

# LAGUNA HILLS TERRAVITA REDEVELOPMENT PROJECT

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**Net Fiscal Impact Analysis**  
**Prepared For: Kingsbarn Realty Capital LLC**

**February 2025**  
**Housing Unit Count Update February 2026**

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# Executive Summary

Kingsbarn Realty Capital LLC (“Client” / “Developer”) is currently pursuing entitlements for the development of a 480-unit residential project (“Project”) on an approximately 18.5-acre property (APNs 588-141-11, -12 and 588-161-06, -07, -08, -09, -10, -13) (“Site”) located at 23272, 23282, 23332, 23382, 23422, 24411, and 24461 Mill Creek Drive in the City of Laguna Hills (“City”). In order to assist the City’s evaluation of the proposed Project, Client requested that Kosmont Companies (“Kosmont”) prepare a Fiscal Impact Analysis (“Analysis”) to estimate the projected net fiscal impacts of the Project to the City. Kosmont’s Analysis also estimates the approximate impact of the existing office properties located on the Site, which would be redeveloped.

Kosmont’s Analysis demonstrates that the redevelopment Project has a potential financial benefit to the City General Fund, driving ~\$551,500 in annual fiscal revenues and ~\$543,900 in annual fiscal costs, resulting in an annual net fiscal benefit of approximately \$7,600 at full buildout / stabilization.

## Annual Fiscal Impact

The Project is estimated to generate an annual fiscal revenue of approximately \$551,500 at full buildout in 2024 dollars, largely due to the significant increase in property value – the existing office properties have an estimated value of \$79,525,000, compared to the Project’s estimated value of \$505,296,000 at completion.

The Project is expected to result in approximately \$543,900 in General Fund expenditures, yielding a positive annual net fiscal impact of \$7,600. The existing office properties are estimated to generate \$108,000 in annual fiscal revenues and result in an estimated \$162,800 in General Fund expenditures, yielding a current estimated negative annual fiscal impact of (\$54,800). In this regard, the Project compares favorably to the existing land use.

Fiscal revenues and expenses are summarized in the table on the following page and estimation of revenue and expenditure methodology herein. Note that with a residential project, there is a high level of sensitivity to revenue and expenditure assumptions (such as household size, estimated sale price, and household income) which can result in variation to the net fiscal outcome.

**Table 1.1: Summary of Estimated Annual Fiscal Impact**

	Current: Total Office	Proposed: Total Project
<b>Primary Fiscal Revenues</b>		
Property Tax (Secured & Unsecured)	25,700	155,800
Property Tax In-Lieu of VLF	31,300	198,900
Property Transfer Taxes	2,100	35,900
Sales & Use Tax (Off-Site/Indirect)	18,700	60,100
Other Taxes and fees	1,000	3,400
Franchise Fees	10,200	34,000
Fines & Forfeitures	1,600	5,400
Charges for Services	17,300	57,700
Misc. Revenue	100	300
<b>Total General Fund Revenues (Rounded):</b>	<b>\$108,000</b>	<b>\$551,500</b>
<b>Primary General Fund Expenditures</b>		
General Government	2,400	8,100
Public Safety	107,800	360,400
Public Works	23,200	77,400
Non-Departmental	1,300	4,300
Community Development	6,700	22,200
Community Services	21,400	71,500
<b>Total General Fund Expenditures:</b>	<b>\$162,800</b>	<b>\$543,900</b>
<b>NET FISCAL IMPACT (Rounded):</b>	<b>(\$54,800)</b>	<b>\$7,600</b>

Source: Kosmont Companies, Laguna Hills, Kingsbarn Realty Capital LLC

## Other Benefits

In addition to General Fund revenues, the Project will provide indirect benefits to City, County, the Saddleback Valley Unified School District (“School District”), and the Moulton Niguel Water District (“Water District”).

- Local businesses will benefit from an estimated \$21.07 million in spending from new residents, with an estimated \$5.2 million of taxable spending captured by businesses in the City of Laguna Hills;
- The School District is estimated to receive 47.73% of the increased basic 1% property tax levy, yielding an estimated \$2,291,000 per year.
- The Orange County Fire Authority will receive 11.83% of the increased basic 1% property tax levy, yielding an estimated \$568,000 per year.

As discussed above, the Project has indirect and direct benefits to the local community and City General Fund.

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the site with 46 attached single-family “duet” units, 106 duplex units, 107 triplex units (collectively “for sale” units), and 221 apartment units (with 24 of those apartment units being affordable housing units). Figure 2.2 shows the conceptual site plan.

Figure 2.2 Site Plan



Source: Kingsbarn Realty Capital LLC

## 3.0 Fiscal Impacts

The Analysis evaluates the stabilized annual fiscal revenues expected for the City’s General Fund for the proposed Project at completion. Fiscal revenue estimates were derived from estimating the various taxes including property taxes (secured and unsecured), property transfer taxes, indirect sales taxes, and other taxes and revenue. The Analysis is based on information provided by the Client, City, County Property Tax Auditor-Controller’s Office, California Department of Finance (“DOF”), California Board of Equalization (“BOE”), CoStar, and ESRI.

### 3.1 General Assumptions

Given the uncertainty of actual development timing and future inflation rates for revenues and expenses, Kosmont has focused the fiscal analysis on annual impacts at stabilized occupancy in 2024 dollars.

### 3.2 Fiscal Revenue Analysis

#### 3.2.1 Property Tax

Secured property tax revenues are estimated based on the anticipated assessed value of the Project upon full build-out and the applicable property tax rate for the City. The Site is located in County tax rate area (“TRA”) #31094 and 31096. The City’s General Fund receives approximately 3.25% of the annual 1.0% secured property tax general levy placed by the County on the assessed value of the property (\$0.03246281779 of each \$1.00 of secured property tax revenue within TRA 31-094 and \$0.03245131944 within TRA 31-096).

Additionally, unsecured property taxes are collected based on the assessed value of real property not affixed to the underlying land, such as business fixtures, and some types of 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 the Project is estimated to be 0.0% of the assessed value of secured property for the Project, and the assessed value of unsecured property associated with the existing office development is estimated to be 5.0% of the assessed value of secured property.

Based on an estimated average sale price of ~\$1,680,000 per for-sale unit and an assessed value of ~\$356,200 per market rate apartment unit (and assuming an assessed value of \$0 for the affordable apartment units), the Project is expected to yield an assessed value of ~\$480,031,000 at completion. The Project is estimated to generate **\$155,800** in property taxes to the City. The current office property’s assessed value is \$79,525,000 and is estimated to generate \$25,700 in property taxes to the City.

Additionally, the Orange County Fire Authority General Fund receives 11.83% of the annual 1.0% secured property tax general levy (\$0.11834570879 of each \$1.00 of secured property tax revenue in TRA 031-094 and \$0.11834584895 in TRA 031-096) to fund fire services, and the Saddleback Valley Unified School District General Fund receives 47.73% of the annual 1.0% secured property tax general levy (\$0.4772075436 of each \$1.00 of secured property tax revenue in TRA 31-094 and \$0.47725744067 in TRA 031-096) to fund educational services.

**Exhibit 3.2.1 Property Taxes**

	Current: Total Office	Proposed: Total Project
Total Project Value (Rounded)	\$79,524,999	\$505,295,844
5% Adjustment to Assessed Value:	<u>\$3,976,250</u>	<u>\$25,264,792</u>
Total Estimated Assessed Value	\$75,548,749	\$480,031,051
<b>Property Tax Rates</b>		
General Levy - Secured	1.00%	\$755,487
City General Fund Distributions - Secured	3.245%	\$24,516
Other	0.00%	\$0
Unsecured Property as Percent of Secured	5.0%	0.0%
Estimated Unsecured Property Taxes to City	\$1,226	\$0
<b>Total Property Tax to City - (Secured + Unsecured) - Rounded:</b>	<b>\$25,700</b>	<b>\$155,800</b>

Source: Kingsbarn Realty Capital LLC, County Assessor, Kosmont Companies

**3.2.2 Taxes in Lieu of VLF**

Prior to 2004, a percentage of State of California motor vehicle license fee (“VLF”) was distributed to cities. In 2005, the State instituted a revenue swap, guaranteeing that municipalities within California receive a distribution equal to the VLF collected, plus a percentage equal to the annual increase in assessed value. Property Tax In-Lieu of VLF resulting from the Project is estimated based on the incremental amount of assessed value the development will add to the City, thereby increasing the City’s apportionment or estimated VLF revenues of **\$198,900** in 2024 dollars. The current office property is estimated to generate \$31,300 of VLF revenues in 2024 dollars.



*Exhibit 3.2.2 Taxes in Lieu of VLF*

	Current: Total Office	Proposed: Total Project
Total Estimated Assessed Value	\$75,548,749	\$480,031,051
Total Assessed Value within City (2024)	\$8,800,906,000	\$8,800,906,000
Percent Share / Increase in Assessed Value	0.8584%	5.4543%
Estimated Property Tax In-Lieu of VLF in FY 23-24	\$3,646,263	\$3,646,263
<b>Incremental Project Tax In-Lieu of VLF</b>	<b>\$31,300</b>	<b>\$198,900</b>

Source: Kingsbarn Realty Capital LLC, Kosmont Companies, City Budget and ACFR

3.2.3 Real Property Transfer Tax

Property transfer tax revenue is estimated based on the expected average rate of turnover of ownership of 15.0% for residential for-sale product (on average, each property selling once every seven years) and 5.0% for commercial office / apartment product (on average, approximately once every 20 years), estimated \$2024 values, and the City’s property transfer tax of 0.055% of gross sales price. The Project is estimated to generate an expected annual average of **\$35,900** in property transfer taxes to the City. The current office property, when valued based on the sale price of \$75.5 million, is estimated to generate \$2,100 in property transfer taxes to the City.

*Exhibit 3.2.3: Property Transfer Tax*

	Current: Total Office	Proposed: Total Project
Estimated Assessed Valuation	\$75,548,749	\$480,031,051
Property Turnover Rate (per year)	5%	14%
Avg. Annual Property Transferred	\$3,777,437	\$65,337,953
Est. Effective Property Transfer Tax Rate	0.055%	0.055%
<b>City Property Transfer Tax Revenue</b>	<b>\$2,100</b>	<b>\$35,900</b>

Source: Kingsbarn Realty Capital LLC, Kosmont Companies, City Budget and ACFR

3.2.4 Sales Tax (Off-Site / Indirect)



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The current office properties generate a minor / immaterial amount of on-site sales tax revenue, and the Project is not expected to generate direct / on-site sales tax.

Off-site / indirect sales tax revenue projections are estimated based on the taxable sales generated by the spending of Project residents, businesses and employees within the area. Employee spending is based on average household incomes and BLS Consumer Expenditure Survey data, which provides spending habits of consumers based on household income, as well as resident consumption patterns and retail sales patterns within the City. Capture rates for spending by employees and residents within the City are approximated by Kosmont based on an evaluation of retail amenities within the local trade area.

Annual Use Tax is given to each City based fair share allocation of online sales taxes through County Pools, averaging ~15% of the local sales taxes generated.

In order to estimate annual spending potential, Kosmont examined the average household earnings for the City residents (i.e. \$172,700), as well as for the Project's Census Tract (\$140,600) and assumed a mid-range household income value of \$155,000 for the Project's for-sale housing units and an average of \$135,000 for the Project's apartment housing units.

At stabilized occupancy, the total annual resident taxable retail spending is estimated at an average of \$17.42 million. Based on the Project's location near Irvine, Laguna Woods, and Lake Forest, the Analysis assumes 30% Citywide capture rate for annual taxable spending.

Exhibit 4.2.4 shows the annual sales tax to the General Fund estimated at **\$60,100** per year as shown below. The current office property is estimated to generate \$18,700 of off-site sales tax revenues in 2024 dollars (assuming office employee salaries of \$95,000; 653 employees at the project; and a city capture rate of 10%).

*Exhibit 3.2.4: Sales Tax (Off-Site/Indirect)*

	Current: Total Office	Proposed: Total Project
<b>Residents</b>		
Estimated Annual Taxable Spending / HH		\$38,200
Estimated Capture within City (Off-Site)      30%		\$11,460
Estimated # Households (assumes 5% vacancy)		456
<b>Total Resident Taxable Spending within City</b>		<b>\$5,225,760</b>
<b>Employees</b>		
Estimated Annual Taxable Spending / Empl.	\$24,900	
Estimated Capture within City (Off-Site)      10%	\$2,490	
Estimated # Employees	653	
<b>Total Employee Taxable Spending within City</b>	<b>\$1,625,810</b>	
<b>Total Off-Site / Indirect Taxable Sales</b>	<b>\$1,625,810</b>	<b>\$5,225,760</b>
Annual Sales Tax to City      1.0%	\$16,258	\$52,258
City Share of Pool Taxes      15%	\$2,455	\$7,891
<b>Annual Sales &amp; Use Tax to City (Off-Site/Indirect)</b>	<b>\$18,700</b>	<b>\$60,100</b>

Source: ESRI and Kosmont Companies

3.2.5 Multiplier Based Revenues

In addition to the specific revenues identified above, a number of other City revenues are identified and evaluated generally based on a per resident, or per equivalent resident metric. These revenue sources include franchise fees, fines / forfeitures, charges for services, other taxes and fees, and miscellaneous revenue. These revenues are estimated based on historic City revenue metrics applied to the residents or equivalent residents attributed to the Project. These multiplier revenues to the General Fund generated by the Project are estimated at **\$100,800** per year as shown below. The current office property is estimated to generate \$30,200 of multiplier tax revenues in 2024 dollars



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**Exhibit 3.2.5 Multiplier-based Revenues**

Budget Category	FY 2024-25 Adopted Budget	Calculation Basis	Relevant City Population	Discount for Operational Efficiency	Per Capita Factor	Current: Total Office	Proposed: Total Project
<b>General Fund Revenues</b>						<b>326 Equiv. Residents</b>	<b>1,091 Equiv. Residents</b>
Property Taxes	13,396,286	Equiv. Residents	38,700	100%	\$0.00	\$0	\$0
Sales Taxes	7,377,524	Equiv. Residents	38,700	100%	\$0.00	\$0	\$0
TOT	1,135,000	Equiv. Residents	38,700	100%	\$0.00	\$0	\$0
Other Taxes and fees	609,000	Equiv. Residents	38,700	80%	\$3.15	\$1,000	\$3,400
Franchise Fees	1,205,000	Equiv. Residents	38,700	0%	\$31.14	\$10,200	\$34,000
Fines & Forfeitures	190,000	Equiv. Residents	38,700	0%	\$4.91	\$1,600	\$5,400
Interest Income	420,000	Equiv. Residents	38,700	100%	\$0.00	\$0	\$0
Charges for Services	2,047,718	Equiv. Residents	38,700	0%	\$52.91	\$17,300	\$57,700
Misc. Revenue	50,000	Equiv. Residents	38,700	80%	\$0.26	\$100	\$300
<b>Total:</b>	<b>\$26,430,528</b>					<b>\$30,200</b>	<b>\$100,800</b>
<b>Total Multiplier Revenues:</b>						<b>\$30,200</b>	<b>\$100,800</b>

Source: Kosmont Companies, City Budget and ACFR, ESRI, CA Dept of Finance

**3.3 Fiscal Expenditure Analysis**

General Fund Expenditures such as public safety, public works, community services, and community development are estimated on a per capita basis using the City’s Fiscal Year 2024-2025 Adopted Budget, and the 30,300 resident population and 16,800 local employees (per Census data / City ACFR) within the City, yielding a resident-equivalent service population of 38,800 as shown in Exhibit 3.3.1 below.

**Exhibit 3.3.1 Citywide Service Population**

City Resident Population (2024)	30,300
City Employee Population (2024)	16,800
Employee / Resident Weighting Factor	0.5
Effective Employee Population	8,400
<b>Total City Service Population</b>	<b>38,700</b>

Source: Kosmont Companies, City Budget and ACFR, CA Dept of Finance



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At stabilized occupancy assuming 2.72 average residents per for-sale housing unit (the Citywide average) and 1.75 average residents per apartment unit and with 100% occupancy, there will be an estimated of 1,091 residents at the Project (in a variety of household sizes and ages). The existing office development is assumed to have an estimated employee count of 653 people (68.7% occupancy, 300 SF per employee), which are weighted at 50% to yield a population of 326 equivalent residents (to reflect that office workers, as commuters, only spend a portion of their day in the City). Kosmont reviewed each department to estimate the fixed and variable components of the 2024/25 budget in order to estimate the per capita cost impact of the new residents (as well as a comparison with an estimated cost impact of employees at the current office building).

Total expenses related to the Project and the current office development are estimated based on the number of residents or equivalent residents attributed to each. These multiplier expenses to the General Fund generated by the Project are estimated at **\$543,900** per year as shown below. The current office property is estimated to generate \$162,800 of multiplier expenses in 2024 dollars.

**Exhibit 3.3.2 Multiplier Based Expenses**

Budget Category	FY 2024-25 Adopted Budget	Calculation Basis	Relevant City Population	Discount for Operational Efficiency	Per Capita Factor	Current: Total Office	Proposed: Total Project
<b>General Fund Expenditures</b>						<b>326 Equiv. Residents</b>	<b>1,091 Equiv. Residents</b>
General Government	\$2,871,903	Equiv. Residents	38,700	90%	\$7.42	\$2,400	\$8,100
Public Safety	\$12,780,894	Equiv. Residents	38,700	0%	\$330.26	\$107,800	\$360,400
Public Works	\$5,490,627	Equiv. Residents	38,700	50%	\$70.94	\$23,200	\$77,400
Non-Departmental	\$1,512,506	Equiv. Residents	38,700	90%	\$3.91	\$1,300	\$4,300
Community Development	\$1,577,963	Equiv. Residents	38,700	50%	\$20.39	\$6,700	\$22,200
Community Services	\$2,536,163	Equiv. Residents	38,700	0%	\$65.53	\$21,400	\$71,500
<b>Total:</b>	<b>\$26,770,056</b>					<b>\$162,800</b>	<b>\$543,900</b>
<b>Total General Fund Expenditures:</b>						<b>\$162,800</b>	<b>\$543,900</b>

Source: Kosmont Companies, City Budget and ACFR, ESRI, CA Dept of Finance

**3.4 Annual Net Fiscal Impact**

Based on the fiscal model discussed herein, the Project is estimated to generate approximately \$551,500 in annual fiscal revenues to the City’s General Fund, and drive approximately \$543,900 in annual fiscal expenses. As a result, the Project is expected to generate net revenues to the City’s General Fund of approximately \$7,600 per year.



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The existing office development is estimated to generate approximately \$108,000 in annual fiscal revenues to the City’s General Fund, and drive approximately \$162,800 in annual fiscal expenses. As a result, the existing office development generates net negative revenues to the City’s General Fund of (\$54,800).

For reference, and as shown in Table 3.3 below, primary revenue drivers include property taxes and off-site sales tax, while primary expenses include public safety, public works, and community services.

*Exhibit 3.4.1 Fiscal Benefit Comparison*

	Current: Total Office	Proposed: Total Project
<b>Primary Fiscal Revenues</b>		
Property Tax (Secured & Unsecured)	25,700	155,800
Property Tax In-Lieu of VLF	31,300	198,900
Property Transfer Taxes	2,100	35,900
Sales & Use Tax (Off-Site/Indirect)	18,700	60,100
Other Taxes and fees	1,000	3,400
Franchise Fees	10,200	34,000
Fines & Forfeitures	1,600	5,400
Charges for Services	17,300	57,700
Misc. Revenue	100	300
<b>Total General Fund Revenues (Rounded):</b>	<b>\$108,000</b>	<b>\$551,500</b>
<b>Primary General Fund Expenditures</b>		
General Government	2,400	8,100
Public Safety	107,800	360,400
Public Works	23,200	77,400
Non-Departmental	1,300	4,300
Community Development	6,700	22,200
Community Services	21,400	71,500
<b>Total General Fund Expenditures:</b>	<b>\$162,800</b>	<b>\$543,900</b>
<b>NET FISCAL IMPACT (Rounded):</b>	<b>(\$54,800)</b>	<b>\$7,600</b>

Source: Kingsbarn Realty Capital LLC, Laguna Hills, Kosmont Companies