

Hidden Creeks Estates **Fiscal and Economic Impact Report**

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Submitted to City of Los Angeles
Submitted by Parsons Brinckerhoff

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EXECUTIVE SUMMARY

This report identifies the **fiscal and economic impacts** of the Hidden Creeks Estates development project, which currently lies adjacent to the City of Los Angeles, in unincorporated Los Angeles County. It is expected that this development will be annexed to the City of Los Angeles and developed as an equestrian residential community consisting of 188 low density residential units. This *Fiscal and Economic Impact Report* provides an analysis of the incremental revenues, expenditures, and economic activity that will occur as a result of the annexation and development of Hidden Creeks Estates. The terms contained in this report which are highlighted in blue font are defined in the Glossary on page 29.

The Project site lies within the Sphere of Influence (SOI) of the City, as delineated by the Local Agency Formation Commission (LAFCO). SOIs are established to encourage new communities in unincorporated areas that are adjacent to existing cities to annex to the nearest city. This allows for a more efficient use of city and county public safety resources. Also, since cities are better equipped to handle municipal services such as street sweeping, public works, park maintenance and street light maintenance, it allows the community to take advantage of economies of scale for the provision of such services. At this time, the Project has commenced the planning process under the assumption that it will annex to the City of Los Angeles. As such, this report analyzes the fiscal impact of both the annexation and development of the Project within the City.

The purpose of preparing a fiscal and economic impact analysis for a proposed annexation is to allow the affected public agencies to weigh the relative costs and benefits of the project and to make informed decisions about the negotiated details of the annexation process, such as mitigation payments, tax sharing negotiations, or the establishment of special districts to recoup costs in excess of revenues.

Our economic analysis indicates that upon project completion (**buildout**) there will be an increase of \$169.2 million in assessed value to the City, representing an increase in taxable sales of approximately \$3.5 million. The fiscal impact of this project indicates an increase in net revenues of \$548,896 at buildout. The projected general fund expenditures total \$473,331 at buildout for a net annual fiscal surplus of \$75,565 for the City. There is a **net fiscal deficit in the first four years that totals \$307,681**. It will take approximately 3.6 years after buildout to recover this deficit. Table 1 details the annual fiscal revenues and expenditures projected for this project.

TABLE 1. Summary of Annual Fiscal Impacts

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Buildout 2019
Incremental Revenues	\$90,473	\$180,946	\$274,448	\$364,921	\$455,394	\$548,896
Incremental Expenditures	(277,770)	(259,891)	(314,198)	(366,611)	(419,024)	(473,331)
Net Fiscal Surplus/(Deficit)	(\$187,297)	(\$78,944)	(\$39,750)	(\$1,690)	\$36,371	\$75,565
per Housing Unit	(\$6,041.83)	(\$1,273.29)	(\$422.87)	(\$13.52)	233.15	401.94

Table 2 shows the projected annual jobs, earnings and output anticipated from the development of Hidden Creeks Estates. As indicated, there are 640 construction jobs associated with this project, with more than \$3 million in earnings, and more than \$8 million in output from construction, residential development and operations associated with this development.

TABLE 2. Summary of Annual Economic Impacts

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Buildout 2019
Annual Jobs from Construction	768	768	768	768	768	-
Annual Jobs from Residential Development	-	14	28	42	56	71
Annual Jobs from Operations	-	5	7	9	11	12
Earnings from Construction	\$247,899,906	\$247,899,906	\$247,899,906	\$247,899,906	\$247,899,906	-
Earnings from Residential Development	-	\$733,037	\$1,466,074	\$2,199,111	\$2,932,148	\$3,665,185
Earnings from Operations	-	\$237,648.95	\$332,708.53	\$427,768.11	\$522,827.69	\$570,357.48
Output from Construction	\$573,616,342	\$573,616,342	\$573,616,342	\$573,616,342	\$573,616,342	-
Output from Residential Development	-	\$2,195,126	\$4,390,252	\$6,585,378	\$8,780,504	\$10,975,630
Output from Operations	-	\$184,279.77	\$257,991.68	\$331,703.59	\$405,415.50	\$442,271.45

All dollar values used in this report are represented in real 2011 dollars. If reported values were provided to us in other years, we adjusted the value to be in 2011 dollars. The methodology and assumptions used to arrive at these numbers are detailed in this report.

TABLE 3. Project Schedule

Hidden Creeks Estates	
Schedule of Milestones and Events	
Item	Date
Final FEIR Completed	2Q 2012
Boundary Adjustment Board Meeting to Consider Approval of Annexation	2Q 2012
City Council Meeting to Consider Approval of Annexation and Project	3Q 2012
Record Tentative Tract Map	3Q 2012
Start Grading/Horizontal Construction	4Q 2012
Start Residential Construction	2Q 2014
First Closing	3Q 2014
Last Closing	3Q 2019

Scope of Analysis

Fiscal Impact Analysis. A fiscal impact of development may be broadly defined as the incremental revenue resulting from the development of a project, less the incremental expenditures resulting from development. Fiscal impacts can be generally classified as one of two types: [recurring impacts or one-time impacts](#). Recurring impacts include tax, license and recurring fee revenues, as well as annual expenditures such as maintenance and operations, the salaries and benefits of city staff, and public safety expenditures. One-time impacts associated with development include development impact fee revenues, public works inspections, and planning fees and expenditures.

This report focuses on analyzing the recurring fiscal impacts of development, specifically those associated with the City's General Fund. Fiscal impacts associated with special funds are not analyzed because the revenue sources associated with these funds are often non-recurring or are not guaranteed to occur on an annual basis. Such revenues include state and federal grant funding, and one-time or short-term state and federal funding apportionments. The special funds that are available on a consistent basis are generally required to keep expenditures at or below special fund revenue levels, thus creating a balanced budget and zeroing out fiscal impacts over the long term.

There are occasions when guaranteed General Fund transfers occur on an annual basis. The City of Los Angeles has two such mandatory General Fund transfers for the Recreation and Parks Fund and the Library Fund. These funds have been included in the analysis.

Recurring impacts to municipal utilities are also assumed to be zero. This is because [Proposition 218](#) allows property related fees and charges, such as those required for public utilities, to set their rates based on the cost of furnishing and providing the associated goods and services to the property owner, such as water, wastewater, electricity, natural gas, and garbage collection. As a result of this exemption from the voting requirements of Proposition 218, utility budgets are assumed to be balanced.

Proposition 218

Background

In November 1996, California voters passed Proposition 218, the “Right to Vote on Taxes Act”. This constitutional amendment protects taxpayers by limiting the methods by which local governments can create or increase taxes, fees and charges without taxpayer consent. Proposition 218 requires voter approval prior to imposition or increase of general taxes, assessments, and certain user fees.

The Environment Prior to Proposition 218

Proposition 13 dramatically changed the California property tax landscape after its passage in 1978. The result was a severe limitation on ad valorem property taxes (property taxes based on assessed value of property).

Consequently, local governments had to look elsewhere to find money to fund public services and improvements. These agencies turned to benefit-based assessments, special taxes and user fees, which were not subject to Prop. 13 limitations. However, this resulted in increasing property tax bills, the main concern that Prop. 13 attempted to control.

Proposition 218 Tax Reform

Prop. 218 radically changes the way in which local governments raise revenues by ensuring taxpayer approval of assessments and property-related fees and charges. Rates based on usage, such as water rates and electricity rates are limited to the cost of furnishing and delivering the item, but are not subject to voter approval requirements.

Source: California Tax Data

Further, one-time impacts associated with development such as development impact fee revenues, plan check fees, planning and community development expenditures, and infrastructure upgrades are assumed to be zero. This is because [Assembly Bill \(AB\) 1600](#) sets forth provisions for setting development impact fees at levels that will fully fund one-time expenditures required by development. For the purposes of this analysis, it is assumed that all fees have been updated to fully mitigate one-time impacts of development and that these fees will be paid before the underlying expenditure is incurred.

Assembly Bill (AB) 1600

A development impact fee (DIF) is a monetary exaction that is charged by a local government agency to an applicant in connection with the approval of a development project for the purpose of covering all or a portion of the cost of public facilities or services related to the project. By definition, it is not a tax or assessment. Rather it is a fee charged in connection with a voluntary action, such as applying for vested development rights or a building permit.

Assembly Bill (AB) 1600, now codified as California Government Code Sections 66000 through 66009, sets forth the requirements for establishing DIFs in California, and requires that the fee may not exceed the reasonable cost of providing the facility or service.

Source: California Government Code §§ 66000 through 66009

Economic Impact Analysis. The construction spending associated with the Project, as well as the reoccurring spending associated with the Project once it is completed, will have economic impacts on the surrounding community in terms of both jobs and output. These are reported as either short term or long term impacts. Short term impacts are those associated with construction spending. Long term impacts result from ongoing economic activity that will occur on an annual basis once construction is complete. Long term impacts are

further broken down into non-fiscal impacts, or new resident spending, additional fiscal spending expected as a result of the project and fiscal spending associated with the direct operations and maintenance of the Project site itself (e.g. spending to maintain parks within the Project area). As with fiscal impacts, the economic impacts in this report are expressed in real 2011 dollars.

Methodology

This report uses three methodologies to estimate the fiscal and economic impacts of the Project:

1. Multiplier Method, which estimates the fiscal impact based on current funding levels and the proportional increase in the number of persons served within the City;
2. Case Study Method, which utilizes project-specific data and/or information provided by the relevant City department used to analyze the fiscal impact; and
3. PRISM – PB's Regional Impact Scenario Model, which measures the economic impact of a project on employment, output and income within a city, county, region and state.

All fiscal impacts are expressed in real 2011 dollars. Historical index data for economic indicators (including property values, inflation and spending) behave differently when viewed in the short term, but over long periods of time, the average annual changes in these indicators are approximately equal. There are economic firms that produce short term projections based on these indices. However, if there are significant differences in the projected growth of property values, inflation, and spending, it becomes possible to manipulate the results of a fiscal study. Revisions to timing and/or changes in those projections can have an appreciable effect on the conclusions of the analysis even when the underlying assumptions remain the same. Due to the pitfalls associated with attempting to estimate future changes in property values, spending and tax revenues, all impacts are expressed in constant 2011 dollars.

The tables below demonstrate the short-term fluctuations in the Consumer Price Index for All Urban Consumers (CPI-U) and the Case-Shiller Home Price Index.

TABLE 4. Consumer Price Index Cumulative Change by Decade (1920-2009)

Consumer Price Index for All Urban Consumers (CPI-U)		
Decade	Average Percent Change	Variance from Previous Decade Average
1920-1929	0.09%	NA
1930-1939	-1.96%	2.05%
1940-1949	5.62%	7.58%
1950-1959	2.07%	3.55%
1960-1969	2.35%	0.28%
1970-1979	7.09%	4.74%
1980-1989	5.54%	1.55%
1990-1999	2.57%	2.97%
2000-2009	2.70%	0.13%
Average	2.98%	2.86%

TABLE 5. Case-Shiller Home Price Index Cumulative 5-Year Changes (1988-2010)

Case-Shiller Home Price Index		
Year	Percent Change	Five-Year Average Percent Change
1988	7.48%	3.76%
1989	8.64%	
1990	4.35%	
1991	-2.84%	
1992	1.18%	
1993	0.22%	1.95%
1994	2.69%	
1995	1.67%	
1996	2.41%	
1997	2.78%	
1998	4.75%	7.61%
1999	7.43%	
2000	8.60%	
2001	9.27%	
2002	7.99%	
2003	10.58%	9.57%
2004	12.09%	
2005	15.68%	
2006	11.51%	
2007	-2.03%	
2008	-13.78%	-10.15%
2009	-18.93%	
2010	2.26%	
Average	3.65%	NA

Multiplier Method. The [multiplier method](#) is generally employed based on three different standards: per-person, per-employee, and per-person served. For revenues and expenditures that are contingent on residency, such as recreation centers and libraries, the per-person multiplier is used. For revenues and expenditures that are associated with business activity such as business license fees, a per-employee multiplier is used. For all other revenues and expenditures that are generally provided to those within City limits regardless of residency, a per-person served multiplier is used. The number of persons served within the City of Los Angeles is based on the City population plus one-half the number of employees within the City. The multipliers used to estimate fiscal impacts are calculated by dividing the amount the City has budgeted for a particular revenue or expenditure by the number of persons served presently within the City. This multiplier is then applied to the number of persons served in the Project to calculate the fiscal impact that will result after the Project has been developed. The multiplier methodology is a generally accepted technique among fiscal consultants for estimating impacts that are not project-specific. Table 6 summarizes the data used to develop multipliers for this analysis.

TABLE 6. Population, Employees, and Persons Served in City of LA

Source: LAEDC, U.S. Census Bureau (2010)

Population Assumptions		
Description	Formula	Amount
City Population	A	3,810,129
Employees within the City	B	1,665,100
Persons Served	$A + B / 2$	4,642,679

Case Study Method. The [case study](#) methodology is applied when it is clear that the multiplier methodology will not produce the most accurate results given the magnitude and importance of the budget item. Police and fire expenditures associated with the Project were estimated using case studies because of the relative importance of these budget items and the difficulty associated with estimating the impacts from a small residential community given the large and diverse nature of the City. Case studies were also used for street maintenance, street lighting and park maintenance and operations because these impacts result from the specific infrastructure that will be dedicated to the City to operate and maintain.

PRISM. The short-term and long-term economic impact of the Project's construction are estimated using the 'Investment' module in [PRISM™](#), which relies on an input-output framework. An Input Output Model (IO Model) is a comprehensive mathematical representation of the flows of goods and services among all the industry sectors which comprise an area's economy.

Because the economic analysis could only be conducted at the county level, it was necessary to subsequently divide impacts between the City and Los Angeles County ("County"). Construction impacts were assigned completely to the City on the assumption that the City would hire construction firms within its own jurisdiction. The Non-Construction impacts were assigned to the City or the County based on the employment proportions of each, approximately 38 percent of all employment in the County is within the City, thus 38 percent of total non-construction, county-level impacts were ascribed to the City.

Limitations

This report is based on estimates, assumptions and other information developed from Parsons Brinckerhoff's research, interviews and telephone discussions with various City staff. Whenever possible, the sources of information are stated herein. While we believe the sources of information are reliable, Parsons Brinckerhoff does not express an opinion or any other form of assurance on the accuracy of such information. The analyses of fiscal and economic impacts contained in this report are not considered to be a "financial forecast" or "financial projection" as defined by the American Institute of Certified Public Accountants. Since the analyses contained herein are based on estimates and assumptions, which are inherently subject to uncertainty and variation dependant on evolving events, Parsons Brinckerhoff cannot represent the analyses as results that will definitely be achieved. Some assumptions inevitably will not materialize and unanticipated events will likely occur. Therefore, the actual observed results may vary from the projects found in this document.

Assumptions

The following is a list of major assumptions contained in this analysis:

- Average home price in the Project is assumed to be \$900,000, which represents a conservative estimate based on Forestar Real Estate's expectations, average prices in comparable developments in nearby communities, and recent home value trends in the area.
- Average household income is assumed to be \$157,488, which is based on the American Community Survey's results for the nearby community of Porter Ranch.
- The length of time between the first and last home closings is assumed to last 5 years, which represents a midpoint between Forestar's expected buildout period of 3 years and their conservative estimate of 7 years, which assumes that the real estate market remains weak and does not improve in the coming years.
- After annexation, the City is expected to receive 19% of the County's current allocation for General property taxes from the Project. This estimate was provided by the County CEO's office.
- The cost of operations and maintenance for roads and street lights are estimated to be \$5,000 per lane mile and \$125 per street light, respectively. These estimates are based on data collected by Parsons Brinckerhoff and their staff while working on residential development projects in California.
- All City General Fund revenues and expenditures that were not estimated using project specific data were allocated to each person served in the City of Los Angeles equally. The number of persons served is estimated to be the population of the City plus half the number of employees.

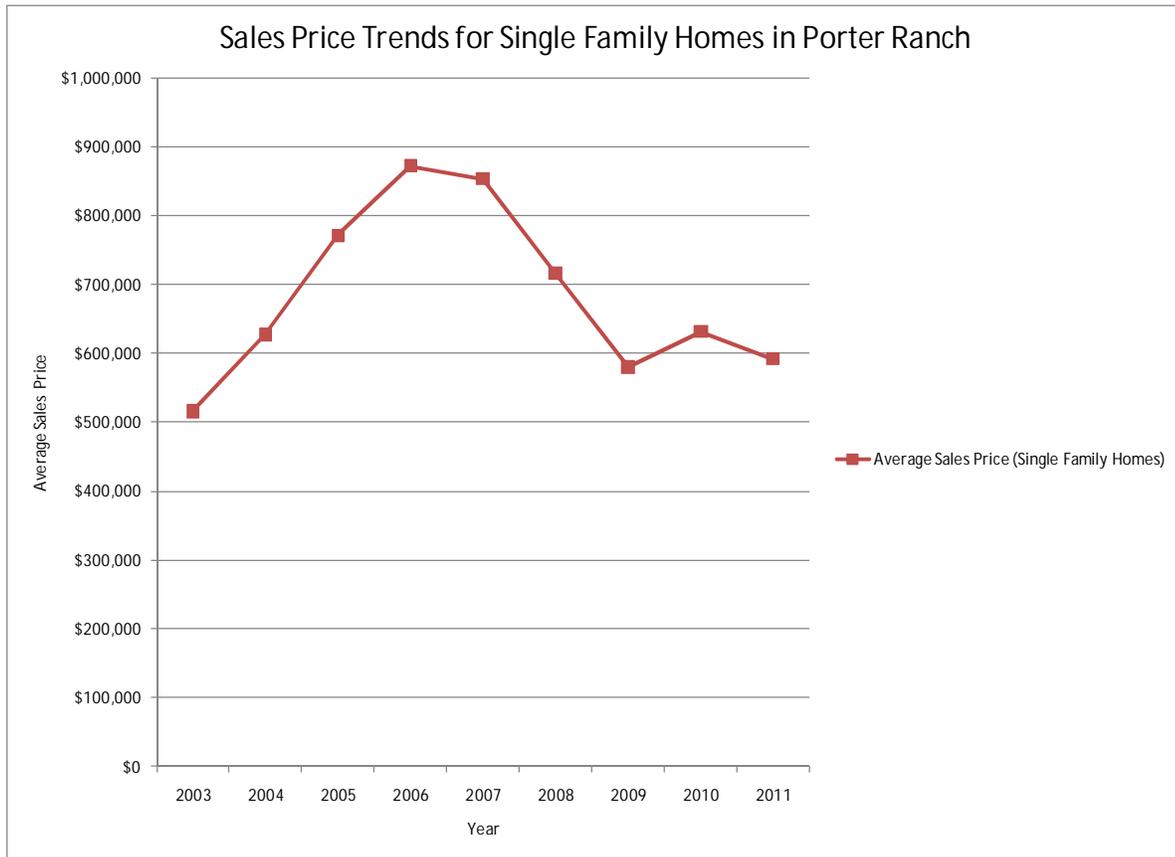
PROJECT DESCRIPTION

The following section describes the residential property, the infrastructure, and the timing associated with the Project as it relates to the analysis of fiscal and economic impacts.

Property Valuation

For the purposes of estimating fiscal and economic impacts, property values are vital to the accuracy of the analysis. As such, the values used in this report are based on information provided by the [developer](#), recent home prices in nearby comparable communities, and a small discount to ensure that the revenues associated with property values are not being overestimated. As such, this analysis uses a weighted average home price of \$900,000 per unit in 2011 dollars. This estimate is substantially less than the Developer's estimated sales price of \$1.3 million per unit. The reason for this is that the average sales price for Single Family Homes in Porter Ranch is approximately \$592,000 (see Figure 3). The Project's amenities, novelty, average unit size and view premiums correspond with those of nearby estate home communities, such as Renaissance Summit in Porter Ranch, which have home values in the \$1 million plus range. At this time, foreclosures and short sales are likely weighing down the average sales price of existing homes. This effect will diminish in coming years as the backlog of foreclosures diminishes. Even if this process takes longer than the experts predict, new communities are more likely to delay home sales than sell them for significantly less than the target value. As such, this estimate is conservative, and that revenues associated with property taxes and sales taxes may be greater than those estimated in this report. When this number is multiplied by the 188 homes in the Project, the total assessed value of the Project is estimated to be \$169.2 million, which is used to estimate the additional property tax revenues that the City will collect during and after Project development.

FIGURE 2. City of Los Angeles Residential Real Estate (Home Price) Statistics



Demographics

Demographic assumptions are also integral to the accuracy of the analysis. Parsons Brinckerhoff collected information from the Los Angeles Economic Development Corporation (LAEDC) and the U.S. Census Bureau to estimate the City’s population, number of employees, and persons per household. The results are summarized in Table 7.

Table 7. Demographic Assumptions

Demographic Assumptions	
City Population	3,810,129
Employees within the City	1,665,100
Persons per Household within the City	2.68

Source: LAEDC, U.S. Census Bureau (2010)

Public Infrastructure

The Project contains public facilities and infrastructure that will be constructed and then dedicated to the City. These items include a 19 acre public park with sports facilities and a three mile access road connecting the Project to Mason Avenue. After the property is transferred, the City will be responsible for operations and maintenance of the facilities. The public infrastructure quantities for the project are listed in Table 8.

Table 8. Public Infrastructure

Public Infrastructure Quantities	
Public Park (Acres)	19.0
Access Road (Lane-Miles)	1.2
Street Lights	18

Source: Forestar Real Estate Group Inc

Absorption

To estimate the annual fiscal impacts, it was necessary to develop a projected [absorption schedule](#), estimating the number of units constructed and sold per year through project buildout, based on input from the developer and nearby comparable communities. The construction period is expected to be between three and seven years. For the purposes of this analysis, the Project is expected to achieve buildout five years after the first closing. Table 9 shows the development timing of residential units and public infrastructure within the Project.

TABLE 9. Absorption and Dedication

Absorption and Dedication Schedule						
Year	2014	2015	2016	2017	2018	2019
Residential Units	31	31	32	31	31	32
Public Park (Acres)	19.0	-	-	-	-	-
Access Road (Lane-Miles)	1.2	-	-	-	-	-
Street Lights	18	-	-	-	-	-

Source: Forestar Real Estate Group Inc

FISCAL IMPACTS

This section details the estimated fiscal impacts to the City that will result from the development of the Project.

Recurring Revenues

As described under *Property Valuation* (on page 12), the scope of the fiscal analysis is generally limited to line items in the City's General Fund budget, except in cases where special revenues or expenditures are intrinsically linked to the General Fund via routine or mandated transfers. This analysis assumes that all revenues used for general purposes are contained in the FY 2011-12 General Fund budget.

Property Taxes

The City collects a variety of taxes that are based on the assessed value of property within its boundaries. These include secured and unsecured property taxes, which are collected annually in December and April, as well as Property Tax In-Lieu of VLF, which is a mandated transfer from the State's general fund, and documentary transfer tax, which is collected at the transfer of **real property**. These items are described as follows:



Secured

Secured property taxes are collected in two annual installments based on the assessed value of each parcel of land and all real property which is permanently affixed to the parcel. Since the underlying property associated with the Project will be annexed to the City, both the land and improvement value will be added to the City's property tax base after annexation and development of the Project.

Proposition 13 limits general purpose property taxes to one percent of assessed value, not including special purpose taxes such as those used to pay debt service on General Obligation bonds for public facilities. The general purpose property tax revenues are apportioned to local public agencies based on a fixed apportionment formula.

Proposition 13

Background

On June 6th, 1978, nearly two-thirds of California's voters passed Proposition 13, reducing property tax rates on homes, businesses and farms by about 57%.

The Environment Prior to Proposition 13

Prior to Proposition 13, the property tax rate throughout California averaged a little less than 3% of market value. Additionally, there were no limits on increases for the tax rate or on individual ad valorem charges. ("Ad valorem" refers to taxes based on the assessed value of property.) Some properties were reassessed at values 50% to 100% greater in just one year and their owners' property tax bills increased accordingly.

Proposition 13 Tax Reform

Under Proposition 13 tax reform, property tax value was rolled back and frozen at the 1976 assessed value level. Property tax increases on any given property were limited to no more than 2% per year as long as the property was not sold. Once sold, the property was reassessed at 1% of the sale price, and the 2% yearly cap became applicable to future years. This allowed property owners to finally be able to estimate the amount of future property taxes, and determine the maximum amount taxes could increase as long as he or she owned the property.

Source: California Tax Data

At this time, the property lies within the County of Los Angeles, which collects all municipal property taxes. After annexation, the County’s portion of property taxes will be divided between the City and the County so that each agency may finance its respective services burden. The percentage that will be allocated to the City after annexation is determined by the County through the use of a standard formula. The County Chief Executive Officer’s (CEO’s) office estimates that the City will receive approximately 19% of the County’s current apportionment, based on the City’s service level and the County’s experience with other annexations.

It is estimated that the City will receive an additional \$132,378 per year in additional secured property taxes after Project **buildout**. Table 10 shows the current and projected property tax apportionment factors, as well as the total secured property tax estimates.

TABLE 10. Secured Property Taxes

Annual Secured Property Taxes to City at Buildout (2011\$)		
Description	Formula	Amount
County General Apportionment	A	25.58%
Portion of County General to City	B	19.00%
County Library Apportionment	C	2.96%
Portion of County Library to City	D	100.00%
City Apportionment after Annexation	$A \times B + C \times D = E$	7.82%
Number of Residential Units	F	188
Estimated Sales Price per Unit	G	\$900,000
General Property Tax Rate	H	1.00%
Annual Secured Property Taxes	$E \times F \times G \times H$	\$132,378

Source: County CEO’s Office, County Auditor



Unsecured

Unsecured property taxes are collected based on the assessed value of real property that is not affixed to the underlying land, such as boats and recreational vehicles. The rate of taxation and apportionment is generally the same as for secured property taxes.

For the purposes of this analysis, the assessed value of unsecured property associated with residential units within the Project is estimated to be 2.5% of the assessed value of secured property. This is a generally accepted assumption for fiscal impact analysis in California.

Table 11 shows the estimated unsecured property tax collections associated with the Project at buildout.

TABLE 11. Unsecured Property Tax Collections

Annual Unsecured Property Taxes at Buildout (2011\$)		
Description	Formula	Amount
Annual Secured Property Taxes	A	\$132,378
Unsecured as % of Secured (Res.)	B	2.5%
Annual Unsecured Property Taxes	A x B	\$3,309

Source: County CEO's Office, County Auditor



Property Tax In-Lieu of VLF

Prior to 2004, a percentage of State Motor VLF was apportioned to cities and counties. In 2005, the State of California instituted a revenue swap, guaranteeing that municipalities within California receive an apportionment equal to the VLF collected the prior year, plus a percentage equal to the annual increase in assessed value. This action taken by the legislature provided cities and counties with a reliable revenue source that increases annually at nearly the same rate as property taxes.

Property Tax In-Lieu of VLF resulting from the development of the Project is estimated based on the incremental amount of assessed value that the Project will add to the City, thereby increasing the City's apportionment. This estimate is shown in Table 12.

TABLE 12. Property Tax In-Lieu of VLF Estimate

Annual Property Tax In-Lieu of VLF (2011\$)		
Description	Formula	Amount
Assessed Value within City	A	\$406,398,858,939
Assessed Value within Project	B	\$169,200,000
% Increase in Assessed Value	$B / A = C$	0.0416%
Current Property Tax In-Lieu Amount	D	\$316,001,000
Increment from Project	$C \times D$	\$131,564

Source: County CEO's Office, City Budget



Documentary Transfer Tax

Documentary transfer tax is collected in the event of a transfer of real property within the City, such as the sale of a home from one private party to another. Los Angeles is a charter city, and has instituted a transfer tax rate equal to \$4.50 per \$1,000 closing price of the property. This report assumes a residential turnover rate of 10.0%, which is a generally accepted assumption for fiscal analysis in California.

Table 13 shows the estimated annual documentary transfer tax collections resulting from the Project after buildout.

TABLE 13. Documentary Transfer Tax

Annual Documentary Transfer Tax (2011\$)		
Description	Formula	Amount
Assessed Value within Project	A	\$169,200,000
Annual Residential Turnover	B	10.0%
Transfer Tax per \$1K Assessed Value	C	\$4.50
Annual Transfer Tax	$A \times B / 1,000 \times C$	\$76,140

Source: California Local Government Finance Almanac

Sales Tax

Sales Tax is collected by the State Board of Equalization and apportioned to the primary municipality at a rate of 1.0% of taxable sales within the jurisdiction. Although additional sales tax initiatives may be instituted by initiative, these special purpose revenues are regional in nature and do not provide additional general purpose revenues to cities.

Taxable sales made by the residents of this Project are estimated based on the median household income for the comparable nearby community of Porter Ranch, which is \$157,488 according to the 2010 American Community Survey, and a detailed breakdown of spending on taxable items based on the latest Consumer Expenditure Survey (2010).

Although the Project will lie at the edge of City boundaries after annexation, the geography of the local area is such that the nearest retailers of groceries, clothing, and other taxable goods all lie within City boundaries. Thus, the minimum discount of 15% for taxable sales **leakage** was applied. An additional discount of 15% was applied to account for taxable purchases made over the internet. These assumptions are generally accepted as reasonable for projects of this scope and location.

Projected annual sales tax revenues resulting from the Project are shown in Table 14.

TABLE 14. Annual Sales Tax Revenues

Annual Sales Tax Revenues (2011\$)		
Description	Formula	Amount
Taxable Purchases per Household	A	\$26,609
Number of Units	B	188
% of Purchases Outside of City (In-State)	C	15%
% of Purchases Out-of-State (Internet)	D	15%
Sales Tax Passed Through to City (Rate)	E	1%
Annual Sales Tax Revenues from Project	$A \times B \times (1 - C - D) \times E$	\$35,018

Source: Consumer Expenditure Survey (2010), Parsons Brinckerhoff Assumptions

Other Recurring Revenues

The remaining City revenues associated with residential property were estimated using the multiplier method (details of this method are on page 10). Table 15 shows the Project's estimated annual revenues from utility users' tax, licenses, permits, fees and fines, parking fines, parking users' tax, and franchise fees. Multipliers were developed using the City budget and an estimate of 4,642,679 persons served within the City.

TABLE 15. Recurring Revenues

Other Annual General Fund Revenues (2011\$)			
Item	Budgeted Amount	Per Person Served	Increment from Project
Utility Users' Tax	\$637,321,000	\$137.27	\$69,186
Licenses, Permits, Fees and Fines	\$668,014,000	\$143.89	\$72,518
Parking Fines	\$140,000,000	\$30.16	\$15,198
Parking User Tax	\$86,846,000	\$18.71	\$9,428
Franchise Income	\$46,295,000	\$9.97	\$5,026

Source: City Budget, LAEDC, U.S. Census Bureau

Recurring Expenditures

As with recurring revenues, analysis of recurring expenditures is generally limited to those items contained within the City's General Fund budget, i.e. police, fire and public works services. In addition, the City is required to transfer a minimum amount each year to the Recreation and Parks Fund and the Los Angeles Public Library Fund. Since these items are financed with General Fund revenues, they are included in the analysis.

Police

Due to the size and diversity of the City, estimates for police services related to the project were requested from the Los Angeles Police Department's (LAPD's) local precinct that will be responsible for the Project area after annexation. The LAPD's estimate, based on the average salaries of sworn officers needed for the Project, is summarized in Table 16.

TABLE 16. Police Expenditures

Source: LAPD

Police Expenditures	
Patrol Officer	\$82,443
Detective	\$101,959
Total Police Expenditures	\$184,402

Fire

As with Police costs, an estimate of the incremental expenditures associated with the Project were requested from the Los Angeles Fire Department (LAFD). At the time of printing this number was not finalized. An estimate using the multiplier method was used in this draft and is equal to \$50,559 in 2011 dollars.

Public Works

The City's Department of Public Works will be responsible for operations and maintenance related to infrastructure that will be dedicated to the City, namely street maintenance and lighting.



Street Maintenance

A two-lane, 0.6-mile public access road that connects the Project to Mason Avenue will be dedicated to the City. The average cost per lane mile for road maintenance was requested from the City, but has not been received. Parsons Brinckerhoff used an annual maintenance estimate of \$5,000 per lane mile. This amount is based on the median maintenance cost per lane mile for local streets reported by dozens of cities and counties throughout California for which PB and its employees have provided consulting services. The annual cost of operations and maintenance is shown in Table 17.

Street Lighting

The public access road will contain 18 street lights, the operations and maintenance of which will also be the responsibility of the City. The average annual cost to maintain a street light was requested from the City, but has not yet been received. The estimated annual cost of \$125 per street light is based on the median operations and maintenance cost reported by dozens of public agencies throughout California for which PB and its employees have provided consulting services. The annual cost of operations and maintenance is shown in Table 17.

TABLE 17. Public Works Expenditures

Public Works Expenditures			
Item	Qty.	Cost/Unit	Total
Access Road (lane-miles)	1.2	\$5,000	\$6,000
Street Lights	18	\$125	\$2,250

Source: Typical assumptions for annual O&M costs were used in-lieu of information from the City.

Recreation and Parks

A 19-acre sports park within the Project will be dedicated to the City, which will be responsible for the annual operations and maintenance after transfer. The annual costs associated with the sports park were provided by the Department of Recreation and Parks are shown in Table 18.

TABLE 18. Recreation and Parks Expenditures

Recreation and Parks	
Senior Gardener	\$55,348
Gardener Caretaker	\$49,316
Special Program Assistant II (Part-Time x 3)	\$42,151
Total Annual Parks Expenditures	\$146,815
Personnal Carrier	\$12,292
Ball Diamond Groomer & Trailer	\$21,500
(6) Trash Bins	\$4,500
Aerifier	\$10,000
62" Mower	\$22,000
Total One-Time Parks Expenditures	\$70,292

Source: City Department of Recreation and Parks

Other Recurring Expenditures

The remaining City expenditures associated with residential property were estimated using the multiplier method (see page 10). Table 19 shows the Project's estimated incremental annual expenditures for budget items not included in the above sections.

TABLE 19. Other Recurring Expenditures

Other Annual General Fund Expenditures (2011\$)			
Item	Budgeted Amount	Per Person Served	Increment from Project
Aging	\$753,182	\$0.16	\$82
Animal Services	\$19,919,848	\$4.29	\$2,162
Building and Safety	\$7,649,030	\$1.65	\$830
City Administrative Officer	\$10,275,347	\$2.21	\$1,115
City Attorney	\$91,580,919	\$19.73	\$9,942
City Clerk	\$7,536,076	\$1.62	\$818
Controller	\$13,289,452	\$2.86	\$1,443
Convention Center	\$24,264,518	\$5.23	\$2,634
Council	\$18,792,782	\$4.05	\$2,040
Cultural Affairs	\$60,000	\$0.01	\$7
Department on Disability	\$990,623	\$0.21	\$108
Emergency Management	\$1,507,782	\$0.32	\$164
Employee Relations Board	\$421,616	\$0.09	\$46
Finance	\$37,235,026	\$8.02	\$4,042
General Services	\$178,357,891	\$38.42	\$19,362
Housing Department	\$1,247,944	\$0.27	\$135
Information Technology Agency	\$74,263,654	\$16.00	\$8,062
Library	\$89,247,557	\$19.22	\$9,689
Mayor	\$22,195,049	\$4.78	\$2,409
Personnel	\$37,080,437	\$7.99	\$4,025
Planning	\$8,169,584	\$1.76	\$887
Bureau of Contract Administration	\$18,582,529	\$4.00	\$2,017
Bureau of Engineering	\$25,286,152	\$5.45	\$2,745
Transportation	\$78,665,252	\$16.94	\$8,540

Source: City Budget, LAEDC, U.S. Census Bureau (2010)

Summary of Fiscal Impacts

The fiscal impacts that will result from the Project after buildout may be estimated by combining the incremental impacts determined in the above subsections. As such, the Project is expected to generate \$548,905 in additional revenues to the City and \$543,623 in additional expenditures for a positive net fiscal impact of \$5,282, or \$28 per unit. Table 20 shows the results of the fiscal impact analysis.

TABLE 20. Fiscal Impacts at Buildout

Summary of Fiscal Impacts at Build-Out	
Incremental Revenues	\$548,896
Incremental Expenditures	(\$473,331)
Net Fiscal Surplus/(Deficit)	\$75,565
Net Fiscal Surplus/(Deficit) per Unit	\$401.94

By apportioning the annual impacts associated with residential property on a per unit basis and realizing the annual impacts associated with public facilities and infrastructure at the expected date of dedication, the fiscal impact to the City during each year of construction may be estimated. During the construction period, the Project will generate a deficit of \$307,681. The deficit created during Project construction is estimated to be paid off within 4 years after Project buildout (see Table 21).

NOTE: An annotated full-size copy of Table 21 can be found in the Appendix.

TABLE 21. Annual Fiscal Impact Summary

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Buildout 2019
Absorption and Demographics						
Occupied Housing Units	31	62	94	125	156	188
Additional Persons Served	83	166	252	335	418	504
Economic Impacts						
Increase in Assessed Value	\$27,900,000	\$55,800,000	\$84,600,000	\$112,500,000	\$140,400,000	\$169,200,000
Increase in Taxable Sales	\$577,268	\$1,154,536	\$1,750,425	\$2,327,693	\$2,904,961	\$3,500,851
Property Taxes						
General Secured Property Tax	\$21,828	\$43,656	\$66,189	\$88,017	\$109,845	\$132,378
General Unsecured Property Tax	\$546	\$1,091	\$1,655	\$2,200	\$2,746	\$3,309
Property Tax In-Lieu of VLF	\$21,552	\$43,104	\$65,352	\$86,904	\$108,456	\$130,704
Documentary Transfer Tax	\$12,555	\$25,110	\$38,070	\$50,625	\$63,180	\$76,140
Other Revenues						
Sales Tax	\$5,773	\$11,545	\$17,504	\$23,277	\$29,050	\$35,009
Utility Users Tax	\$11,394	\$22,788	\$34,593	\$45,987	\$57,381	\$69,186
Licenses, Permits, Fees and Fines	\$11,942	\$23,885	\$36,259	\$48,202	\$60,144	\$72,518
Parking Fines	\$2,503	\$5,006	\$7,599	\$10,102	\$12,605	\$15,198
Parking User Tax	\$1,553	\$3,105	\$4,714	\$6,267	\$7,819	\$9,428
Franchise Fees	\$828	\$1,655	\$2,513	\$3,340	\$4,168	\$5,026
Subtotal, General Fund Revenues	\$90,473	\$180,946	\$274,448	\$364,921	\$455,394	\$548,896
General Fund Expenditures						
Aging	\$13	\$27	\$41	\$54	\$68	\$82
Animal Services	\$356	\$712	\$1,081	\$1,437	\$1,793	\$2,162
Building and Safety	\$137	\$273	\$415	\$552	\$689	\$830
City Administrative Officer	\$184	\$367	\$558	\$741	\$925	\$1,115
City Attorney	\$1,637	\$3,274	\$4,971	\$6,608	\$8,245	\$9,942
City Clerk	\$135	\$269	\$409	\$544	\$679	\$818
Controller	\$238	\$475	\$721	\$959	\$1,197	\$1,443
Convention Center	\$434	\$868	\$1,317	\$1,751	\$2,185	\$2,634
Council	\$336	\$672	\$1,020	\$1,356	\$1,692	\$2,040
Cultural Affairs	\$1	\$2	\$3	\$4	\$5	\$7
Department on Disability	\$18	\$35	\$54	\$71	\$89	\$108
Emergency Management	\$27	\$54	\$82	\$109	\$136	\$164
Employee Relations Board	\$8	\$15	\$23	\$30	\$38	\$46
Finance	\$666	\$1,331	\$2,021	\$2,687	\$3,352	\$4,042
Fire	\$8,326	\$16,652	\$25,280	\$33,606	\$41,932	\$50,559
General Services	\$3,189	\$6,377	\$9,681	\$12,870	\$16,058	\$19,362
Housing Department	\$22	\$45	\$68	\$90	\$112	\$135
Information Technology Agency	\$1,328	\$2,655	\$4,031	\$5,359	\$6,686	\$8,062
Library	\$1,596	\$3,191	\$4,844	\$6,440	\$8,035	\$9,689
Mayor	\$397	\$794	\$1,205	\$1,602	\$1,998	\$2,409
Personnel	\$663	\$1,326	\$2,013	\$2,676	\$3,339	\$4,025
Planning	\$146	\$292	\$443	\$589	\$736	\$887
Police	\$30,368	\$60,736	\$92,201	\$122,569	\$152,937	\$184,402
Public Works	\$8,250	\$8,250	\$8,250	\$8,250	\$8,250	\$8,250
Recreation and Parks	\$217,107	\$146,815	\$146,815	\$146,815	\$146,815	\$146,815
Bureau of Contract Administration	\$332	\$664	\$1,009	\$1,341	\$1,673	\$2,017
Bureau of Engineering	\$452	\$904	\$1,373	\$1,825	\$2,277	\$2,745
Transportation	\$1,406	\$2,813	\$4,270	\$5,676	\$7,083	\$8,540
Subtotal, General Fund Expenditures	\$277,770	\$259,891	\$314,198	\$366,611	\$419,024	\$473,331
Net Fiscal Surplus/(Deficit)	(\$187,297)	(\$78,944)	(\$39,750)	(\$1,690)	\$36,371	\$75,565
per Housing Unit	(\$6,042)	(\$1,273)	(\$423)	(\$14)	\$233	\$402

ECONOMIC IMPACTS

In addition to the Fiscal Impact Analysis, an economic impact analysis of the project was undertaken to help identify the economic benefits that will accrue to the City as a result of the Project. This analysis used the same population, **absorption** and **buildout** assumptions that were used in the Fiscal Impact Analysis.

Overview

This analysis examines the economic impacts of the Hidden Creeks development in three areas:

1. Short-term impacts from construction,
2. Long-term impacts from new resident expenditures, and
3. Long-term impacts from operations of parks in the development.

Long term impacts from resident expenditures reflect direct household consumption by new residents; long term impacts from operations of parks in the development reflect a combination of earnings for park employees and purchases of materials and supplies for park operations and maintenance. To quantify the economic benefits of the Project an analysis was conducted utilizing an **input-output (I/O) modeling** framework based on multipliers from MIG Inc., the developers of **IMPLAN**.¹ Los Angeles County level data was chosen for this analysis because it identifies current inter-industry structures and productivity relationships that are a reliable measure of local and area impacts that more localized data may not capture.

In I/O modeling, the process estimates two categories of impacts:

- Direct/Indirect Impacts: **Direct impacts** represent new spending, hiring, and production by civil engineering construction companies to accommodate the demand for resources in order to complete the project. **Indirect impacts** result from the quantity of inter-industry purchases necessary to support the increase in production from the construction industry experiencing new demand for its goods and services. All industries that produce goods and services consumed by the construction industry will also increase production and, if necessary, hire new workers to meet the additional demand.
- Induced Impacts: **Induced impacts** stem from the re-spending of wages earned by workers benefitting from the direct and indirect activity within area. For example, if an increase in demand leads to new employment and earnings in a set of industries, workers in these industries will spend some proportion of their increased earnings at local retail shops, restaurants, and other places of commerce, which would further stimulate economic activity.

The types of impacts include:

- Employment: Employment impacts refer to the additional employment needed to support the newly generated economic activity and is reported as **job-years**. A job-year refers to one individual being employed for one year. For example, 100 job-years may translate into 50 jobs supported for 2 years or 100 jobs supported for 1 year.
- Earnings: Earnings refer to the total employee wages paid by firms to employees as a result of new economic activity.

¹ <http://implan.com/V4/Index.php>

- **Output:** Output represents the value of industry production. For manufacturers this would be sales plus/minus change in inventory. For service sectors, production is equal to their total sales. For retail and wholesale trade, output is equal to gross margin and not gross sales.

Because the analysis could only be conducted at the County level, it was necessary to divide impacts among the City and the County. Construction impacts were assigned completely to the City on the presumption that the developer would likely hire construction firms that employ workers within the City. The Non-Construction impacts were assigned to the City or the County based on the employment proportions of each, approximately 38 percent of all employment in Los Angeles County is within the city of Los Angeles. All employment, earnings and output numbers come from IMPLAN outputs.

The overall results of this analysis are seen in Table 22. The construction phase is expected to last for approximately 5 years, generating 768 jobs per year on average (or 3,839 job-years in total over the entire period). In the long term, the economic activity generated by new residents and operations expenditures in the development is estimated to support 75 jobs per year (residential, operations and fiscal impacts combined).

TABLE 22. Estimated Economic Activity Generated by the Project

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Buildout 2019
Annual Jobs from Construction	768	768	768	768	768	-
Annual Jobs from Residential Development	-	14	28	42	56	71
Annual Jobs from Operations	-	5	7	9	11	12
Earnings from Construction	\$247,899,906	\$247,899,906	\$247,899,906	\$247,899,906	\$247,899,906	-
Earnings from Residential Development	-	\$733,037	\$1,466,074	\$2,199,111	\$2,932,148	\$3,665,185
Earnings from Operations	-	\$237,648.95	\$332,708.53	\$427,768.11	\$522,827.69	\$570,357.48
Output from Construction	\$573,616,342	\$573,616,342	\$573,616,342	\$573,616,342	\$573,616,342	-
Output from Residential Development	-	\$2,195,126	\$4,390,252	\$6,585,378	\$8,780,504	\$10,975,630
Output from Operations	-	\$184,279.77	\$257,991.68	\$331,703.59	\$405,415.50	\$442,271.45

Short-Term Economic Impacts of Project Construction

During the construction of Hidden Creeks, the Project is expected to create near-term economic benefits for the City, driven by an increase in construction spending. These project expenditures would generate a near-term increase in demand for engineering and technical services, as well as construction-related labor and materials.

In total, the development has a capital construction budget of \$236 million², and when applied to the construction industry, the short term economic impacts are shown in Table 23. It was assumed that the impacts would be almost exclusively realized within the City of Los Angeles.

² 2010 budget is \$229 million, adjusted to 2011 \$ using Bureau of Labor Statistics CPI-U measure of 3.16%.

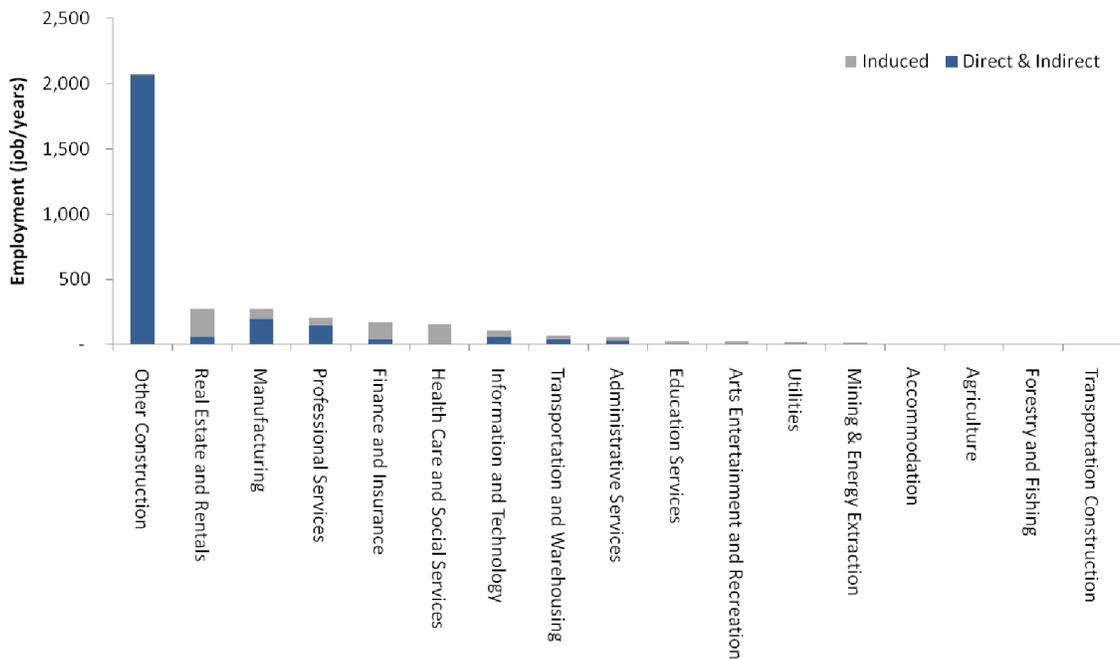
TABLE 23. Summary of Near-Term Economic Impacts Resulting from the Project

Direct + Indirect Impacts	
Employment (Annual Average)	560
Earnings (2011 \$)	\$30,147,704
Output (2011 \$)	\$418,553,175
Induced Impacts	
Employment (Annual Average)	208
Earnings (2011 \$)	\$67,013,685
Output (2011 \$)	\$155,063,167
Total Impacts	
Employment (Annual Average)	768
Earnings (2011 \$)	\$247,899,906
Output (2011 \$)	\$573,616,342

The Hidden Creeks development is expected to generate economic benefits for the region beginning with the start of construction in 2013. Over the 5 year construction period, the project is projected to generate 3,839 job-years of construction-related employment, including 2,801 direct and indirect job-years. Translated to a per-year basis, the total direct, indirect and induced impacts of the construction are estimated to sustain nearly 768 jobs annually. This includes an average of 560 jobs per year from directly related to the construction of the development itself and indirectly from purchases from other vendors in the economy. Additional jobs are created in the community which are induced from employee spending in the rest of the economy and are not represented here.

Figure 3 shows the breakdown of jobs created by industry and type of impact. As expected, the construction industry is estimated to receive the largest increase in jobs from the project (2,066 job-years), almost all of which are direct jobs created by the activities at the Project. The other industries that will see the largest number of jobs created include real estate (272 job-years), manufacturing (271 job-years), professional services (201 job-years) and finance and insurance (173 job-years).

FIGURE 3. Breakdown of Job Creation by Industry and Type of Impact



It is also important to consider the quality of the jobs that would be created by the project, which can be measured by the average level of compensation. The average job generated by this project would receive compensation around \$62,600 per year, which is greater than the per capita income in the past 12 months for the City and the State, \$27,945 and \$29,830, respectively.³ This indicates that the project will help stimulate the regional economy. In total, the project would generate approximately \$574 million in real economic output of which \$419 million is directly or indirectly related to the project, and the remaining \$155 million being created as a result of induced activity (see Table 20 above).⁴

Long-Term Economic Impacts - New Resident Expenditure

At buildout the project will contain 188 single-family residential housing units. Based on the results of the American Community Survey for the adjacent community of Porter Ranch, the average income is expected to be \$157,488 per household. Under the assumption that Hidden Creek Estates residents are net new residents to the area and not internal transfers, the region will see an increase in household income of approximately \$29.6 million annually.⁵

An increase in new households will result in more local economic activity, as a share of the additional household income is spent locally and regionally. This additional spending then generates secondary and tertiary rounds of economic activity. The total impacts of these additional rounds of spending were apportioned to the City and the County based on the employment proportions of each, approximately 38% of all employment in the County is within the City. A summary of these impacts is presented in Table 24.

³ U.S. Census Bureau, <http://quickfacts.census.gov/qfd/states/06/06037.html>; adjusted to 2011 using the Bureau of Labor Statistics CPI-U measure of 3.16% for 2011.

⁴ Adjusted to 2011 dollars using the Bureau of Labor Statistics CPI-U measure of 3.16%

⁵ Adjusted to 2011 dollars using the Bureau of Labor Statistics CPI-U measure of 3.16%

TABLE 24. Summary of Annual Economic Impacts Resulting from New Residents

	Annual Impacts		
	L.A. City	Rest of County	Total
Job Years (Annual Average)	71	112	182
Earnings (2011 \$)	\$3,665,185	\$5,636,926	\$9,302,111
Output (2011 \$)	\$10,975,630	\$16,880,135	\$27,855,765

It is important to note that many of the projected residents of Hidden Creek may be internal moves within the City, or in other words, a family moving from another part of the City into this development. These impacts are only valid to the extent that households are considered “net new” residents that were not already part of the existing tax base. This analysis assumes that all households are “net new” households for analysis purposes.

The estimates in Table 24 can be scaled to any estimate of the proportion of residents that are expected to be net new residents to the City. For example, if only 50 percent of residents are anticipated to be new to the City, then the impacts would be scaled by half. Once buildout is complete, the new household spending is expected to generate an average of 71 jobs per year within the City as the household expenditures support other industries in the Los Angeles economy. The economic output of this spending is estimated at \$3.67 million per year, with earnings of approximately \$10.98 million per year, all within the City.⁶

Long-Term Economic Impacts – Operations

The City anticipates certain expenditures for the maintenance of parks within the Hidden Creeks development. According to the City's estimate, these parks would require five full and part-time staff annually for administration and maintenance at a total combined personnel cost of \$146,815. Additionally, as a result of the Hidden Creeks development it is expected that two police officers, one patrol officer and one detective, for a combined cost of \$184,402, will be employed. Similar to households above, these new jobs would create induced impacts as these employees spend their income in the local economy. Additional purchases of materials and supplies needed for these activities are expected to be small. Such expenditures are not a part of this analysis.

The additional consumption by these individuals, in turn, generates \$176,389 in induced output and 4 induced jobs in the City each year. These impacts can also be considered ongoing long-term impacts, and as such, they can be added into the totals from the induced impacts of new residents discussed previously.

Long-Term Economic Impacts for Hidden Creek Estates – Summary

Table 25 shows the total long term impacts of new resident spending as well as park operations, police, and other government spending as a result of the development.

⁶ Adjusted to 2011 dollars using the Bureau of Labor Statistics CPI-U measure of 3.16%

TABLE 25. Total Long Term Impacts

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Buildout 2019
Annual Jobs (Long Term)	-	41	80	118	157	194
Earnings (Long Term)	-	\$2,202,504	\$4,262,418	\$6,322,333	\$8,382,247	\$10,394,632
Output (Long term)	-	\$5,793,378	\$11,476,189	\$17,158,999	\$22,841,810	\$28,487,764

* Calculated in 2010 \$, adjusted for 2011 \$ using Bureau of Labor Statistics CPI-U measure of 3.16%

GLOSSARY OF TERMS

Absorption. Absorption is the measurement of current housing supply divided by the current rate of sales, typically expressed in months of supply or in annual inventory.

Absorption Schedule. The planned schedule in which the housing supply will be absorbed. For this analysis it is a six year schedule, based on annual sales.

Buildout. In real estate, the process of finishing a raw space or completion of the construction schedule is known as build-out or buildout.

Case Study. A case study is a method of estimating fiscal impacts that is based on specific properties of the Project, legally mandated rates or amounts, researched average revenue or cost rates, or other method of directly estimating the fiscal impact. A case study is generally used when the multiplier method will not produce accurate results.

Developer. Developers buy land, finance real estate deals, build or have builders build projects, create, imagine, control and orchestrate the process of development from the beginning to end. Typically, developers purchase a tract of land, determine the marketing of the property, develop the building program and design, obtain the necessary public approval and financing, build the structure, and lease, manage, and ultimately sell it. The developer for the Hidden Creeks Estates Project is Forestar Real Estate Group Inc. (Forestar), a NYSE publicly traded company located in Austin, Texas, in association with local managers from First American Communities.

Direct Impacts. Direct impacts are the initial, immediate economic activities (jobs and income) generated by a project or development from construction activity. Direct impacts associated with the development coincide with the first round of spending in the economy.

Economic Impact. An Economic impact is the effect that an event, policy change, or market trend will have on economic factors such as taxes, revenue, expenditures or unemployment. It can also include the economic impacts a development has on a community's well-being. Assessing proposed developments in an economic context will help community leaders and other stakeholders identify potential economic issues, evaluate the adequacy of services and determine whether the project may adversely affect the overall economic well-being of the community.

Fiscal Impact. Fiscal impacts are the direct, current, and public costs and revenues accruing to a local jurisdiction as a result of the development of land. A fiscal impact assessment is the net (positive or negative) of the costs incurred and the revenues received by the local jurisdiction.

Impacts (recurring and one-time). Impacts are described as recurring if they are expected to occur on an annual basis in perpetuity. Impacts that are not recurring are described as one-time impacts.

IMPLAN. IMPLAN (IMpact analysis for PLANning) is an economic and statistics software database produced by MIG, Inc. The IMPLAN database contains county, state, zip code, and federal economic statistics which are specialized by region and can be used to measure the effect on a local economy of a given change or event in the area's economic activity. MIG, Inc. (Formerly "Minnesota IMPLAN Group, Inc.") is the corporation that is responsible for the production of IMPLAN data and software.

Indirect Impacts. Indirect impacts are the production, employment and income changes occurring in other businesses/industries in the community that supply inputs to the project industry.

Induced Impacts. Induced impacts stem from the re-spending of wages earned by workers benefitting from the direct and indirect activity within area. Induced Impacts are the second layer of economic impact and are the result of spending by the households in the local economy as the result of direct and indirect effects from an economic activity (i.e. project, development, etc.). The induced effects arise when employees who are working for the project spend their new income in the community.

Input-Output Modeling. An input-output model is a quantitative economic technique that represents the interdependencies between different branches of the economy or between parts of different economies. One of the primary uses of input-output analysis is for measuring the economic impacts of events as well as public investments or programs.

Job-Years. A job-year refers to one individual being employed for one year. One year of one job is one "job-year." If that job continues for another 12 months, it's two "job-years." For example, 100 job-years may translate into 50 jobs supported for 2 years or 100 jobs supported for 1 year.

Leakage/Spillover. In an economic sense a spillover is any indirect effect of public expenditure that occurs outside of the area of study, which in this case is the City. More generally, spillovers or leakages are externalities of economic activity or processes that affect those who are not directly involved.

Multiplier Method. The multiplier method is a method of estimating fiscal impacts that is based on the budgeted amount of a revenue or expenditure divided by the number of persons served within the City. This multiplier is then applied to the additional number of persons served that will result from the Project's development.

PRISM. PRISM is an acronym for PB's Regional Impact Scenario Model which is used to measure the economic impacts of a project. The economic impact module used in this analysis measures effects of a project on employment, output, and income in the given city, county, region, and state.

Real Property. Real property is property that includes land and buildings, and anything affixed to the land. Real property only includes those structures that are affixed to the land, not those which can be removed, such as equipment. Real property may also be determined to include whatever is beneath the surface of the land, like minerals, natural gas, and oil.

Tract Map. A tract map is one of the processes used to subdivide real property into smaller lots. Typically, the tract map is used to identify five or more residential lots. This type of subdivision is normally associated with full urban improvements, which would include paved streets, curb, gutter and sidewalk, fire hydrants, street lights, comprehensive drainage system, water and sewer service, and other infrastructure found in urban areas.

VLF. An acronym for the California Vehicle License Fee.

APPENDIX

Summary of Fiscal and Economic Impacts to City General Fund (2011\$)

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Buildout 2019
Absorption and Demographics¹						
Occupied Housing Units	31	62	94	125	156	188
Additional Persons Served	83	166	252	335	418	504
Economic Impacts						
Increase in Assessed Value ²	\$27,900,000	\$55,800,000	\$84,600,000	\$112,500,000	\$140,400,000	\$169,200,000
Increase in Taxable Sales ³	\$577,268	\$1,154,536	\$1,750,425	\$2,327,693	\$2,904,961	\$3,500,851
Property Taxes						
General Secured Property Tax ⁴	\$21,828	\$43,656	\$66,189	\$88,017	\$109,845	\$132,378
General Unsecured Property Tax ⁵	\$546	\$1,091	\$1,655	\$2,200	\$2,746	\$3,309
Property Tax In-Lieu of VLF ⁶	\$21,552	\$43,104	\$65,352	\$86,904	\$108,456	\$130,704
Documentary Transfer Tax ⁷	\$12,555	\$25,110	\$38,070	\$50,625	\$63,180	\$76,140
Other Revenues⁸						
Sales Tax	\$5,773	\$11,545	\$17,504	\$23,277	\$29,050	\$35,009
Utility Users Tax	\$11,394	\$22,788	\$34,593	\$45,987	\$57,381	\$69,186
Licenses, Permits, Fees and Fines	\$11,942	\$23,885	\$36,259	\$48,202	\$60,144	\$72,518
Parking Fines	\$2,503	\$5,006	\$7,599	\$10,102	\$12,605	\$15,198
Parking User Tax	\$1,553	\$3,105	\$4,714	\$6,267	\$7,819	\$9,428
Franchise Fees	\$828	\$1,655	\$2,513	\$3,340	\$4,168	\$5,026
Subtotal, General Fund Revenues	\$90,473	\$180,946	\$274,448	\$364,921	\$455,394	\$548,896
General Fund Expenditures⁹						
Aging	\$13	\$27	\$41	\$54	\$68	\$82
Animal Services	\$356	\$712	\$1,081	\$1,437	\$1,793	\$2,162
Building and Safety	\$137	\$273	\$415	\$552	\$689	\$830
City Administrative Officer	\$184	\$367	\$558	\$741	\$925	\$1,115
City Attorney	\$1,637	\$3,274	\$4,971	\$6,608	\$8,245	\$9,942
City Clerk	\$135	\$269	\$409	\$544	\$679	\$818
Controller	\$238	\$475	\$721	\$959	\$1,197	\$1,443
Convention Center	\$434	\$868	\$1,317	\$1,751	\$2,185	\$2,634
Council	\$336	\$672	\$1,020	\$1,356	\$1,692	\$2,040
Cultural Affairs	\$1	\$2	\$3	\$4	\$5	\$7
Department on Disability	\$18	\$35	\$54	\$71	\$89	\$108
Emergency Management	\$27	\$54	\$82	\$109	\$136	\$164
Employee Relations Board	\$8	\$15	\$23	\$30	\$38	\$46
Finance	\$666	\$1,331	\$2,021	\$2,687	\$3,352	\$4,042
Fire	\$8,326	\$16,652	\$25,280	\$33,606	\$41,932	\$50,559
General Services	\$3,189	\$6,377	\$9,681	\$12,870	\$16,058	\$19,362
Housing Department	\$22	\$45	\$68	\$90	\$112	\$135
Information Technology Agency	\$1,328	\$2,655	\$4,031	\$5,359	\$6,686	\$8,062
Library	\$1,596	\$3,191	\$4,844	\$6,440	\$8,035	\$9,689
Mayor	\$397	\$794	\$1,205	\$1,602	\$1,998	\$2,409
Personnel	\$663	\$1,326	\$2,013	\$2,676	\$3,339	\$4,025
Planning	\$146	\$292	\$443	\$589	\$736	\$887
Police	\$30,368	\$60,736	\$92,201	\$122,569	\$152,937	\$184,402
Public Works	\$8,250	\$8,250	\$8,250	\$8,250	\$8,250	\$8,250
Recreation and Parks	\$217,107	\$146,815	\$146,815	\$146,815	\$146,815	\$146,815
Bureau of Contract Administration	\$332	\$664	\$1,009	\$1,341	\$1,673	\$2,017
Bureau of Engineering	\$452	\$904	\$1,373	\$1,825	\$2,277	\$2,745
Transportation	\$1,406	\$2,813	\$4,270	\$5,676	\$7,083	\$8,540
Subtotal, General Fund Expenditures	\$277,770	\$259,891	\$314,198	\$366,611	\$419,024	\$473,331
Net Fiscal Surplus/(Deficit)	(\$187,297)	(\$78,944)	(\$39,750)	(\$1,690)	\$36,371	\$75,565
per Housing Unit	(\$6,042)	(\$1,273)	(\$423)	(\$14)	\$233	\$402

** Notes **

- 1: Absorption period assumed to be six years, which represents a midpoint between strong and weak market estimates. Based on information provided by the developer and data from comparable projects.
- 2: Based on weighted average sales price of \$900,000. Based on discussions with the developer and review of market data from comparable projects.
- 3: Taxable sales as a percentage of gross income based on Consumer Expenditure Survey (2010), households with annual income greater than \$70,000. Average household income estimated to be \$157,488, based on American Community Survey results for Porter Ranch. Strong majority of nearby shopping centers are within the City. Percent of taxable purchases outside the City estimated to be 15%, Percent of taxable purchases made over the internet estimated to be 15%.
- 4: Property tax apportionment based on discussions with County CEO's office and data from County Auditor.
- 5: Unsecured assessed value for residential property assumed to be 2.5% of secured assessed value.
- 6: Property Tax In-Lieu of VLF assumed to be \$0.77 per \$1,000 of assessed value. Based on FY 2011-2012 City Budget.
- 7: Documentary transfer tax based on residential turnover of 10% per year and transfer tax of \$4.50 per \$1,000 of assessed value.
Source: California City Finance Almanac, 2010.
- 8: Sales Tax increment equal to 1% of estimated taxable sales. Remaining items estimated based on budgeted amount per persons served within the City (population plus 50% of employees).
- 9: All items estimated based on multiplier methodology except for Police, Public Works and Recreation and Parks.