
Memorandum

To: Rita Brandin, Senior VP/Development Director, Newland Real Estate Group, LLC
From: Sunit Patel, Principal
Date: June 2, 2018
Re: **Newland Sierra– Projected Annual Fiscal Revenues (County of San Diego and Deer Springs Fire Protection District)**

Rita,

Per your request, we have prepared this memorandum to summarize certain annual fiscal revenues projected to be generated by the project. It is estimated the project will generate the following annual revenues at build-out and stabilization:

Annual Revenues to County General Fund (Property Tax and Sales Tax):	\$3,381,358
Annual Revenues for County Transportation & <i>TransNet</i> Projects:	\$ 524,167
<u>Annual Revenues to Deer Springs Fire Protection District:</u>	<u>\$1,423,077</u>
TOTAL ANNUAL REVENUE:	\$5,328,602

- Attachment 1:** Newland Sierra Annual Fiscal Revenue Analysis
Attachment 2: Newland Sierra Annual Deer Springs Fire Protection District Revenues



Attachment 1

Newland Sierra Annual Fiscal Revenue Analysis

Table 1
Fiscal Revenue Analysis Summary
Newland Sierra
 June 2, 2018

Draft

FISCAL REVENUES FOR COUNTY GENERAL FUND		
<u>Recurring Annual Revenues:</u>		
Property Tax	\$ 2,288,771	Table 4
Property Tax In-Lieu of VLF	893,889	Table 5
On-site Sales Tax	172,373	Table 6
Off-site Sales Tax	<u>26,326</u>	Table 7
Total Annual Tax Revenue	\$ 3,381,358	

FISCAL REVENUES FOR COUNTY TRANSPORTATION PROJECTS		
<u>Recurring Annual Revenues:</u>		
On-Site Sales Tax - County Transportation Fund	\$ 43,093	Table 6
Off-Site Sales Tax - County Transportation Fund	<u>131,629</u>	Table 7
Subtotal - County Transportation Fund	\$ 174,722	
On-site Sales Tax - County TransNet Program	\$ 86,186	Table 6
Off-site Sales Tax - County TransNet Program	<u>263,258</u>	Table 7
Subtotal - County TransNet Program	\$ 349,444	
Total Annual Tax Revenue	\$ 524,167	

Table 2
Land Use and Assessed Value Assumptions
Newland Sierra

Draft

Residential Assessed Value (AV)				
Neighborhood	No. of Units	Avg. Home Size (SF)	Estimated Base Home Price (a)	Total Residential Assessed Value
B	372	2,589	659,032	245,160,000
C	325	1,929	590,500	191,912,550
D	241	2,609	657,677	158,500,200
E	505	1,684	474,229	239,485,875
F	446	1,426	395,004	176,172,000
G	95	1,400	408,750	38,831,250
Residential Subtotal/Avg.	2,135	2,031	\$ 550,184	\$ 1,174,642,875

Residential AV by Tax Rate Area (TRA)							
74176	74168	74089	76091	76015	74024	76046	Total Assessed Value
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,893,850	\$ 18,687,150	\$ 124,581,000
-	-	-	-	245,160,000	-	-	245,160,000
-	-	-	-	-	191,912,550	-	191,912,550
-	-	-	12,680,016	145,820,184	-	-	158,500,200
-	-	93,399,491	143,691,525	2,394,859	-	-	239,485,875
-	105,703,200	70,468,800	-	-	-	-	176,172,000
38,831,250	-	-	-	-	-	-	38,831,250
\$ 38,831,250	\$ 105,703,200	\$ 163,868,291	\$ 156,371,541	\$ 393,375,043	\$ 297,806,400	\$ 18,687,150	\$ 1,174,642,875

Commercial Assessed Value (AV)			
Probable Tenant Type	Gross Bldg. SF (b)	Estimated Assessed Value per SF (c)	Total Commercial Assessed Value
Retail Shops	15,000	454	6,810,000
Restaurants	20,000	537	10,740,000
Service Oriented	11,000	454	4,994,000
Commercial Subtotal/Avg.	81,000	\$ 457	\$ 36,999,000

Commercial AV by TRA							
74176	74168	74089	76091	76015	74024	76046	Total Assessed Value
\$ 14,455,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,455,000
6,810,000	-	-	-	-	-	-	6,810,000
10,740,000	-	-	-	-	-	-	10,740,000
4,994,000	-	-	-	-	-	-	4,994,000
\$ 36,999,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,999,000

								Total
Total Project Assessed Value	\$ 75,830,250	\$ 105,703,200	\$ 163,868,291	\$ 156,371,541	\$ 393,375,043	\$ 297,806,400	\$ 18,687,150	\$ 1,211,641,875

Footnotes:
(a) Estimated average base home prices per Newland Communities.
(b) Estimated square footages per Newland Communities.
(c) Assessed values per Table 3.

Table 3
Estimated Commercial Property Value
Newland Sierra

Draft

	Grocery Store	Retail Shops	Restaurants	Service Oriented	Total
Gross Square Feet	35,000	15,000	20,000	11,000	81,000
Less: Non-leasable Space @ 10.0%	(3,500)	(1,500)	(2,000)	(1,100)	(8,100)
Leasable Square Feet	31,500	13,500	18,000	9,900	72,900
REVENUE					
Avg. Monthly NNN Rental Rate per SF (a)	\$ 2.50	\$ 2.75	\$ 3.25	\$ 2.75	\$ 2.77
Total Scheduled Annual NNN Rents	\$ 945,000	\$ 445,500	\$ 702,000	\$ 326,700	\$ 2,419,200
EXPENSES					
Vacancy (%) (b)	6.00%	6.00%	6.00%	6.00%	
Vacancy (\$)	\$ 56,700	\$ 26,730	\$ 42,120	\$ 19,602	\$ 145,152
Unreimbursed Expenses (vacant space) (c)	\$ 20,979	\$ 9,890	\$ 15,584	\$ 7,253	\$ 53,706
Total Expenses	\$ 77,679	\$ 36,620	\$ 57,704	\$ 26,855	\$ 198,858
NET OPERATING INCOME	\$ 867,321	\$ 408,880	\$ 644,296	\$ 299,845	\$ 2,220,342
CAP RATE (d)	6.00%	6.00%	6.00%	6.00%	
TOTAL VALUE	\$ 14,455,350	\$ 6,814,665	\$ 10,738,260	\$ 4,997,421	\$ 37,005,696
VALUE PER GROSS SF	\$ 413.01	\$ 454.31	\$ 536.91	\$ 454.31	\$ 456.86
VALUE PER GROSS SF (ROUNDED)	\$ 413.00	\$ 454.00	\$ 537.00	\$ 454.00	\$ 457.00
TOTAL VALUE (ROUNDED)	\$ 14,455,000	\$ 6,810,000	\$ 10,740,000	\$ 4,994,000	\$ 36,999,000

Footnotes:

(a) Estimated based on the following: (i) CBRE Q1 2018 San Diego Retail MarketView Report for North County market area at an average rate of \$2.58, (ii) feedback from retail broker, (iii) anticipated tenant types, new construction, and subject location.

(b) Based on CBRE Q1 2018 San Diego Retail MarketView Report, North County market average vacancy rate of 4.7%. This analysis uses 6.00% to be conservative.

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

(d) Based on CBRE Second half 2017 Cap Rate Survey for Retail. Neighborhood / Community Center Report indicates a range of 4.25% to 5.00% for Class A in San Diego market in "stabilized" condition. This analysis uses 6.00% to be conservative.

Table 4
Property Tax Revenue
Newland Sierra

Draft

	TRA 74176		TRA 74168		TRA 74089		TRA 76091		TRA 76015		TRA 74024		TRA 76046		Total
Total Assessed Value from Table 2		\$ 75,830,250		\$ 105,703,200		\$ 163,868,291		\$ 156,371,541		\$ 393,375,043		\$ 297,806,400		\$ 18,687,150	\$ 1,211,641,875
Base 1% Ad-Valorem Tax	1.00%	\$ 758,303	1.00%	\$ 1,057,032	1.00%	\$ 1,638,683	1.00%	\$ 1,563,715	1.00%	\$ 3,933,750	1.00%	\$ 2,978,064	1.00%	\$ 186,872	\$ 12,116,419
County Share of 1% (a):															
County General	14.7577%	\$ 111,908	14.6797%	\$ 155,169	14.8216%	\$ 242,879	17.0404%	\$ 266,463	16.9289%	\$ 665,940	14.9346%	\$ 444,763	17.2112%	\$ 32,163	\$ 1,919,284
County Library	2.9088%	22,057	2.8989%	30,642	2.9208%	47,862	3.2811%	51,307	3.3124%	130,300	2.9299%	87,254	0.0338%	63	369,486
Total Annual Property Taxes to County	17.6664%	\$ 133,965	17.5786%	\$ 185,812	17.7424%	\$ 290,741	20.3215%	\$ 317,770	20.2412%	\$ 796,240	17.8645%	\$ 532,017	17.2450%	\$ 32,226	\$ 2,288,771

Footnotes:

(a) Per County of San Diego Auditor-Controller (FY 2017-18).

Table 5
Property Taxes in Lieu of Vehicle License Fees (VLF)
Newland Sierra

Draft

FY 2017/18 In Lieu VLF Allocation to County	\$	385,570,058	(a)
FY 2017/18 County of San Diego AV	\$	512,372,677,545	(b)
Total Project Assessed Value from Table 2	\$	1,211,641,875	
Less: Existing Assessed Value	\$	(23,779,548)	
Net (New) Assessed Value	\$	1,187,862,327	
Assessed Value Growth from Project		0.232%	
Annual Property Taxes In Lieu of VLF	\$	893,889	

Footnotes:

(a) Per County of San Diego Fiscal Year 2017/18 Adopted Budget.

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

Table 6
On-Site Sales Tax Revenue
Newland Sierra

Probable Tenant Type	Gross Bldg. SF	Less: Non-Leasable Space	Leasable Bldg. SF	Less Vacancy	Occupied Sq.Ft.	Estimated Sales per SF (a)	Estimated % Taxable	Estimated Taxable Sales per SF	Total Estimated Taxable Sales
Grocery Store	35,000	(3,500)	31,500	6.00%	29,610	\$ 500	45%	\$ 225	\$ 6,662,250
Retail Shops	15,000	(1,500)	13,500	6.00%	12,690	300	100%	300	3,807,000
Restaurants	20,000	(2,000)	18,000	6.00%	16,920	400	100%	400	6,768,000
Service Oriented	11,000	(1,100)	9,900	6.00%	9,306	150	0%	0	-
Total / Wtd. Avg.	81,000	(8,100)	72,900		68,526			\$ 236	\$ 17,237,250

Sales Tax to County General Fund	1.00% (b)	\$ 172,373
Sales Tax to County Transportation Fund	0.25% (b)	\$ 43,093
Sales Tax to County TransNet Program	0.50% (b)	\$ 86,186

Footnotes:

(a) Preliminary DPFGE estimates based on industry knowledge and review of various data sources.

(b) Per California State Board of Equalization.

Table 7
Off-Site Sales Tax Revenue
Newland Sierra

Draft

Spending by Residents:	Factor	
Aggregate Incomes (from table below)	\$120K per Unit	\$ 256,200,000
Consumer Expenditures (a)	82.7%	\$ 211,884,576
Taxable Spending (a)	32.1%	\$ 68,078,052
Less: Onsite Capture at 50.0% (b)	<i>See Table 6</i>	\$ (8,618,625)
Less: Capture outside of County	10.0%	\$ (6,807,805)
Net Taxable Spending in County		\$ 52,651,622
Annual Sales Taxes to County Trans. Fund	0.25%	\$ 131,629
Annual Sales Taxes to County TransNet Program	0.50%	\$ 263,258
Net Taxable Spending in County from above		\$ 52,651,622
Capture within unincorporated County (c)	5.0%	\$ 2,632,581
Annual Sales Taxes to County Gen. Fund	1.00%	\$ 26,326

Household Income Calculation:		
Avg. Sales Price		\$ 550,184
Down Payment	20%	\$ 110,037
Loan Amount		\$ 440,147
Interest Rate		5.5%
Term (years)		30
Annual Mortgage Payment		\$29,989
HOA (d)	\$ 150	\$ 1,800
Insurance	\$ 80	\$ 960
Property Taxes (d)	1.70%	\$ 9,353
Total Annual Housing Costs		\$ 42,102
% Income spent on Housing		35.0%
Annual Income Required		\$ 120,293
Annual Income Required (rounded)		\$ 120,000

Footnotes:

(a) Per U.S. Department of Labor, Bureau of Labor Statistics Consumer Expenditure Survey, 2015-16 for San Diego Metropolitan Statistical Area (MSA).

(b) Represents estimated portion of onsite retail taxable sales attributable to project residents.

(c) Capture percentage represents DPF's preliminary estimate; subject to change.

(d) HOA and Property Tax rate assumptions are preliminary estimates, subject to change.

Attachment 2

Newland Sierra Annual Deer Springs Fire Protection District Revenues

EXHIBIT A

Newland Sierra

Summary of Deer Springs Fire Protection District Revenues

March 24, 2017

Draft

Land Use		Annual Revenues for Operation and Maintenance			One-Time Revenue for Capital Facilities	
Land Use	Residential Units / Commercial SF	Ad-Valorem Taxes	Fire Suppression Assessment	Standby / Availability Assessment	Total Annual Revenues	Fire Impact Mitigation Fee (\$0.56/SF)
Residential	2,135	\$ 242,425	\$ 771,190	\$ 383,499	\$ 1,397,113	\$ 2,420,572
<i>per Unit</i>		114	361	180	654	1,134
Commercial	86,000	5,446	19,180	1,338	25,963	48,160
Total		\$ 247,871	\$ 790,370	\$ 384,836	\$ 1,423,077	\$ 2,468,732

Note: See attached "Exhibit B" for the supporting detailed analysis.

EXHIBIT B

Newland Sierra
 Projected Revenues for Deer Springs Fire Protection District O&M and Capital Facilities
 March 24, 2017

Draft

Land Use Information					Annual Revenues for Operation and Maintenance				One-Time Revenue for Capital Facilities
Parcel	Product	Units	Est. Avg. Home Size	Projected Assessed Value	Ad-Valorem Tax (2.07% of 1%)	Fire Suppression Assessment	Standby/Availability Assessment	Total Annual Revenues	Fire Mitigation Impact Fee (\$0.56/SF)
		(a)	(a)	(a)	(b)	(c)	(d)		(e)
RESIDENTIAL									
Sierra Summit		151	3,306	124,767,000	25,812	89,056	29,083	143,951	279,524
Sierra Knoll		360	2,611	238,134,600	49,267	167,674	69,336	286,277	526,288
Sierra Mesa (Age-Qualified Neighborhood)		325	1,929	191,912,550	39,704	111,866	62,595	214,165	351,120
Sierra Hillside		241	2,609	158,500,200	32,791	112,170	46,417	191,377	352,072
Sierra Valley		505	1,693	240,931,950	49,845	152,536	87,312	289,693	478,772
Sierra Terraces		458	1,397	178,706,000	36,972	114,159	73,509	224,639	358,316
Sierra Town		95	1,400	38,831,250	8,034	23,729	15,248	47,010	74,480
Residential Total / Wtd. Avg.		2,135	2,025	\$ 1,171,783,550	\$ 242,425	\$ 771,190	\$ 383,499	\$ 1,397,113	\$ 2,420,572
Per Unit					\$ 114	\$ 361	\$ 180	\$ 654	\$ 1,134
COMMERCIAL									
		Acres (f)	Bldg. SF	Projected Assessed Value					
Sierra Town									
G	General Commercial	8.03	70,000	\$ 22,750,000	\$ 4,707	\$ 15,611	\$ 1,038	21,356	\$ 39,200
G	Retail w/ Restaurants	1.15	10,000	3,250,000	672	2,230	171	3,074	5,600
G	Community Retail at Town Greer	0.11	1,000	325,000	67	223	43	333	560
G	HOA Clubhouse (Amenity)	0.57	5,000	-	-	1,115	86	1,201	2,800
Commercial Total / Wtd. Avg.			86,000	\$ 26,325,000	\$ 5,446	\$ 19,180	\$ 1,338	\$ 25,963	\$ 48,160
Total Residential & Commercial				\$ 1,198,108,550	\$ 247,871	\$ 790,370	\$ 384,836	\$ 1,423,077	\$ 2,468,732

Footnotes:

- (a) Product and pricing data provided by Newland Communities 2-15-17.
- (b) Deer Springs Fire Protection District receives 2.068851% of the 1% general property tax on assessed value.
- (c) Fire Suppression assessments for Residential based on the formula: Total Home Square Footage x 0.85 Benefit Factor for Residential with automatic sprinklers x \$0.2099 (FY 16/17 Rate). Fire Suppression assessments for Commercial based on the formula: Total Building Square Footage x 1.0625 Benefit Factor for Commercial with automatic sprinklers x \$0.2099 (FY 16/17 Rate). This assessment rate increases annually by the percentage change in CPI.
- (d) Fire Standby Availability assessments for Residential based on formula: 2 Benefit Units (BU) per acre or portion thereof + 10 BU per dwelling unit x \$16.05 (FY 2016/17 Rate). Analyses assumes 2 "per acre" Benefit Units for each Detached Unit and 0 "per acre" Benefit Units for each Attached Unit assuming all such units are developed as condominiums (per Deer Springs Fire Protection District). Fire Standby Availability assessments for Commercial based on formula: Acreage rounded up to the nearest full acre + (Needed Fire Flow ÷ 50) x \$16.05. Needed Fire Flow, or "NFF", assumed to be \$0.033/SF for Commercial Units per Dudek conceptual estimates of 2500 NFF for 75,000 SF of Type V-A Commercial construction (estimate as of 8/17/2013). Note these are preliminary estimates and may not reflect the current derivation of NFF. This assessment rate increases annually by the percentage change in CPI.
- (e) Fire Impact Mitigation Fee for Fiscal Year 2016/17 is \$0.56 per square foot. Per DSFPD, there is no discount to this fee for fire sprinklers.
- (f) Acreage estimated based on 0.20 floor area ratio (FAR).