Rural Fire Protection District	
<u>Recurring Revenues:</u>	
Property Tax	\$ 289,505
Total Recurring Revenue	\$ 289,505
<u>Recurring Expenditures:</u>	
Fire Service Costs	\$ 960,338
Total Recurring Expenditures	\$ 960,338
Net Fiscal Surplus (Deficit)	\$ (670,833)
Per Residential Unit	\$ (346)

Source: Fire District Fiscal Impact Analysis - Otay Ranch Resort Village, prepared by DPF, Inc. dated December 8, 2014.

7.1.2 Sheriff's Department

The San Diego County Sheriff's Department provides contract law enforcement services for the cities of Del Mar, Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, Solana Beach and Vista. In these cities the Sheriff's Department serves as their police department, providing a full range of law enforcement services including patrol, traffic and investigative services. In the unincorporated (non-city) areas, such as where the Project is located, the Sheriff's Department provides generalized patrol and investigative services. The California Highway Patrol has the primary jurisdiction for traffic services in unincorporated areas.

The Sheriff's Department service area covers approximately 4,200 square miles. Sheriff's Department facilities located in unincorporated areas provide general law enforcement patrol, crime investigation, and crime prevention services. To effectively serve this extensive geographic area, the Sheriff's Department Law Enforcement Services Bureau operations are organized under a system of Command stations, substations, offices and storefronts. A separate rural enforcement area addresses the

special needs of outlying areas patrolled by resident deputies. The operational structure is flexible, and areas may be realigned in order to provide better response to citizen calls for service, to ensure a balance of resources, and to be more responsive to community needs.

The Sheriff's Department Law Enforcement Operations Command Areas have further been divided into beat districts which serve the unincorporated County. The Project is located in the Imperial Beach beat district which is serviced via the Imperial Beach Substation. The cost of sheriff services for the Project is included in the public safety costs described in Section 7.1 above.

7.2 Health & Human Services

The Health and Human services cost category includes regional operations, aging and independence services, behavioral health services and child welfare services. Using a Per Capita & 50% Employee Multiplier of \$17.37, total annual health and human services costs are anticipated to be \$124,151 at buildout, as seen in Appendix B, Table 12.

7.3 Land Use and Environment

The Land Use and Environment Group cost category includes agriculture, weights and measures, environmental health, parks and recreation, planning and land use and public works costs. Using a Per Capita & 50% Employee Multiplier of \$12.33, total annual land use and environmental costs are anticipated to be \$88,113 at buildout, as seen in Appendix B, Table 12.

7.4 Community Services

The Community Services Group cost category includes animal services, housing and community development, purchasing and contracting, the County Executive Office and Registrar of Voters. Using a Per Capita & 50% Employee Multiplier of \$5.38, total annual community services costs are anticipated to be \$38,491 at buildout, as seen in Appendix B, Table 12.

7.5 Finance and General Government

The Finance and General Government services cost category includes executive office, assessor/recorder/county clerk, treasurer – tax collector, auditor and controller, county counsel and human resources costs. Using a Per Capita & 50% Employee Multiplier of \$31.52, total finance and general government costs are anticipated to be \$225,284 at buildout, as seen in Appendix B, Table 12.

7.6 Finance - Other

Other finance costs include community projects, community enhancement, contingency reserve, and countywide general expense costs. Using a Per Capita & 50% Employee Multiplier of \$28.03, total other finance costs are anticipated to be \$200,378 at buildout, as seen in Appendix B, Table 12.

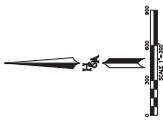
8. Glossary of Defined Terms and Acronyms

Budget	County Adopted Operational Budget for years 2013-2015
County	County of San Diego
Developer	Baldwin and Sons and Otay Ranch New Homes
DPFG	Development Planning & Financing Group
ERAF	Educational Revenue Augmentation Fund
FIA	Fiscal Impact Analysis
General Fund	County of San Diego General Fund
Project	Otay Ranch Resort Village
State	State of California
TOT	Transient Occupancy Tax
TRA	Tax Rate Area
VLF	Vehicle License Fees

Appendix A

Project Site Plan

300' SCALE VTM COMPOSITE
OTAY VILLAGE 13
COUNTY OF SAN DIEGO, CALIFORNIA



**HUNSAKER
& ASSOCIATES**
ARCHITECTS
10000 LA JOLLA VILLAGE CENTER
LA JOLLA, CA 92037
TEL: 619-451-1000
WWW.HUNSAKER.COM

DATE: 11/11/11
SCALE: 300'

Appendix B

Fiscal Impact Analysis Tables

Appendix "B"

Table 1
Fiscal Impact Analysis Summary
Otay Ranch Resort Village

FISCAL IMPACT		
<u>Recurring Revenues:</u>		
Property Tax	\$ 3,149,647	Table 5
Property Tax in-lieu of VLF	8,090,176	Table 6
Property Transfer Tax	164,196	Table 7
On-site Sales Tax	68,319	Table 8
Off-site Sales Tax	78,178	Table 9
Transient Occupancy Tax	1,062,880	Table 10
Other Revenues	51,757	Table 11
Total Recurring Revenue	\$ 12,665,153	
<u>Recurring Expenditures:</u>		
Public Safety	\$ 7,495,969	Table 12
Health & Human Services	124,151	Table 12
Land Use & Environment	88,113	Table 12
Community Services	38,491	Table 12
Finance and General Government	225,284	Table 12
Finance Other	200,378	Table 12
Total Recurring Expenditures	\$ 8,172,386	
Net Fiscal Surplus (Deficit)	\$ 4,492,767	

Appendix "B"

Table 2
Population and Employment Data
Otay Ranch Resort Village

	County	Unincorporated County	Project
Population	3,150,178 (a)	492,491 (a)	6,957 (b)
Employees	1,276,500 (a)	180,036 (c)	382 (d)
Residents + 50% Employees	3,788,428	582,509	7,148

Footnotes:

(a) Per County of San Diego Fiscal Year 2013 Adopted Budget (pg. 12, 16).

(b) Based on 3.59 persons per household per SANDAG Demographic and Socio Economic Estimates for Zip Code 91914 (January 1, 2013).

(c) Per County of San Diego General Plan Update EIR, August 2011 (Employment by Industry: 2000).

(d) Represents estimated permanent employees per Table 13.

Table 3
Land Use and Assessed Value Assumptions
Otay Ranch Resort Village

Residential				
Lot Size	No. of Units	Avg. Home Size (SF)	Projected Avg. Sales Price (a)	Total Residential Assessed Value
Move-Up	470	2,700	\$ 634,000	\$ 297,980,000
Move-Up Plus	753	3,600	761,000	573,033,000
Premium Estate	658	4,000	866,000	569,828,000
<i>Single Family Subtotal/Avg.</i>	1,881	3,515	\$ 765,997	\$ 1,440,841,000
Mixed Use (Attached)	57	2,000	350,000	19,950,000
Residential Subtotal/Avg.	1,938	3,470	\$ 753,762	\$ 1,460,791,000

Commercial			
Probable Tenant Type	Bldg. SF (b)	Estimated Assessed Value per SF or Room (c)	Total Commercial Assessed Value
Mixed-Use Areas			
Convenience Store	3,500	\$ 246	\$ 861,000
Coffee Shop	1,500	246	369,000
Office	3,000	200	600,000
Quick Serve Food	7,500	246	1,845,000
Dry Cleaner	1,500	246	369,000
Sandwich Shop	1,500	246	369,000
Nail Salon	1,500	246	369,000
Mixed-Use Subtotal	20,000		\$ 4,782,000
Resort			
Meeting Rooms	1,000	Incl. in Hotel	\$ -
Conference Center	5,000	Incl. in Hotel	0
Office	3,000	200	600,000
Retail Shops	6,000	238	1,428,000
Restaurant	5,000	238	1,190,000
Resort Subtotal	20,000		\$ 3,218,000
Hotel (Rooms)	200	\$ 279,000	\$ 55,800,000
Commercial Subtotal/Avg.	40,000		63,800,000

Total Project Assessed Value	\$ 1,524,591,000
-------------------------------------	-------------------------

Footnotes:

(a) Source: Developers, HR&A, DPGF.

(b) Estimated square footages per Developers.

(c) Assessed values per Table 4.

Estimated Property Value using Income Method
Otay Ranch Resort Village

	Retail/Shops	Office	Total
Gross Square Feet	28,000	6,000	34,000
Less: Non-leasable Space @ 10%	(2,800)	(600)	
Leasable Square Feet	25,200	5,400	30,600
REVENUE			
Average Monthly NNN Rental Rate per s.f.	\$ 1.77 (a)	\$ 1.50 (b)	
Total Scheduled Annual NNN Rents	\$ 535,248	\$ 97,200	\$ 632,448
EXPENSES			
Vacancy (%)	5.00% (c)	10.00% (b)	
Vacancy (\$)	\$ 26,762	\$ 9,720	
Unreimbursed Expenses (vacant space) (d)	\$ 9,902	\$ 3,596	
Total Expenses	\$ 36,664	\$ 13,316	\$ 49,981
NET OPERATING INCOME	\$ 498,584	\$ 83,884	\$ 582,467
CAP RATE (e)	7.25%	7.00%	
TOTAL VALUE	\$ 6,877,014	\$ 1,198,337	\$ 8,075,351
VALUE PER GROSS SQUARE FOOT	\$ 245.61	\$ 199.72	\$ 237.51
VALUE PER GROSS SQUARE FOOT (ROUNDED)	\$ 246.00	\$ 200.00	\$ 238.00

	Hotel
No. of Rooms	200
Average Daily Rate	\$ 260
Occupancy	70%
Annual Room Revenue	\$ 13,286,000
Other Revenues (30% of Room Rev.)	\$ 3,985,800
Total Revenue	\$ 17,271,800
Operating Expenses as % of Revenue	75%
Total Operating Expenses	\$ 12,953,850
Net Operating Income	\$ 4,317,950
Cap Rate	7.75%
TOTAL VALUE	\$ 55,715,484
VALUE PER ROOM	\$ 278,577
VALUE PER ROOM (ROUNDED)	\$ 279,000

Footnotes:

(a) Based on Average Asking Lease Rate for "South San Diego" market area per CBRE Q2 2014 San Diego Retail MarketView report.

(b) Preliminary estimate by DPF.G.

(c) Based on Overall Vacancy percentage for "South San Diego" market area per CBRE Q2 2014 San Diego Retail MarketView report.

(d) Assumes operating expenses at 37% of rental revenue; based on operating cost data per Dollars & Cents of Shopping Center (2008) published by ULI.

(e) Based on CBRE Second Half 2013 Cap Rate Survey for Retail Neighborhood/Community Center (Grocery Anchored) and Suburban Office. Report indicates a range of 6.25% to 7.25% for Class B Retail in San Diego market in "stabilized" condition and 6.50% to 7.00% for Class B Office in San Diego market in "stabilized" condition. This analysis uses the higher end of the ranges to estimate the appropriate cap rate for the subject property.

Appendix "B"

Table 5
Property Tax Revenue
Otay Ranch Resort Village

Total Assessed Value from Table 3		\$ 1,524,591,000
Base 1% Ad-Valorem Tax	1.00%	\$ 15,245,910
County Share of 1% for TRA 63075 (a):		
County General	16.2652%	\$ 2,479,779
County Library	3.2017%	\$ 488,124
San Diego County Flood Control District	1.1921%	\$ 181,744
Total Annual Property Taxes to County	20.6590%	\$ 3,149,647

Footnotes:

(a) Per County of San Diego Auditor/Controller.

Appendix "B"

Table 6
Property Taxes in Lieu of MVLF
Otay Ranch Resort Village

FY 2013/14 In Lieu MVLF Allocation to County	\$	306,580,585	(a)
FY 2013/14 Unincorporated County AV	\$	57,418,137,249	(b)
Total Project Assessed Value from Table 3	\$	1,524,591,000	
Less: Existing Assessed Value	\$	<u>(9,417,336)</u>	
Net (New) Assessed Value	\$	1,515,173,664	
AV Growth from Project		2.639%	
Annual County Property Taxes In Lieu of MVLF	\$	8,090,176	

Footnotes:

(a) Per County of San Diego Fiscal Year 2013 Adopted Budget (pg. 77).

(b) Per County of San Diego Assessor's Office.

Appendix "B"

Table 7
Property Transfer Tax Revenue
Otay Ranch Resort Village

	Residential	Commercial	Total
Total Assessed Value from Table 4	\$ 1,460,791,000	\$ 63,800,000	\$ 1,524,591,000
Turnover Rate (a)	10.00%	5.00%	
Annual Taxable Assessed Value	\$ 146,079,100	\$ 3,190,000	\$ 149,269,100
Property Transfer Tax Rate (b)	0.110000%	0.110000%	0.110000%
Total Annual Property Transfer Taxes	\$ 160,687	\$ 3,509	\$ 164,196

Footnotes:

(a) Based on assumption that residential property will change ownership once every 10 years and commercial property will change ownership once every 20 years.

(b) Represents property transfer tax rate of \$1.10 per \$1,000 of sale or resale value per Revenue and Taxation Code Section 11911-11929.

Appendix "B"

Table 8
On-Site Sales Tax Revenue
Otay Ranch Resort Village

Probable Tenant Type	Bldg. SF	Estimated Sales per SF (a)	Estimated % Taxable	Estimated Taxable Sales per SF	Total Estimated Taxable Sales
Mixed-Use Areas					
Convenience Store	3,500	\$ 429	75%	\$ 322	\$ 1,127,359
Coffee Shop	1,500	405	100%	405	606,840
Office	3,000	N/A	0%	-	-
Quick Serve Food	7,500	246	100%	246	1,847,400
Dry Cleaner	1,500	200	0%	-	-
Sandwich Shop	1,500	290	100%	290	434,355
Nail Salon	1,500	200	25%	50	75,000
Subtotal	20,000	-			\$ 4,090,954
Resort					
Meeting Rooms	1,000	N/A	0%	\$ -	\$ -
Conference Center	5,000	N/A	0%	-	-
Office	3,000	N/A	0%	-	-
Retail Shops	6,000	200	100%	200	1,200,000
Restaurant	5,000	308	100%	308	1,540,900
Subtotal	20,000			-	\$ 2,740,900
Total	40,000				\$ 6,831,854
Annual Sales Tax to County				1.00%	\$ 68,319

Footnotes:

(a) Per Dollars & Cents of Shopping Centers (2008) by Urban Land Institute.

Appendix "B"

Table 9
Off-Site Sales Tax Revenue
Otay Ranch Resort Village

Spending by Residents:	Factor	
Aggregate Incomes (from table below)	\$151K per Unit	\$ 292,638,000
Consumer Expenditures (a)	78.4%	\$ 229,493,932
Taxable Spending (a)	34.1%	\$ 78,178,369
Less: On-site Capture (b)	5.0%	\$ (3,908,918)
Less: Incorporated City Capture (b)	85.0%	\$ (66,451,614)
Net Taxable Spending in County		\$ 7,817,837
Annual Sales Taxes to County	1.0%	\$ 78,178

Household Income Calculation:		
Avg. Sales Price		\$ 753,762
Down Payment	20%	\$ 150,752
Loan Amount		\$ 603,010
Interest Rate		5.5%
Term (years)		30
Annual Mortgage Payment		\$41,086
HOA	\$ 200	\$ 2,400
Maintenance/Insurance	\$ 50	\$ 600
Property Taxes	1.1413%	\$ 8,603
Total Annual Housing Costs		\$ 52,689
% Income spent on Housing		35%
Annual Income Required		\$ 150,539
Annual Income Required (rounded)		\$ 151,000

Footnotes:

(a) Per Bureau of Labor Statistics Consumer Expenditure Survey, 2012.

(b) Capture percentage represents DPF's estimate based on location relative to other retail establishments in the market area.

Appendix "B"

Table 10
Transient Occupancy Taxes
Otay Ranch Resort Village

Proposed Resort Hotel		
No. of Rooms		200
Average Daily Rate (ADR)		\$ 260.00 (a)
Occupancy Rate (%)		70.0% (a)
Total Annual Room Revenues		\$ 13,286,000
Annual County Transient Occupancy Tax	8.00% (b)	\$ 1,062,880

Footnotes:

(a) Source: HR&A, PKF Consulting, and DPF&G.

(b) Transient occupancy tax rate per County of San Diego Transient Occupancy Tax Ordinance effective 10/1/1964, amended 10/26/2007.

Other Recurring Revenues
 Otay Ranch Resort Village

Revenue Category	County FY 2014/2015 Approved Budget	Multiplier	Factor	Project Equivalent Persons	Project Revenue
Other Revenues:					
Property Tax Prior Secured	400,000	N/A	N/A	-	\$ -
Property Tax Prior Secured Supplemental	5,264,057	N/A	N/A	-	\$ -
Property Tax Prior Unsecured	450,000	N/A	N/A	-	\$ -
Property Tax Prior Unsecured Supplemental	400,000	N/A	N/A	-	\$ -
Other Tax Aircraft Unsecured	2,688,129	N/A	N/A	-	\$ -
Transient Occupancy Tax	2,600,000	Case Study	N/A	-	\$ -
Real Property Transfer Taxes	17,044,390	Case Study	N/A	-	\$ -
Franchise, License, Permits	10,488,804	Per Capita & 50% Employee	\$ 2.77	7,148	\$ 19,790
Fees, Fines & Forfeitures	2,198,205	Per Capita & 50% Employee	\$ 0.58	7,148	\$ 4,148
Penalties & Cost Delinquency Taxes	13,712,175	Per Capita & 50% Employee	\$ 3.62	7,148	\$ 25,872
Interest on Deposits & Investments	2,867,302	N/A	N/A	-	\$ -
Interfund Charges/Miscellaneous Revenues	1,032,112	Per Capita & 50% Employee	\$ 0.27	7,148	\$ 1,947
Total Other Revenue	\$ 59,145,174				\$ 51,757

Services	65,800,000	\$	65,800,000	Per Capita & 50% Employee	17.37	7,5
ment	46,700,000	\$	46,700,000	Per Capita & 50% Employee	12.33	7,5
	20,400,000	\$	20,400,000	Per Capita & 50% Employee	5.38	7,5
Government	119,400,000	\$	119,400,000	Per Capita & 50% Employee	31.52	7,5
	106,200,000	\$	106,200,000	Per Capita & 50% Employee	28.03	7,5
	\$ 986,100,000	\$	969,365,895			

purpose revenue allocations (pg. 84).

al purpose revenue allocation to San Diego County Fire Authority (pg. 177). This amount is excluded as fire
ded to the Project by Rural Fire Protection District.

Appendix "B"

Table 13
Permanent Employment
Otay Ranch Resort Village

Tenant Type	Bldg. SF	Estimated SF per Employee (a)	Estimated Employees
Mixed-Use Areas			
Convenience Store	3,500	510	7
Coffee Shop	1,500	510	3
Office	3,000	280	11
Quick Serve Food	7,500	510	15
Dry Cleaner	1,500	280	5
Sandwich Shop	1,500	510	3
Nail Salon	1,500	280	5
Subtotal	20,000		49
Resort			
Meeting Rooms	1,000	-	-
Conference Center	5,000	-	-
Office	3,000	280	11
Retail Shops	6,000	510	12
Restaurant	5,000	450	11
Subtotal	20,000		34
Hotel - 200 Rooms (b)			300
Total	40,000		382

Footnotes:

(a) Service and Retail categories per Planner's Estimating Guide - Projecting Land-Use and Facility Needs by Arthur C. Nelson, FAICP (2004).

(b) Hotel employment is a preliminary estimate by DPFG based on 1.5 employees per room for luxury hotel.

**FIRE DISTRICT
FISCAL IMPACT ANALYSIS
FOR
OTAY RANCH RESORT VILLAGE**

December 8, 2014

Prepared By:



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2. Project Description	2
3. FIA Limiting Conditions	4
4. About the Fire District.....	5
5. General Sources of Information and Methodology Used in FIA	5
6. FIA Summary and Conclusions	6
7. FIA Recurring Revenues	7
8. FIA Recurring Costs	8

Appendices:

Appendix “A” – Project Site Plan

Appendix “B” – Land Use and Assessed Value Assumptions

Appendix “C” – Estimated Non-Residential Property Values

1. Purpose of Study

This Fiscal Impact Analysis (“FIA”) has been prepared to determine the estimated fiscal impacts on the San Diego Rural Fire Protection District (“Fire District”) in connection with the proposed development of the Otay Ranch Resort Village project (“Project”), a master planned mixed-use community. The Project is also commonly referred to as Otay Ranch Village 13. The reader should be aware that the FIA contains estimates or projections of the Project’s future revenue and cost impacts on the Fire District and actual fiscal results may vary from estimates because events and circumstances may occur in a manner that is different than projected in the FIA. The primary purpose of this FIA is to estimate the Project’s net fiscal impact on the Fire District’s General Fund upon build-out.

2. Project Description

The Project consists of approximately 1,869 gross acres located east of highway 125 off of Otay Lakes Road, in the unincorporated area east of Chula Vista in the Otay Ranch community. The Project is planned for 1,881 single family homes located on 525.1 acres, 57 mixed-use multi-family units, and a 17.4 acre commercial village center that will include approximately 20,000 square feet of retail and service establishments and a resort style hotel with 20,000 square feet of resort-oriented commercial uses catering to the San Diego community. The Project will also include an elementary school site, a site for public safety facilities, open space, and park and recreational facilities.

LAND USE ASSUMPTIONS

Residential		
Lot Size	No. of Units	Avg. Home Size (SF)
Move-Up	470	2,700
Move-Up Plus	753	3,600
Premium Estate	658	4,000
<i>Single Family Subtotal/Avg.</i>	1,881	3,515
Mixed Use (Attached)	57	2,000
Residential Subtotal/Avg.	1,938	3,470

Commercial	
Probable Tenant Type	Bldg. SF
Mixed-Use Areas	
Convenience Store	3,500
Coffee Shop	1,500
Office	3,000
Quick Serve Food	7,500
Dry Cleaner	1,500
Sandwich Shop	1,500
Nail Salon	1,500
Subtotal	20,000
Resort	
Meeting Rooms	1,000
Conference Center	5,000
Office	3,000
Retail Shops	6,000
Restaurant	5,000
Subtotal	20,000
Commercial Subtotal/Avg.	40,000
Hotel (Rooms)	200

Footnotes:

(a) Estimated square footages per site information provided by Developers.

3. FIA Limiting Conditions

The FIA is subject to the following limiting conditions:

- The FIA contains an analysis of recurring revenues and costs to the Fire District from development of the Project. The FIA is based on estimates, assumptions and other information developed from DPFG’s research, interviews, telephone discussions with San Diego Rural Fire District staff, and information from DPFG’s database which were collected through fiscal impact analyses previously prepared by DPFG and others.
- The sources of information and basis of the estimates are stated herein. While we believe the sources of information are reliable, DPFG does not express an opinion or any other form of assurance on the accuracy of such information.
- The analysis of recurring revenues and cost impacts to the Fire District contained in the FIA is not considered to be a “financial forecast” or a “financial projection” as technically defined by the American Institute of Certified Public Accountants. The word “projection” used within this report relates to broad expectations of future events or market conditions.
- Since the analyses contained herein are based on estimates and assumptions which are inherently subject to uncertainty and variation depending on evolving events, DPFG cannot represent that results will definitely be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from the projections.

4. About the Fire District

The Fire District serves and protects 26,500+ people living in an area of 720 square miles. The Fire District operates out of 14 stations that protect a primarily rural area. Staff members are a combination of paid and volunteer via a contract with Cal Fire.

The Fire District is located just to the east of the City of San Diego with the southern boundaries being the City of San Diego itself and approximately 50 miles of the Country of Mexico. The Fire District is an all risk agency and works closely with the CALFIRE, The United States Forest Service, United States Fish and Wildlife Service, US Bureau of Land Management, San Diego County Sheriff's Department, California Fish and Game, as well as auto and mutual aid fire agencies bordering the Fire District.

5. General Sources of Information and Methodology Used in FIA

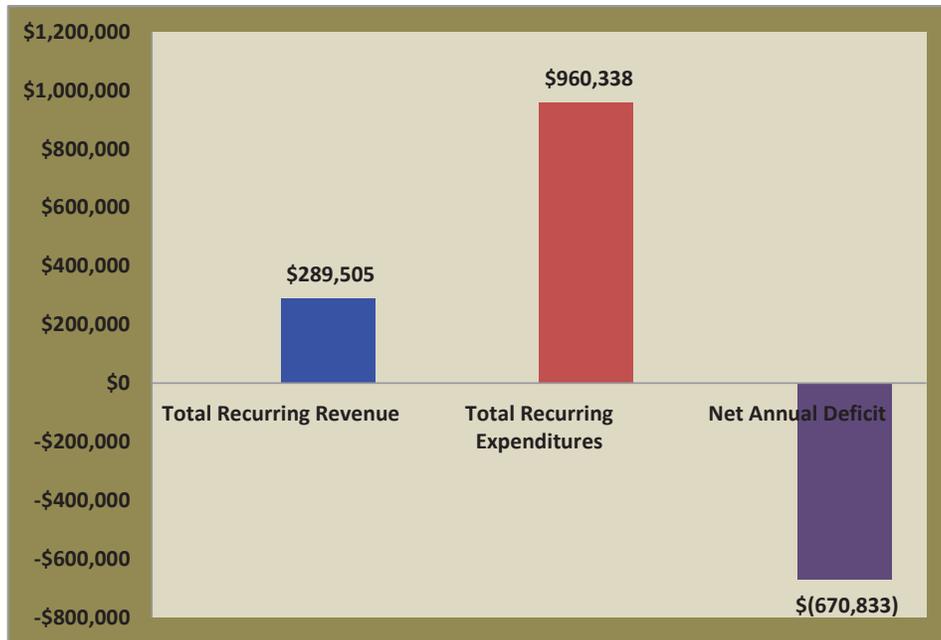
The FIA was prepared to estimate the allocable revenue and cost impacts to the Fire District's general fund ("General Fund") as a result of the Project's development. The FIA uses a case study method to estimate Project impacts. The closest Fire District fire station to the Project is Station 36 – Jamul (HQ) which is located at 14024 Peaceful Valley Ranch Road. This station is approximately 5 miles north of the Project but outside of the 5-minute response time required under the County General Plan. As such, a specific assumption of this analysis is that the Project will include an onsite fire station and fully fund the station's annual operating costs. Based on the Developer's discussions with the Fire District, it is assumed that the fire station will be staffed with a 3-person crew.

All cost and revenue factors are projected in 2014 dollars, and are not adjusted for inflation, based on the assumption that the relative impacts of inflation in future years will be offsetting.

Information used in preparing the FIA was obtained from the following sources: (1) Cal Fire (fire station operating cost projections); (2) Lilac Hills Ranch Fire Response Capabilities Assessment prepared by Dudek and Hunt Research Corp. dated May 2014 (fire station operating cost projections); (3) Baldwin & Sons and Otay Ranch New Homes ("Developer") (land use information); (4) San Diego County Auditor-Controller's Office (fiscal year 2013-14 share of the basic tax information); (5) CBRE (retail and office market information), and other sources as noted.

6. FIA Summary and Conclusions

The FIA examines the financial impact the Project will have at buildout on the Fire District’s General Fund. The Project will generate additional revenue for the General Fund through a single revenue source which is ad-valorem property taxes. However, the additional costs incurred to the General Fund as a result of paying the full operating cost burden of a fire station will be more than the additional revenues generated. The Project’s direct impact to the General Fund is summarized as follows:



As seen in the chart above, the Project is anticipated to have a **\$670,833** fiscal deficit on an annual basis, once the Project is fully developed. The FIA does not consider the impact of any discretionary funding that may be allocated to the Fire District from the County of San Diego or a new Community Facilities District (CFD) that could potentially be formed on the Project to provide additional funding.

OVERALL SUMMARY

FISCAL IMPACT	
<u>Recurring Revenues:</u>	
Property Tax	\$ 289,505
Total Recurring Revenue	\$ 289,505
<u>Recurring Expenditures:</u>	
Fire Service Costs	\$ 960,338
Total Recurring Expenditures	\$ 960,338
Net Fiscal Surplus (Deficit)	\$ (670,833)
Per Residential Unit	\$ (346)

7. FIA Recurring Revenues

The only revenue source to the Fire District from the Project will be ad-valorem property taxes. In addition to other ad-valorem charges imposed by various local agencies, land owners in the State of California ("State") are required to pay annual property taxes of 1% on the assessed value of their property pursuant to Proposition 13. Each county in California is divided into tax rate areas ("TRA"). After the basic 1% property tax is collected by the County, the tax is allocated to various local agencies based on each agency's share of the basic tax within the property's applicable TRA. As shown in the table below, the Fire District receives a 1.8989% share of the basic tax and accordingly, is anticipated to generate \$289,505 per year in property taxes at buildout. Please refer to Appendix "B" for detailed land use and assessed value assumptions and Appendix "C" for a detailed estimate of the non-residential property values.

Total Assessed Value from Appendix "B"		\$ 1,524,591,000
Base 1% Ad-Valorem Tax	1.00%	\$ 15,245,910
Rural Fire District Share of 1% for TRA 63075 (a):		1.8989%
Total Annual Property Taxes to Fire District		\$ 289,505

Footnotes:

(a) Per County of San Diego Auditor/Controller.

8. FIA Recurring Costs

As previously noted, a specific assumption of this analysis is that the Project will include an onsite fire station and fully fund the station's annual operating costs. It is assumed that the fire station will be staffed with a 3-person crew. DPFPG obtained and reviewed the Fiscal Year 2014/15 Fire District Operating Budget ("District Budget") expenses which consist primarily of the cost of salaries and benefits of district staff (board, chief, mechanic, etc.), trucks and equipment, and general overhead and administrative costs. The District Budget does not include the cost of contracting with Cal Fire for career firefighter staffing. DPFPG was unable to obtain information directly from the Fire District or the San Diego County Fire Authority regarding fire station staffing costs. As such, other credible data sources were relied upon to estimate annual operating costs for purposes of this FIA. The average of the two data sources described below was used in the FIA.

Data sources for estimated annual fire station operating costs:

1. Cost Projection from Cal Fire (March 9, 2011)
2. Lilac Hills Ranch Fire Service Response Capabilities Assessment (May 2014)

Fire Service Cost - O&M for Fire Station Staffed with 3-Person Crew		
Source #	Source Description	Estimated Cost
1	CalFire Cost Projections (a)	972,675
2	Lilac Hills Ranch Capabilities Assessment (b)	948,000
Average Annual Recurring Fire Service Cost		\$ 960,338

Footnotes:

(a) Per cost projections from CalFire dated March 9, 2011.

(b) Per Lilac Hills Ranch Fire Service Reponse Capabilities Assessment prepared by Dudek dated May 2014 (prepared in connection with the project EIR). The amount shown above represents the estimated costs of a station staffed with a 3-person medic crew including one reserve firefighter fire at \$833,000 per year plus \$40,000 annual engine replacement cost, and \$75,000 annual administration cost.

The cost projection from Cal Fire was provided to the Developer in 2011 based on staffing a fire station with a 3-person crew. Although the information is dated, it is believed to be a reasonable estimate based on DPFPG's experience with other fire districts and in comparison to the more recent estimate included in the Lilac Hills Ranch Fire Service Response Capabilities Assessment ("LHR Fire Report"). The LHR Fire Report was prepared in connection with the Environmental Impact Report (EIR) documents for the Lilac Hills Ranch planned development project located in unincorporated Valley Center area of the County of San Diego. The cost estimate taken from the LHR Fire

December 8, 2014

Report represents the estimated operating cost of an onsite fire station manned with a 3-person medic crew including one reserve firefighter plus annual engine replacement costs and administrative costs. The fire station contemplated in the LHR report (i) would be under the jurisdiction of the Deer Springs Fire Protection District which has similar resources as the Fire District, (ii) is in a similar rural location as the Project, and (iii) would be staffed via contract with Cal Fire, similar to the subject fire station. As such, it serves as a direct comparable for representative cost data.

Appendix “A”

Project Site Plan

300' SCALE VTM COMPOSITE
OTAY VILLAGE 13
COUNTY OF SAN DIEGO, CALIFORNIA



**HUNSAKER
& ASSOCIATES**
ARCHITECTS
PLANNERS
ENGINEERS

DATE: 11/11/11
PROJECT: OTAY VILLAGE 13
SHEET: 13 OF 13

Appendix “B”

Land Use and Assessed Value Assumptions

Appendix "B"

Land Use and Assessed Value Assumptions

Otay Ranch - Village 13

Residential				
Lot Size	No. of Units	Avg. Home Size (SF)	Projected Avg. Sales Price (a)	Total Residential Assessed Value
Move-Up	470	2,700	\$ 634,000	\$ 297,980,000
Move-Up Plus	753	3,600	761,000	573,033,000
Premium Estate	658	4,000	866,000	569,828,000
<i>Single Family Subtotal/Avg.</i>	1,881	3,515	\$ 765,997	\$ 1,440,841,000
Mixed Use (Attached)	57	2,000	350,000	19,950,000
Residential Subtotal/Avg.	1,938	2,000	\$ 753,762	\$ 1,460,791,000

Commercial			
Probable Tenant Type	Bldg. SF (b)	Estimated Assessed Value per SF or Room (c)	Total Commercial Assessed Value
Mixed-Use Areas			
Convenience Store	3,500	\$ 246	\$ 861,000
Coffee Shop	1,500	246	369,000
Office	3,000	200	600,000
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Sandwich Shop	1,500	246	369,000
Nail Salon	1,500	246	369,000
Subtotal	20,000		\$ 4,782,000
Resort			
Meeting Rooms	1,000	Incl. in Hotel	\$ -
Conference Center	5,000	Incl. in Hotel	0
Office	3,000	200	600,000
Retail Shops	6,000	238	1,428,000
Restaurant	5,000	238	1,190,000
Subtotal	20,000		\$ 3,218,000
Hotel	200	\$ 279,000	\$ 55,800,000
Commercial Subtotal/Avg.	40,000		63,800,000

Total Project Assessed Value	\$ 1,524,591,000
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Footnotes:

(a) Source: Developers, HR&A, DPFG.

(b) Estimated square footages per Developers.

(c) Assessed values per Appendix "C".

Appendix “C”

Estimated Non-Residential Property Values

Estimated Non-Residential Property Value using Income Method
Otay Ranch Resort Village

	Retail/Shops	Office	Total
Gross Square Feet	28,000	6,000	34,000
Less: Non-leasable Space @ 10%	(2,800)	(600)	
Leasable Square Feet	25,200	5,400	30,600
REVENUE			
Average Monthly NNN Rental Rate per s.f.	\$ 1.77 (a)	\$ 1.50 (b)	
Total Scheduled Annual NNN Rents	\$ 535,248	\$ 97,200	\$ 632,448
EXPENSES			
Vacancy (%)	5.00% (c)	10.00% (b)	
Vacancy (\$)	\$ 26,762	\$ 9,720	
Unreimbursed Expenses (vacant space) (d)	\$ 9,902	\$ 3,596	
Total Expenses	\$ 36,664	\$ 13,316	\$ 49,981
NET OPERATING INCOME	\$ 498,584	\$ 83,884	\$ 582,467
CAP RATE (e)	7.25%	7.00%	
TOTAL VALUE	\$ 6,877,014	\$ 1,198,337	\$ 8,075,351
VALUE PER GROSS SQUARE FOOT	\$ 245.61	\$ 199.72	\$ 237.51
VALUE PER GROSS SQUARE FOOT (ROUNDED)	\$ 246.00	\$ 200.00	\$ 238.00

	Hotel
No. of Rooms	200
Average Daily Rate	\$ 260
Occupancy	70%
Annual Room Revenue	\$ 13,286,000
Other Revenues (30% of Room Rev.)	\$ 3,985,800
Total Revenue	\$ 17,271,800
Operating Expenses as % of Revenue	75%
Total Operating Expenses	\$ 12,953,850
Net Operating Income	\$ 4,317,950
Cap Rate	7.75%
TOTAL VALUE	\$ 55,715,484
VALUE PER ROOM	\$ 278,577
VALUE PER ROOM (ROUNDED)	\$ 279,000

Footnotes:

(a) Based on Average Asking Lease Rate for "South San Diego" market area per CBRE Q2 2014 San Diego Retail MarketView report.

(b) Preliminary estimate by DPGF.

(c) Based on Overall Vacancy percentage for "South San Diego" market area per CBRE Q2 2014 San Diego Retail MarketView report.

(d) Assumes operating expenses at 37% of rental revenue; based on operating cost data per Dollars & Cents of Shopping Center (2008) published by ULI.

(e) Based on CBRE Second Half 2013 Cap Rate Survey for Retail Neighborhood/Community Center (Grocery Anchored) and Suburban Office. Report indicates a range of 6.25% to 7.25% for Class B Retail in San Diego market in "stabilized" condition and 6.50% to 7.00% for Class B Office in San Diego market in "stabilized" condition. This analysis uses the higher end of the ranges to estimate the appropriate cap rate for the subject property.