

APPENDIX K

Public Services Fiscal Analysis

*Confidential Draft
Not for Public Distribution*

June 2, 2008

Mr. Jonathan Lehrer-Graiwer
Jonathan Lehrer-Graiwer Separate Property Trust
1515 W. 190th Street, #455
Gardena, CA 90248
Attn: Colleen Fuglar

Re: Public Revenue and Services Cost Analysis for the
Bellwood Condominiums Development

Dear Mr. Lehrer-Graiwer:

At your request, HR&A Advisors, Inc. (HR&A) has prepared projections of the net revenue that will be generated for the City of Los Angeles (“City”) by, and the net average cost of public services delivered to, a 158-unit condominium development proposed for a site located at Bellwood and Olympic (“Project”). The Project includes the demolition of three separate, partially occupied apartment buildings with 112 units, and new construction of 158 condominium units, of which eight units (5%) will be reserved for purchase by very low-income households. The Project also includes approximately 33,000 square feet of common recreational amenities and 316 parking spaces located in subterranean levels and a surface parking lot.

A summary of HR&A’s qualifications is included as Attachment A to this letter.

Public Revenue Impacts in the City of Los Angeles

The Project will generate various forms of revenue to the City as a result of both its construction and long-term occupancy. The construction-related tax revenues will be a one-time event, whereas the operation of the Project, once it is occupied, will generate annual revenues to the City. These revenues are associated with a variety of taxes, some of which are unique to Los Angeles, and therefore accrue entirely to the City. Other revenues (e.g., property tax and sales tax) are shared between the City and other jurisdictions.

The tax revenue projections are based on the first round of Project-related spending only — i.e., the tax revenues derived directly from Project construction and residential occupancy. Secondary and tertiary sources of tax revenue will also be generated by the Project as a result of purchases from businesses supplying goods and services to the Project’s construction contractors and Project households, and as the employees in those business spend their wages. The amounts

of these indirect and induced tax revenues, and the degree to which they will accrue to the City of Los Angeles, are not susceptible to precise measurement in advance of Project completion. Therefore, the estimates presented here understate, to some unknown degree, the actual sum of tax revenues the Project will produce for the City.

For purposes of this analysis, only the 150 market rate condominiums have been assumed, because maximum pricing for the affordable units has not been established yet, and therefore certain of the tax revenues that are a function of unit costs cannot be determined.

Table 1 below summarizes the *one-time, construction-related tax revenues*, in both nominal and constant 2008 dollars.¹ According to our calculations, the Project will yield about \$461,000 in one-time development-related revenues (\$404,000 in constant 2008 dollars), primarily from the real estate transfer tax on the initial condominium sales and the gross receipts tax on contractor earnings, as well as from two construction taxes applicable to residential development. The calculation details for these estimates are included in Attachment B-1. The above projections do not include planning and construction permit or utility connection fees, because these fees are generally set at levels that are intended to directly offset City staff time to process them, and therefore they do not represent net new General Fund revenue to the City. Neither do they include the estimated costs of traffic and other environmental mitigation, all of which is also set at levels that offset Project impacts.

| Table 1 | | | |
|--|-------------------|-------------------|--|
| Estimate of One-Time Revenues to the City of Los Angeles from Construction of the Bellwood Condominiums Project | | | |
| One-Time Revenues | Totals | | |
| | in Nominal \$ | in 2008 \$ | |
| Real Estate Transfer Tax on Initial Sales | \$ 139,398 | \$ 114,947 | |
| Residential Development Tax | \$ 78,803 | \$ 70,783 | |
| Construction Materials Sales Tax | \$ 124,553 | \$ 111,878 | |
| Contractor Gross Receipts Tax | \$ 118,543 | \$ 106,524 | |
| Total One-Time Revenues | \$ 461,297 | \$ 404,132 | |
| Sources: City of Los Angeles; HR&A, Inc. | | | |

Table 2 summarizes the recurring *annual average revenues* over a 10-year period following Project completion an initial occupancy in 2011.² The Project will yield approximately \$701,000 per year (\$421,000 in constant 2008 dollars) in total revenues to the City. After deducting about \$119,000 in annual revenues associated with the existing 112 rental units, assuming they would continue to operate as-is in the absence of the Project over the same time period, the net annual average revenues to the City will be approximately \$582,000 (\$350,000 in constant 2008 dollars).

¹ The discount rate used in this analysis (6.64%) represents the yield on 10-year Treasury Bonds on the date the analysis was prepared, plus a 2% margin to approximate the relative investment risk associated with a development of this type.

² Unit sales are projected to be completed, and all units occupied, by 2011.

Table 2
Annual Average Tax Revenues to the City of Los Angeles
from Occupancy of the Bellwood Condominium Project and Existing Apartments, 2011-2021

| | Annual Averages ¹ | | | | | |
|--|------------------------------|---------------------------|--------------------------------|-----------------------|------------------------|--------------------------|
| | Project in Nominal \$ | Existing in Nominal \$ | Net Change in Nominal \$ | Project in 2008 \$ | Existing in 2008 \$ | Net Change in 2008 \$ |
| Annual Recurring Revenues | | | | | | |
| Sales Tax | \$ 63,331 | \$ 8,710 | \$ 54,621 | \$ 37,929 | \$ 4,892 | \$ 33,038 |
| Property Tax | \$ 512,751 | \$ 83,317 | \$ 429,434 | \$ 309,017 | \$ 50,212 | \$ 258,805 |
| Utility User's Tax | \$ 100,371 | \$ 24,531 | \$ 75,840 | \$ 59,252 | \$ 14,692 | \$ 44,560 |
| Gas Tax | \$ 5,487 | \$ 1,521 | \$ 3,966 | \$ 3,286 | \$ 911 | \$ 2,375 |
| Prop 172 Sales Tax | \$ 2,681 | \$ 739 | \$ 1,942 | \$ 1,606 | \$ 442 | \$ 1,163 |
| Documentary Transfer Tax on Resales | \$ 16,231 | \$ - | \$ 16,231 | \$ 9,721 | \$ - | \$ 9,721 |
| Total Annual Recurring Revenues | \$ 700,851 | \$ 118,818 | \$ 582,034 | \$ 420,811 | \$ 71,149 | \$ 349,662 |

¹ Totals for annual averages do not equal sum of individual values because of differences in number of years applicable to different taxes.

Source: HR&A, Inc.

Table 3 summarizes the *total annual revenues* to the City the over the same 10-year period (2011-2021), in both nominal and constant 2008 dollars. The Project will yield about \$7.7 million in total tax revenues (\$4.6 million in constant 2008 dollars). After deducting about \$1.3 million in annual revenues associated with the existing 112 rental units, again assuming they would continue to operate as-is in the absence of the Project over the same time period, the net total annual revenues to the City will be approximately \$6.4 million (\$3.8 million in constant 2008 dollars).

Table 3
Total Recurring Tax Revenues to the City of Los Angeles from
Occupancy of the Bellwood Condominium Project and Existing Apartments, 2011-2021

| 10-Year Totals | | | | | |
|--------------------------|---------------------------|-----------------------------|-----------------------|------------------------|--------------------------|
| Project in Nominal \$ | Existing in Nominal \$ | Net Change in Nominal \$ | Project in 2008 \$ | Existing in 2008 \$ | Net Change in 2008 \$ |
| \$ 696,643 | \$ 95,807 | \$ 600,836 | \$ 417,224 | \$ 53,807 | \$ 363,418 |
| \$ 5,640,258 | \$ 916,490 | \$ 4,723,769 | \$ 3,399,190 | \$ 552,337 | \$ 2,846,853 |
| \$ 1,104,079 | \$ 269,841 | \$ 834,238 | \$ 651,774 | \$ 161,610 | \$ 490,165 |
| \$ 60,353 | \$ 16,731 | \$ 43,622 | \$ 36,146 | \$ 10,020 | \$ 26,125 |
| \$ 29,491 | \$ 8,124 | \$ 21,367 | \$ 17,662 | \$ 4,865 | \$ 12,797 |
| \$ 178,538 | \$ - | \$ 178,538 | \$ 106,928 | \$ - | \$ 106,928 |
| \$ 7,709,363 | \$ 1,306,993 | \$ 6,402,370 | \$ 4,628,925 | \$ 782,639 | \$ 3,846,286 |

Source: HR&A, Inc.

The tax revenue estimates and projections are based on a case study approach that utilizes a combination of Project-specific data, generally accepted tax revenue estimating approaches and previous HR&A analysis for comparable projects. The estimates assume that all of the taxes that now apply to residential projects will remain in place as the Project is constructed and sold, and that these taxes will continue under the same tax rate formulae and rates that are now in effect.

Each tax revenue category utilizes a different estimation approach. These are briefly described below. Attachments B and C include the calculation details for each tax category for the Project and the existing apartment buildings, respectively.

- *Sales Tax Estimate.* The City receives one percent out of the 8.25 percent tax applicable to taxable sales by Project households. The balance of the tax goes to the County (1.25%), including the Metropolitan Transportation Authority, and the State (6.00%). The sales tax revenue estimates are based on a set of assumptions about the relationship between the price of proposed Project condominiums, and existing rentals, and household incomes, and the share of such incomes that are spent for taxable purchases, based on national consumer expenditures, and the share of such taxable expenditures that are likely to occur in the City. The Project will significantly increase the sales tax revenue to the City, because the total incomes of Project households, and hence the share of income spent on taxable items, is much higher than for the partially occupied apartment buildings. Details of the sales tax calculations are included in Attachment B-2 (for the Project's new condominiums) and Attachment C-1 (for the existing apartment buildings).
- *Property Tax Estimate.* Property tax includes a one percent levy on the assessed value of land and buildings, voter-approved indebtedness and direct assessments. The City of Los Angeles receives about 26 percent of the one percent general levy in the Tax Rate Area applicable to the Project site, and certain of the other property tax categories. Existing property tax was derived from the current tax bills for the Project site. The Project's total property tax, and the portion of it allocated to the City, were derived from the Project applicant's projected average weighted sale price of \$944,955 for market rate condominiums. The Project will significantly increase the property tax yield to the City, because the assessed value of the new units far exceeds the assessed value of the existing land and improvements at the Project site. Details of the property tax calculations are included in Attachment B-3 (for the Project's new condominiums) and Attachment C-2 (for the existing apartment buildings).
- *Utility Users' Tax Estimate.* The City charges a 12.5 percent tax on the cost of electricity and a 10.0 percent tax on the cost of natural gas, telephone and cable television. The Project's change from rentals to for-sale units will increase the revenues from this tax due to the larger number of occupied units. Details of this tax calculation are included in Attachment B-3 (for the Project's new condominiums) and Attachment C-2 (for the existing apartment buildings).
- *Gas Tax.* The State imposes a tax on the price of gasoline that is rebated to local governments to fund street improvements. The City collects approximately \$14.23 per capita from this tax. The Project will yield higher gas tax revenues for the City compared to the existing apartment buildings due to the higher Project population compared with the partially occupied existing apartment buildings. Details of this tax calculation are also included in Attachment B-3 (for the Project's new condominiums) and Attachment C-2 (for the existing apartment buildings).
- *Prop 172 Sales Tax.* The State also collects ½ cent of sales tax that is rebated to local jurisdictions to fund public safety programs. The City collects approximately \$6.95 per

capita from this tax. The Project will yield higher tax revenues for the City compared to the existing buildings due to a higher population at the Project site. Details of this tax calculation are also included in Attachment B-3 (for the Project's new condominiums) and Attachment C-2 (for the existing apartment buildings).

- *Documentary Transfer Tax on Condominium Resales.* The City imposes a 0.45 percent tax on the value of property sold, net of any mortgage debt. Assuming 10 percent of the market rate units are re-sold each year, and that the original value increases at about three percent per year, the City will net approximately \$13,000 per year in documentary transfer tax. The existing apartment buildings do not generate this type of tax revenue. Details of this tax calculation are also included in Attachment B-3 (for the Project's new condominiums) and Attachment C-2 (for the existing apartment buildings).

The 10-year projections of these tax revenues are included in Attachment B-4 (for the Project's new condominiums) and Attachment C-3 (for the existing apartment buildings).

Public Service Costs and Net Fiscal Impacts to the City of Los Angeles

The net fiscal impacts of a proposed development project are calculated by subtracting any recurring costs to provide public services to the project from the annual tax and other revenues it generates. Residential development is sometimes viewed as having net fiscal costs, because the service costs (e.g., public safety) are generally believed to exceed the tax revenues. But the net result depends entirely on how the accounting is performed, and whether "average" or "marginal" public service costs are used in the calculation.

In HR&A's view, "marginal" (or incremental) rather than "average" costs should be the basis for estimating public service costs for a development like the proposed Project. The marginal cost approach examines the degree to which a project's service demands can be accommodated by existing service capacities, or would cause the need for an expansion of capacity. On the other hand, it does not account for the sunk (i.e., already expended) cost of producing any existing surplus service capacity, nor the opportunity cost when a project uses up existing service capacity that will then no longer be available to future projects. The marginal cost approach also ignores costs for services that historically do not actually change as each new project is developed.³ It is, however, more consistent with the way traffic and other environmental impacts, are calculated. In HR&A's experience, the average cost approach is better suited to analysis of large-scale, long-term public investment decisions, such as the fiscal impacts of alternative General Plan buildout scenarios or annexations of large land areas.

The Project's Draft EIR concluded that the Project would not have any significant impacts on public services,⁴ and therefore it can be presumed that its marginal costs are not

³ For example, each new project does not typically result in an actual increase in the General Fund cost to operate the City's general government departments (e.g., Mayor, City Attorney, City Clerk, City Treasurer), nor its operating departments that charge fees for services.

⁴ _____, *Draft Environmental Impact Report, Bellwood Condominiums*, SCH No. _____, prepared for Jonathan Lehrer-Graiwer Separate Property Trust, ____ 2008 (hereinafter "Draft EIR"), Section IV. K (Public Services).

significant. For example, although the Project's additional population could require the addition of 47 square feet of library space,⁵ the annual costs for salaries, expenses and equipment to accommodate 47 additional square feet is very small compared with Project revenues. Additionally, the two closest libraries can jointly accommodate up to 150,000 residents, yet they currently only serve 94,144 residents. This indicates that these two libraries can easily absorb the increase in population resulting from the development of the Project.⁶

The Draft EIR also found that the existing Police and Fire Department capacities are adequate to serve the Project.⁷ It also found that the Project's impacts on the local schools and local recreation and park spaces would be less than significant.⁸

Alternatively, and notwithstanding the Draft EIR conclusions that the Project would not have any significant marginal impacts on public services, it is also possible to estimate the *average* costs of City services that are provided directly to households. City General Fund appropriations to its operating departments totaled \$6.817 billion in FY 2007-08.⁹ But only some City departments provide direct services to households, and only some of these are supported primarily by General Fund tax revenues, rather than fees for services or outside grants and other sources. The units of City government that tend to fit both of these criteria include the Police Department, Fire Department, Cultural Affairs Department, Parks and Recreation Department, and Libraries Department. Altogether, the General Fund appropriations for these five departments account for nearly half (45%) of all City appropriations.

Using the number of City residents and the number of non-resident employees working in the City, expressed as employee resident equivalents (to reflect their presence in the City for only about one-third the daily hours of full-time residents), it is possible to derive per-capita costs of each of these services. After adjusting the City expenditures by Department and Division to remove General Fund revenues from service charges, the balance was allocated on a per capita basis, and generated the per-capita tax amounts shown in Table 4. Two different methods are used to arrive at the overall public service costs of the Project. The first is based on salaries, expenses and equipment costs stated in the City's Budget Summary. The second is based on the direct costs of operations,¹⁰ also stated in the City's Budget Summary. Calculation details are included in Attachment D.

⁵ According to the Draft EIR (section IV.K, p. IV.K-41.), the requirement is 0.5 square feet per capita. With an increase of 93 residents, 47 square feet of additional library space would be necessary.

⁶ Draft EIR, Section IV.K., pp IV.K-41 to 42.

⁷ Draft EIR, Section IV.K, pp. IV.K-8 and K-15.

⁸ *Id.*, Section IV.K, p. IV.K-28 and 36.

⁹ City of Los Angeles, *Fiscal Year 2007-08 Budget Summary*, p. 21.

¹⁰ Includes appropriations plus applicable indirect costs (e.g., pensions and retirement, benefits, utility costs, building services and other operating costs, capital finance and wastewater, and liability claims).

| Table 4 Average Per-Capita City Service Costs for Departments Providing Direct Services to Households in the City of Los Angeles | | |
|---|--|---|
| City Departments | Per-Capita Costs Salaries, Expenses & Equipment | Per-Capita Costs Direct Cost of Operations |
| Police Department | \$268 | \$424 |
| Fire Department | \$117 | \$173 |
| Cultural Affairs | \$2 | \$3 |
| Parks & Recreation | \$29 | \$50 |
| Library | \$14 | \$25 |
| Total | \$430 | \$675 |
| Sources: City of Los Angeles. Budget Summary 2007-08, Summary of Appropriations and Budget Summary 2007-08, Direct Cost of Operation Including Costs in Other Appropriations; HR&A Advisors, Inc. | | |

After applying these per-capita average service cost factors to the population of the proposed Project and the existing apartment buildings, the resulting estimates of average service costs were compared to Project and existing apartment building revenues. These comparisons, which as summarized in Table 5, show that the Project will generate more revenue for the City than the average cost of City services delivered to the Project site, with and without consideration of the existing apartment buildings. Calculation details are also included in Attachment D.

| Table 5 Fiscal Impact of Bellwood Condominiums, Existing Apartments and Net Fiscal Impact to the City of Los Angeles | | | |
|---|-------------------|--------------------------------|-------------------|
| Fiscal Impact Categories | Project | Existing Apartments | Net Change |
| Annual Avg. Revenues ¹ | \$ 420,811 | \$ 71,149 | \$ 349,662 |
| Annual Avg. Service Costs ² (Salaries, Expenses & Equipment) | \$ (130,296) | \$ (35,890) | \$ (94,406) |
| Net Fiscal Impact | \$ 290,515 | \$ 35,259 | \$ 255,256 |
| Annual Avg. Revenues ¹ | \$ 420,811 | \$ 71,149 | \$ 349,662 |
| Annual Avg. Service Costs ² (Direct Cost of Operations) | \$ (204,472) | \$ (56,324) | \$ (148,148) |
| Net Fiscal Impact | \$ 216,339 | \$ 14,825 | \$ 201,514 |
| ¹ From Table 2 | | | |
| ² From Attachment D | | | |
| Source: HR&A Advisors, Inc. | | | |

More specifically, annual average Project revenues of \$420,811 minus average annual service costs of \$130,296 measured in terms of salaries, expenses and equipment costs yields a net positive annual total of \$290,515. When costs are measured in terms of the direct costs of operations, the Project is net positive \$216,339 per year. After accounting for revenues and service cost expenditures associated with existing apartment buildings, the Project has a net positive fiscal impact on the City of \$255,256, measured in terms of salaries, expenses and equipment costs. Using the alternative direct costs of operations approach, the Project has a net positive impact of \$201,514.

Please contact me by e-mail (psilvern@hraadvisors.com) or phone (310-581-0900) if you have any questions about the estimates and projections presented in this letter, or about any of the calculations presented in the Attachments.

Sincerely,

PAUL J. SILVERN,
Partner

ATTACHMENT A

Summary of Qualifications of HR&A Advisors, Inc.

SERVICES TO THE PUBLIC AND PRIVATE DEVELOPMENT COMMUNITY

HR&A Advisors, Inc. (HR&A) is a full service economic development, real estate advisory and public policy consulting firm. Founded in 1976, the firm has a distinguished track record of providing realistic answers to complex housing, real estate, economic development, public finance and strategic planning problems. HR&A clients include Fortune 500 corporations, all levels of government, the nation's leading foundations and not-for-profit agencies. The firm has extensive experience working for the legal community in such roles as court-appointed special master, consent decree monitor, technical advisor and expert witness.

HR&A practice lines include real estate analysis and advisory services, local and regional economic analysis, economic development program formulation and analysis, fiscal impact analysis, land use policy analysis, development impact fees, housing policy research and analysis, population forecasting and demographic analysis, and transportation system and other capital facilities analysis and financing.

Among the qualities for which HR&A is widely known and respected are the impeccable quality of its analysis, ability to invent new analytic methods and approaches to suit the needs of a particular client, independent professional judgment honed through extensive exposure to the rigors of the public review process and the scrutiny of the judicial system, the ability to translate complex technical analysis for a variety of non-technical audiences, and the extensive involvement of its Partners in every project it accepts.

HR&A's domestic and international consulting is provided by a staff of 25 people located in offices in the Los Angeles area and New York City. Staff members include public finance professionals, planners, economists, architects, lawyers and experienced project managers. Virtually every member of the firm has substantial public or private sector experience in financial and policy analysis, real estate development and planning.

HR&A provides the following analytic services to the real estate development community:

- ***Strategic Positioning and Project Management.*** HR&A has been retained by developers and public agencies to perform a variety of management assignments ranging from project conceptualization to management of the technical team responsible for project development. In addition to a thorough understanding of the development business, our clients particularly value our ability to think strategically about their projects. This has propelled the firm into the forefront of reuse planning for closed military bases and development of downtown and urban waterfront revitalization strategies. HR&A has been awarded multiple assignments to manage the interdisciplinary teams of architects, urban designers, engineers and others to develop market-sensitive urban development and redevelopment strategies such projects require.
- ***Financial Feasibility Analysis.*** HR&A has frequently been retained to provide specialized analytic services in all areas of real estate feasibility analysis. This includes pro forma development and review, cash flow modeling, investment return analysis, deal structuring, and the identification of equity, debt and subsidy resources. We have led and/or been key participants in negotiating many different kinds of real estate transactions on behalf of private and public clients, including experience with public ground lease deals.
- ***Economic and Fiscal Impact Analysis.*** HR&A regularly prepares analyses of the impacts development projects and planning proposals may have on the revenues and expenditures of local public agencies, and/or the regional economies in which they are situated. HR&A has analyzed the impacts of high-rise office buildings, shopping centers, hospital campuses, regional performing arts centers, museums, convention centers, major airports, large single-family subdivisions and condominium developments, and mixed-use developments.
- ***Developer Negotiations.*** All of HR&A's principles and senior staff are very experienced negotiators, and the firm has particular expertise in negotiating real estate transactions, often in the context of public-private development projects. These services have been performed on behalf of both private and public real estate clients, owing to our keen understanding of each party's interests and needs. HR&A has been involved in all aspects of the formal real estate negotiations process, from structuring the process through direct participation on behalf of clients and/or acting as technical advisor during the negotiation process. HR&A has participated in drafting Exclusive Negotiating Agreements, Memoranda of Understanding, Owner-Participation Agreements and Development Agreements, particularly with respect to financial terms and conditions.
- ***Other Socio-Economic Impacts Analyses.*** HR&A has a long history of experience in all aspects of population, housing, employment forecasting and analysis and public school impacts analysis. This includes special expertise in dealing with regional planning policies promoting "jobs-housing balance." The firm's population and public school enrollment forecasting has been relied on by several school districts in making long-term facilities decisions, and was cited in a State Appellate court case which determined that the Santa Barbara campus of the University of California was exempt from school impact fees.

- ***Developer Fees and Exactions.*** In the early 1980s HR&A was retained by several jurisdictions to design exaction systems in which the firm followed the basic principles of nexus and "fair share" later codified in the *Nollan* and *Dolan* decisions by the U.S. Supreme Court, the *Ehrlich* decision by the California Supreme Court and California Government Code Section 66000, *et seq.* More recently HR&A has been retained by a number of developers and developer/owner organizations to evaluate, critique and participate in seeking changes to adopted and proposed developer fee programs. The firm's technical rigor and thoughtfulness about these issues is respected by all sides in the continuing debate about this method of infrastructure financing. A related area of expertise is in the analysis of project impacts on school facilities, a topic of significant interest for many developers and school districts.

Private commercial development-related clients have included 20th Century Fox, Universal Studios, The Walt Disney Company, Olympia & York, Maguire Thomas Partners, JMB Realty Corporation, Gerald Hines Interests, Trammell Crow Company, General Growth Properties, Westfield Corporation, The Maserich Company, Tishman Speyer Properties, Reliance Development Group, Millenium Partners and the Trump Organization. Residential development clients include Centex Homes, K. Hovnanian Companies of California, Castle & Cook, Newhall Land & Farming Co., Olympia & York, Starrett Housing Corp., and William Lyon Homes, Casden Properties, Inc., and Bisno Development Company.

Public clients have included a variety of cities, counties, redevelopment agencies, school districts, universities and colleges, special authorities and transportation agencies. HR&A has also represented large foundations with land holdings that need to be converted to cash to further their charitable purposes.

The firm also has a long history of consulting for all of the players in the housing development business, including private housing developers, HUD, private housing lenders, public lenders, national intermediaries (e.g., NEF, CEF, LISC, Enterprise Foundation) and community-based, non-profit developers around the nation.

REPRESENTATIVE LIST OF CLIENTS

Real Estate Advisory Services

Financial Institutions & Investment Companies

American Council on Life Insurance
Citibank Private Banking Group
Citicorp Real Estate, Inc.
Community Preservation Corporation
First Union National Bank
Fleet Financial Group
Goldman Sachs
Hartland Asset Management
Lehman Bros.
Shorebank Corporation

Real Estate Development Organizations and Private Companies

ARC Development
ARCORP Properties
Bermant Development Company
Boeing Realty Corporation
Casden Properties, Inc.
Castle & Cook Development Company
Centex Homes
Continental Development Corporation
Daniel Island Development Company
Disney Development Corporation
Edward J. Minskoff Equities
Gaylord Entertainment
General Growth Properties
Gibson Speno LLC
Home Depot Company
JMB Urban Realty Corporation
K. Hovnanian Companies of California
Landmark Land Company
Madison Square Garden
Maefield Development Corporation
Maserich Company
Maguire Thomas Partners
Millennium Partners
Newhall Land & Farming Company
New York Times Company
Olympia & York (USA)
The Related Companies
Reliance Development Group
Santa Monica Beach Development Corporation
Starrett Housing Corporation
Sunset Development Corporation
Tishman Speyer Properties
Trammell Crow Company
Trammell Crow Residential
TransAction Companies, Ltd.
Twentieth Century Fox
Universal Studios, Inc.
The Walt Disney Company
Westfield Corporation, Inc.
William Lyon Homes
World Financial Properties

Public Development Agencies

Alliance for Downtown New York
Battery Park City Authority
Brooklyn Bridge Park Development
Brooklyn Navy Yard Development Corporation
Catskill Watershed Corporation
Catholic Charities of Brooklyn
Cincinnati Business Committee
Columbus Downtown Redevelopment Corporation
Downtown Brooklyn Local Development Corporation
Economic Development Growth Enterprises, Oneida Co., NY
Empire State Development Corporation
Inland Valley Development Agency
Memphis Riverfront Development Corp.
National Capital Revitalization Corp.
New York City Economic Development Corporation
New York State Urban Development Corporation
Penmar Development Corporation
Port Authority of New York and New Jersey
Queens West Development Corporation

Cultural, Recreational & Special Events Clients

American Museum of Natural History
Brooklyn Academy of Music Corporation
Brooklyn Museum of Art
City of New Haven Arts & Entertainment Facilities Committee
Lincoln Center for the Performing Arts
Madison Square Garden
New Jersey Performing Arts Center
NYC2008
Public Space for Public Life
Randall's Island Sports Foundation
The Trust for Public Land

Other Quasi-Public and Non-Profit Organizations and Foundations

Apartment Association of Greater Los Angeles
The Bowery Mission
Common Ground Community
Cornell University

Other Quasi-Public and Non-Profit Organizations and Foundations (continued)

Corporation for Supportive Housing
Community Services Society of
New York
The Enterprise Foundation
Ford Foundation
Gay Men's Health Crisis
Griffiss Local Development Corporation
Harry Frank Guggenheim Foundation
Kaiser Permanente
Local Initiatives Support Corporation
Los Angeles Collaborative for Community
Development
Metropolitan Boston Housing Partnership
Metropolitan Jewish Geriatric Center
National Equity Fund
Neighborhood Progress, Inc.
New York Blood Center
Newark Alliance
Saint John's Hospital and Health Center
Saint Vincent's Hospital
San Gabriel Valley Council of Governments
Spanish-American Merchant's Assoc.
University of California, Los Angeles
University of California, Santa Barbara
Upper Manhattan Empowerment Zone
Development Corp.
Williamsburg Affordable Housing
Westside Urban Forum

Governmental Agencies

Boulder Urban Renewal Authority
City of Berkeley Rent Stabilization Board
City of Beverly Hills
City of Chester (PA)
City of Columbus
City of Culver City (CA)
City of Detroit
City of Houston
City of Huntington Beach (CA)
City of Indianapolis
City of Los Angeles
City of New York
City of Olathe (KS)
City of Phoenix
City of San Luis Obispo (CA)
City of Santa Monica
City of West Hollywood (CA)
City of Yonkers
Community Redevelopment Agency of the City
of Los Angeles
Compton Unified School District (CA)
County of Santa Barbara
District of Columbia
New Jersey Department of Commerce and
Economic Development
Redevelopment Authority of the
City of Philadelphia
San Diego Association of Governments
Santa Ana Unified School District (CA)
Santa Monica-Malibu Unified
School District

Southern California Association of Governments
Yonkers Office of Downtown &
Waterfront Development

Transportation Agencies

City of Chicago Department of Airports
Connecticut Dept. of Transportation
Delaware Dept. of Transportation

Los Angeles County Metropolitan
Transportation Authority
Los Angeles World Airports
Massachusetts Bay Transportation
Authority
New Jersey Transportation Corp.
New York Metropolitan Transportation
Authority
San Diego County Regional Airport Authority
U.S. Dept. of Transportation

Housing Agencies

Chicago Housing Authority
Community Redevelopment Agency of the City
of Los Angeles
Cuyahoga Metropolitan Housing Authority (IN)
Detroit Housing Commission
Housing Authority of Baltimore City
Housing Authority of the City of Houston
Housing Authority of the County of Los Angeles
Housing Authority of the City of Santa Monica
Housing Bureau, City of Long Beach
Indianapolis Housing Authority
Los Angeles Housing Department
New York City Housing Authority
New York City Housing Development
Corporation
New York State Housing Finance Agency
Omaha Housing Authority (NE)
Philadelphia Housing Authority
Redevelopment Authority of the City of
Philadelphia
St. Louis Housing Authority (MO)
United States Department of Housing and Urban
Development

ATTACHMENT B

Revenue Calculation Details

- B-1 One-Time Construction-Related Revenues**
- B-2 Annual Sales Tax Revenues**
- B-3 Annual Tax Revenues from Other Sources**
- B-4 10-Year Projection of Project Revenues**

B-1 One-Time Construction-Related Revenues

Assumption Sources

Initial Documentary Transfer Tax

| | |
|----------------------------------|-------------------|
| # Homes | 150 |
| Avg. Price/Home | 944,955 |
| Total Sales | \$ 141,743,250 |
| Debt Percentage | 80% |
| Net Taxable | \$ 28,348,650 |
| Tax Rate | 0.45% |
| Initial Tax Revenue to LA | \$ 127,569 |

RTI Properties, Inc.
RTI Properties, Inc.

HR&A

City of LA

Construction Materials Sales Tax

| | |
|--------------------------------|-------------------|
| Hard Construction Cost | \$ 47,417,090 |
| Materials Share | 50.00% |
| Materials Share Subject to Tax | 50.00% |
| Tax Rate | 1.00% |
| Taxes Revenue to LA | \$ 118,543 |

RTI Properties, Inc.
HR&A

State law (includes 0.75% and 0.25% remitted as property tax)

Assumes contractor takes out sub-permit designating site as point of sale

Residential Development Tax

| | |
|----------------------------|------------------|
| # Homes | 150 |
| Tax/Home | \$ 500 |
| Taxes Revenue to LA | \$ 75,000 |

RTI Properties, Inc.
City of LA

Gross Receipts Tax

| | |
|------------------------------|------------------|
| Contractor's Tax | |
| Hard Construction Cost Total | \$ 47,417,090 |
| Tax Rates | |
| Base | \$ 159.00 |
| Per \$1,000 >\$60,000 | \$ 1.05 |
| Contractor Tax | \$ 49,884 |

RTI Properties, Inc.

City of LA

City of LA

Construction Phasing¹

| | | | | | | | | | | | | | <u>Totals</u> | |
|--------------------------|------|---------|-------------|--|------------|---------------------------|------------|-----------------------------------|-----------|---------------------------------|------------|------------|---------------|------------|
| | | | Year | Initial Documentary Transfer Tax | 2008 \$ | Construction Materials | 2008 \$ | Residential Development Tax | 2008 \$ | Contractor Gross Receipts | 2008 \$ | Nominal \$ | 2008 \$ | 2008 \$ |
| | 2008 | 0.00% | 1 | 2008 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2009 | 33.00% | 2 | 2009 | \$ - | \$ - | \$ 40,293 | \$ 37,784 | \$ 25,493 | \$ 23,905 | \$ 39,119 | \$ 36,683 | \$ 104,904 | \$ 98,372 |
| | 2010 | 67.00% | 3 | 2010 | \$ - | \$ - | \$ 84,261 | \$ 74,094 | \$ 53,310 | \$ 46,878 | \$ 79,424 | \$ 69,841 | \$ 216,994 | \$ 190,813 |
| | 2011 | 0.00% | 4 | 2011 | \$ 139,398 | \$ 114,947 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 139,398 | \$ 114,947 |
| | | 100.00% | | Total | \$ 139,398 | \$ 114,947 | \$ 124,553 | \$ 111,878 | \$ 78,803 | \$ 70,783 | \$ 118,543 | \$ 106,524 | \$ 461,297 | \$ 404,132 |
| | | | | | | \$ 114,947 | | \$ 111,878 | | \$ 70,783 | | \$ 106,524 | | \$ 404,132 |
| Sales¹ | | | Annual Avg. | \$ | 69,699 | \$ 57,473 | \$ 42,130 | \$ 37,047 | \$ 26,655 | \$ 23,439 | \$ 39,712 | \$ 34,920 | \$ 153,766 | \$ 134,711 |
| | 2009 | 0.00% | | | | | | | | | | | | |
| | 2010 | 0.00% | | | | | | | | | | | | |
| | 2011 | 100.00% | | | | | | | | | | | | |
| | | 100.00% | | | | | | | | | | | | |

¹ Per RTI Properties, Inc.

Ann. Inflation (prop. value)= 3.00% (HR&A)
 Ann. Inflation (general)= 3.00% (HR&A)
 Ann. Tax Rate Reduction to 2010 = 3.00% (HR&A)
 Discount rate = 6.640%
 (4.64% 10-year Treasury Yield + 2% Risk Margin)
 (Bloomberg 5/28/08)

B-2 Annual Sales Tax Revenue

Annual Sales Tax Revenue

Household Spending Impacts

| | | | |
|-----------------------------------|----|----------|--------------------------|
| Total Condos | | 150 | RTI Properties |
| Average Selling Price (wtd. avg.) | \$ | 944,955 | RTI Properties (2008 \$) |
| Mortgage % | | 80% | |
| Annual Mortgage Payment | | \$54,118 | 6%, 30 years, 5/1 adj. |
| Property Tax Rate | | 1.17% | TRA 00067 |
| Homeowner's Deduction | \$ | 7,000 | |
| Prop. Tax/Yr. | \$ | 11,018 | |
| Property Insurance/Yr. | \$ | 3,000 | \$250 |
| HOA Dues/Yr. (weighted avg.) | \$ | 6,000 | \$500 |
| Total Housing Cost/Yr. | \$ | 74,136 | |
| Housing Cost/Household Income | | 30% | |

| | | | |
|--|----|------------|------|
| Required Gross Hhld. Income | \$ | 247,120 | |
| Total Project Gross Hhld. Income | \$ | 37,068,039 | |
| Total From Occupied Units | \$ | 37,068,039 | 100% |
| Annual Hhld. Spending/Total Hhld. Income | | 54.40% | |
| Annual Hhld. Spending | \$ | 20,165,095 | |
| Total Taxable Spending/Total Spending | | 38.70% | |
| Total Annual Taxable Spending | \$ | 7,804,433 | |
| Total Annual Taxable Spending in LA | | 63.78% | |
| | \$ | 4,977,651 | |
| City Tax Rate | | 1.00% | |

Annual Tax Revenue to LA

| |
|------------------|
| \$ 49,777 |
|------------------|

Assumption Sources

| |
|--|
| RTI Properties, Inc. |
| RTI Properties, Inc. |
| HR&A |
| HR&A |
| LA County Assessor |
| LA County Assessor |
| HR&A |
| RTI Properties, Inc. |
| HR&A, considering 2000 US Census Bureau data for % paid for owned housing costs vs. income in high-income hhlds in LA City |
| HR&A |
| US Bureau of Labor Statistics; HR&A |
| US Bureau of Labor Statistics; HR&A |
| HR&A |
| Includes 0.25% remitted as property tax per "triple flip" |

**Derivation of Taxable Spending as Percentage of Household Income
Based on National Averages for Higher-Income Households**

| Hhld. Spending Category | Amount | Percent | | % of Project Household Purchases in City of LA | Taxable Purchases in LA |
|--|------------|---------|-----|---|----------------------------|
| Hhld. Income Before Taxes | \$ 236,545 | | | | |
| Personal Taxes | \$ 15,684 | | | | |
| Income After Taxes | \$ 220,861 | | | | |
| Annual Consumer Expenditures | \$ 128,681 | 100.00% | | | |
| Hhld. Expenditures/Income Before Taxes | 54.40% | | | | |
| Food Away from Home | \$ 6,293 | 4.89% | Yes | 75% | \$ 4,720 |
| Alcoholic Beverages | \$ 1,419 | 1.10% | Yes | 95% | \$ 1,348 |
| Household Furnishings & Equipment | \$ 5,388 | 4.19% | Yes | 75% | \$ 4,041 |
| Housekeeping Supplies | \$ 1,399 | 1.09% | Yes | 95% | \$ 1,329 |
| Apparel & Services | \$ 4,983 | 3.87% | Yes | 75% | \$ 3,737 |
| Transportation | \$ 21,097 | 16.39% | Yes | 50% | \$ 10,549 |
| Entertainment (less Fees & Admissions) | \$ 4,987 | 3.88% | Yes | 50% | \$ 2,494 |
| Personal Care Products & Services | \$ 1,322 | 1.03% | Yes | 95% | \$ 1,256 |
| Tobacco Products | \$ 216 | 0.17% | Yes | 95% | \$ 205 |
| Reading | \$ 309 | 0.24% | Yes | 95% | \$ 294 |
| Miscellaneous | \$ 2,390 | 1.86% | Yes | 75% | \$ 1,793 |
| Subtotal Taxable | \$ 49,803 | 38.70% | | | \$ 31,764 |
| Food at Home | \$ 5,736 | 4.46% | No | | |
| All Other Housing Costs | \$ 34,792 | 27.04% | No | | |
| Health Care | \$ 4,984 | 3.87% | No | | |
| Entertainment-Fees & Admissions | \$ 2,619 | 2.04% | No | | |
| Education | \$ 4,414 | 3.43% | No | | |
| Cash Contributions | \$ 7,141 | 5.55% | No | | |
| Personal Insurance and Pensions | \$ 19,633 | 15.26% | No | | |
| Subtotal Non-Taxable | \$ 79,319 | 61.64% | | | |

B-3 Annual Tax Revenues from Other Sources

| <u>Assumption Sources</u> | | | <u>Assumption Sources</u> | | |
|--|-------------------|--|---|------------------|--|
| Annual Property Tax Revenue | | | Prop. 172 Sales Tax Revenues | | |
| # Homes | 150 | RTI Properties, Inc. | Total City population | 4,045,873 | DOF |
| Avg. Price/Home | \$ 944,955 | RTI Properties, Inc. | Total City employment | 1,619,613 | SCAG, interpolation from |
| Total Sales | \$ 141,743,250 | | | | 2004 Regional Transportation Plan, Small Area Forecast |
| Homeowners Exemption/Home | \$ 7,000 | County Assessor | Total daytime population | 5,665,486 | |
| Homeowners Exemption Total | \$ 1,050,000 | | Resident population/total | 71.41% | |
| Assessed Value | \$ 140,693,250 | | Budgeted Prop 172 Sales Tax Revenues | \$ 39,400,122 | City of LA FY 2007-08 |
| Prop. Tax Rate (General Levy) | 1.00% | County Assessor | Resident population share of Prop 172 Revenue | \$ 28,136,666 | |
| General Levy Property Tax | \$ 1,406,933 | | Resident Prop 172 Revenue per capita | \$ 6.95 | |
| City of LA Share (TRA 00067) | 26.28972320% | County Assessor | # Homes | 150 | RTI Properties, Inc. |
| City of LA Share \$ | \$ 369,879 | | Persons per unit | 2.02 | 2000 US Census Bureau, |
| Voter-approved indebtedness to LA (share) | 0.03805100% | County Assessor | | | considering West Los Angeles Community Plan Area |
| Voter-approved indebtedness to LA \$ | \$ 53,535 | | Project Population | 303 | |
| Special Assessments to LA (share) | 0.00949378% | HR&A | Annual Revenue to City of LA | \$ 2,107 | |
| Special Assessments to LA \$ | \$ 13,357 | | | | |
| Annual Revenue to City of LA | \$ 436,771 | | | | |
| Annual Utility Users' Tax Revenue | | | Documentary Transfer Tax on Annual Resales | | |
| # Homes | 150 | RTI Properties, Inc. | # Resales per Year (10%) | 15 | HR&A |
| Electricity | | | 2008 Sale Price per Unit | \$ 944,955 | RTI Properties, Inc. |
| Avg. Annual Bill/Household | \$ 1,500 | HR&A | Total Annual Sales | \$ 14,174,325 | |
| Tax Rate | 12.50% | City of LA | Debt Percentage | 80% | HR&A |
| Subtotal Tax Revenue | \$ 28,125 | | Net Taxable | \$ 2,834,865 | |
| Natural Gas | | | Tax Rate | 0.45% | City of LA |
| Avg. Annual Bill/Household | \$ 1,200 | HR&A | Annual Revenue to City of LA | \$ 12,757 | |
| Tax Rate | 10.00% | City of LA | | | |
| Subtotal Tax Revenue | \$ 18,000 | | | | |
| Telephone (landline, wireless, fax, modem) | | | | | |
| Avg. Annual Bill/Household | \$ 1,200 | HR&A | | | |
| Tax Rate | 10.00% | City of LA | | | |
| Subtotal Tax Revenue | \$ 18,000 | | | | |
| Cable TV | | | | | |
| Avg. Annual Bill/Household | 600 | HR&A | | | |
| Tax Rate | 10.00% | City of LA | | | |
| Subtotal Tax Revenue | \$ 9,000 | | | | |
| Annual Revenue to City of LA | \$ 73,125 | | | | |
| Gas Tax Revenue | | | | | |
| Total City population | 4,045,873 | DOF 1/1/2008 | | | |
| Total City employees | 1,619,613 | SCAG, interpolation from | | | |
| | | 2004 Regional Transportation Plan, Small Area Forecast | | | |
| Total daytime population | 5,665,486 | | | | |
| Resident population/total | 71.41% | | | | |
| Budgeted Gas Tax Revenue | \$ 80,632,000 | City of LA FY 2007-08 | | | |
| Resident population share of Gas Tax Revenue | \$ 57,581,438 | | | | |
| Resident Gas Tax Revenue per capita | \$ 14.23 | | | | |
| # Homes | 150 | RTI Properties, Inc. | | | |
| Persons per unit | 2.02 | Per Draft EIR | | | |
| Project Population | 303 | | | | |
| Annual Revenue to City of LA | \$ 4,312 | | | | |

B-4 10-Year Projection of Project Revenues

| Year | | Sales Tax | | Property Tax | | Utility Tax | | Gas Tax | | Prop 172 | | Doc. Transfer Tax | | Total | |
|----------------|------|------------|------------|--------------|--------------|--------------|------------|------------|-----------|------------|-----------|-------------------|------------|--------------|--------------|
| | | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ |
| 1 | 2008 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | 2009 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | 2010 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4 | 2011 | \$ 54,392 | \$ 44,851 | \$ 463,505 | \$ 382,203 | \$ 79,906 | \$ 65,890 | \$ 4,712 | \$ 3,886 | \$ 2,303 | \$ 1,899 | \$ 13,940 | \$ 11,495 | \$ 618,757 | \$ 510,223 |
| 5 | 2012 | \$ 56,024 | \$ 43,320 | \$ 472,775 | \$ 365,573 | \$ 82,303 | \$ 63,641 | \$ 4,854 | \$ 3,753 | \$ 2,372 | \$ 1,834 | \$ 14,358 | \$ 11,102 | \$ 632,685 | \$ 489,223 |
| 6 | 2013 | \$ 57,705 | \$ 41,842 | \$ 482,230 | \$ 349,666 | \$ 84,772 | \$ 61,468 | \$ 4,999 | \$ 3,625 | \$ 2,443 | \$ 1,771 | \$ 14,789 | \$ 10,723 | \$ 646,938 | \$ 469,096 |
| 7 | 2014 | \$ 59,436 | \$ 40,414 | \$ 491,875 | \$ 334,452 | \$ 87,315 | \$ 59,370 | \$ 5,149 | \$ 3,501 | \$ 2,516 | \$ 1,711 | \$ 15,232 | \$ 10,357 | \$ 661,524 | \$ 449,805 |
| 8 | 2015 | \$ 61,219 | \$ 39,034 | \$ 501,713 | \$ 319,900 | \$ 89,935 | \$ 57,344 | \$ 5,304 | \$ 3,382 | \$ 2,592 | \$ 1,652 | \$ 15,689 | \$ 10,004 | \$ 676,450 | \$ 431,315 |
| 9 | 2016 | \$ 63,055 | \$ 37,702 | \$ 511,747 | \$ 305,981 | \$ 95,906 | \$ 57,344 | \$ 5,463 | \$ 3,266 | \$ 2,669 | \$ 1,596 | \$ 16,160 | \$ 9,662 | \$ 695,000 | \$ 415,551 |
| 10 | 2017 | \$ 64,947 | \$ 36,415 | \$ 521,982 | \$ 292,667 | \$ 102,274 | \$ 57,344 | \$ 5,627 | \$ 3,155 | \$ 2,749 | \$ 1,542 | \$ 16,645 | \$ 9,333 | \$ 714,224 | \$ 400,455 |
| 11 | 2018 | \$ 66,895 | \$ 35,172 | \$ 532,421 | \$ 279,933 | \$ 109,065 | \$ 57,344 | \$ 5,795 | \$ 3,047 | \$ 2,832 | \$ 1,489 | \$ 17,144 | \$ 9,014 | \$ 734,154 | \$ 385,999 |
| 12 | 2019 | \$ 68,902 | \$ 33,971 | \$ 543,070 | \$ 267,753 | \$ 116,307 | \$ 57,344 | \$ 5,969 | \$ 2,943 | \$ 2,917 | \$ 1,438 | \$ 17,659 | \$ 8,706 | \$ 754,824 | \$ 372,155 |
| 13 | 2020 | \$ 70,969 | \$ 32,812 | \$ 553,931 | \$ 256,103 | \$ 124,030 | \$ 57,344 | \$ 6,148 | \$ 2,843 | \$ 3,004 | \$ 1,389 | \$ 18,188 | \$ 8,409 | \$ 776,272 | \$ 358,899 |
| 14 | 2021 | \$ 73,098 | \$ 31,692 | \$ 565,010 | \$ 244,959 | \$ 132,266 | \$ 57,344 | \$ 6,333 | \$ 2,746 | \$ 3,094 | \$ 1,342 | \$ 18,734 | \$ 8,122 | \$ 798,535 | \$ 346,204 |
| Total | | \$ 696,643 | \$ 417,224 | \$ 5,640,258 | \$ 3,399,190 | \$ 1,104,079 | \$ 651,774 | \$ 60,353 | \$ 36,146 | \$ 29,491 | \$ 17,662 | \$ 178,538 | \$ 106,928 | \$ 7,709,363 | \$ 4,628,925 |
| | | | \$ 417,224 | | \$ 3,399,190 | | \$ 651,774 | | \$ 36,146 | | \$ 17,662 | | \$ 106,928 | | \$ 4,628,925 |
| Annual Average | | \$ 63,331 | \$ 37,929 | \$ 512,751 | \$ 309,017 | \$ 100,371 | \$ 59,252 | \$ 5,487 | \$ 3,286 | \$ 2,681 | \$ 1,606 | \$ 16,231 | \$ 9,721 | \$ 700,851 | \$ 420,811 |

Ann. Inflation (property tax) = 2.00% (HR&A)
 Ann. Inflation (property value) = 3.00% (HR&A)
 Ann. Inflation (all others) = 3.00% (HR&A)
 Discount rate = 6.640%
 (4.64% 10-year Treasury Yield + 2% Risk Margin)
 (Bloomberg 5/28/08)

Occupancy

Pre-2011 0%
 2011 100%

ATTACHMENT C

Revenue Calculations for Existing Apartment Buildings

C-1 Profile of Current Buildings

C-2 Sales Tax and Other Recurring Tax Revenues

C-3 10-Year Revenue Projections

C-1 Profile of Current Buildings

Rent Roll

| | | | <u>Monthly</u> | <u>Annually</u> | <u>Assumption Source</u> |
|------------|---------------------------------|-----------|----------------|-------------------|--------------------------|
| Bellwood-1 | 82 Units | \$ | 56,902 | \$ 682,824 | RTI Properties, Inc. |
| | Vacancies 27 Units | \$ | (17,749) | \$ (212,988) | RTI Properties, Inc. |
| | Total | \$ | 39,153 | \$ 469,836 | |
| Bellwood-2 | 17 Units | \$ | 15,472 | \$ 185,667 | RTI Properties, Inc. |
| | Vacancies 2 Units | \$ | (2,250) | \$ (27,000) | RTI Properties, Inc. |
| | Total | \$ | 13,222 | \$ 158,667 | |
| Bellwood-3 | 13 Units | \$ | 14,311 | \$ 171,728 | RTI Properties, Inc. |
| | Vacancies 1 Unit | \$ | (857) | \$ (10,284) | RTI Properties, Inc. |
| | Total | \$ | 13,454 | \$ 161,444 | |
| | Grand Total | \$ | 65,829 | \$ 789,947 | |
| | Grand Total (Fully Rented) | \$ | 86,685 | \$ 1,040,219 | |
| | Average per Unit | \$ | 774 | \$ 9,288 | |
| | Average per Bachelor/Sing | \$ | 701 | \$ 8,408 | |
| | Quantity of Bachelor/Sing | | 96 | | |
| | Average per 1 Bedroom l | \$ | 1,201 | \$ 14,415 | |
| | Quantity of 1 Bedrooms | | 14 | | |
| | Average per 2 Bedroom l | \$ | 1,300 | \$ 15,600 | |
| | Quantity of 2 Bedrooms | | 2 | | |
| | Average per Unit (wtd. i | \$ | 774 | \$ 9,288 | |

Occupancy

| <u>Assumption</u> | <u>Assumption Source</u> |
|-------------------------|--------------------------|
| Population per Unit | 1.02 HR&A |
| Total Population | 114 |

C-2 Sales Tax and Other Recurring Tax Revenues

| | | <u>Assumption Sources</u> |
|--|-----------------|---|
| Annual Sales Tax Revenue | | |
| <i>Household Spending Impacts</i> | | |
| Total Units | 112 | RTI Properties, Inc. |
| Total Housing Cost/Yr. | \$ 9,288 | |
| Housing Cost/Household Income | 30% | HR&A |
| Required Gross Hhld. Income | \$ 30,959 | |
| Total Project Gross Hhld. Income | \$ 3,467,397 | |
| Total From Occupied Units | \$ 2,538,630 | 73% per RTI Properties, Inc. |
| Annual Hhld. Spending/Total Hhld. Income | 101.22% | US Bureau of Labor Statistics; HR&A |
| Annual Hhld. Spending | \$ 2,569,590 | |
| Total Taxable Spending/Total Spending | 41.83% | US Bureau of Labor Statistics; HR&A |
| Total Annual Taxable Spending | \$ 1,074,737 | |
| Total Annual Taxable Spending in LA | \$ 684,559 | 63.70% HR&A |
| City Tax Rate | 1.00% | Includes 0.25% remitted as property tax per "triple flip" |
| Annual Tax Revenue to City of LA | \$ 6,846 | |

| | | |
|---|---------------|-----------------------|
| Prop. 172 Sales Tax Revenues | | |
| Total City population | 4,045,873 | DOF |
| Total City employment | 1,619,613 | SCAG |
| Total daytime population | 5,665,486 | |
| Resident population/total | 71.41% | |
| Budgeted Prop 172 Sales Tax Revenues | \$ 39,400,122 | City of LA FY 2007-08 |
| Resident population share of Prop 172 Revenue | \$ 28,136,666 | |
| Resident Prop 172 Revenue per capita | \$ 6.95 | |
| # Units | 112 | RTI Properties, Inc. |
| Persons per unit | 1.02 | HR&A |
| Project Population | 114 | |
| Total Annual Revenue to City of LA | 793 | |
| Occupancy Factor | 73% | |
| Annual Revenue to City of LA | \$ 580 | |

| | | <u>Assumption Sources</u> |
|---|------------------|---------------------------------------|
| Annual Property Tax Revenue | | |
| Assessed Value | \$ 22,861,348 | County Assessor; RTI Properties, Inc. |
| Prop. Tax Rate (General Levy) | 1.00% | County Assessor |
| General Levy Property Tax | \$ 228,613 | |
| City of LA Share (TRA 00067) | 26.28972320% | County Assessor |
| City of LA Share \$ | \$ 60,102 | |
| Voter-approved indebtedness to LA (share) | 0.03805100% | County Assessor |
| Voter-approved indebtedness to LA \$ | \$ 8,699 | |
| Special Assessments to LA (share) | 0.00949378% | HR&A |
| Special Assessments to LA \$ | \$ 2,170 | |
| Annual Tax Revenue to City of LA | \$ 70,971 | |

| | | |
|---|------------------|--|
| Annual Utility Users' Tax Revenue | | |
| # Units | 112 | RTI Properties |
| Electricity | | |
| Avg. Annual Bill/Household | \$ 254 | HR&A; LA County Utility Allowance Schedule |
| Tax Rate | 12.50% | City of LA |
| Subtotal Tax Revenue | \$ 3,549 | |
| Natural Gas | | |
| Avg. Annual Bill/Household | \$ 234 | HR&A; LA County Utility Allowance Schedule |
| Tax Rate | 10.00% | City of LA |
| Subtotal Tax Revenue | \$ 2,626 | |
| Telephone (landline, wireless, fax, modem) | | |
| Avg. Annual Bill/Household | \$ 1,200 | HR&A |
| Tax Rate | 10.00% | City of LA |
| Subtotal Tax Revenue | \$ 13,440 | |
| Cable TV | | |
| Avg. Annual Bill/Household | 600 | HR&A |
| Tax Rate | 10.00% | City of LA |
| Subtotal Tax Revenue | \$ 6,720 | |
| Total Annual Property Tax to LA | \$ 26,335 | |
| Occupancy Factor | 73% | |
| Annual Tax Revenue to City of LA | \$ 19,281 | |

| | | |
|--|-----------------|-----------------------|
| Gas Tax Revenue | | |
| Total City population | 4,045,873 | DOF |
| Total City employees | 1,583,636 | SCAG |
| Total daytime population | 5,629,509 | |
| Resident population/total | 71.87% | |
| Budgeted Gas Tax Revenue | \$ 80,632,000 | City of LA FY 2007-08 |
| Resident population share of Gas Tax Revenue | \$ 57,949,433 | |
| Resident Gas Tax Revenue per capita | \$ 14.32 | |
| # Units | 112 | RTI Properties, Inc. |
| Persons per Unit | 1.02 | HR&A |
| Project Population | 114 | |
| Total Annual Revenue to City of LA | 1,633 | |
| Occupancy Factor | 73% | |
| Annual Tax Revenue to City of LA | \$ 1,195 | |

**Derivation of Taxable Spending as Percentage of Household Income
Based on National Averages for Average-Income Households**

| Hhld. Spending Category | Amount | Percent | | Taxable Purchases | |
|--------------------------------------|-----------|---------|-----|--|-----------|
| | | | | % of Project Household Purchases in City of LA | in LA |
| Hhld. Income Before Taxes | \$ 34,685 | | | | |
| Personal Taxes | \$ 769 | | | | |
| Income After Taxes | \$ 33,916 | | | | |
| Annual Consumer Expenditures | \$ 35,108 | 100.00% | | | |
| Hhld. Expenditures/Income Before Tax | 101.22% | | | | |
| Food Away from Home | \$ 1,970 | 5.61% | Yes | 75% | \$ 1,478 |
| Alcoholic Beverages | \$ 384 | 1.09% | Yes | 95% | \$ 365 |
| Household Furnishings & Equipmen | \$ 1,021 | 2.91% | Yes | 75% | \$ 766 |
| Housekeeping Supplies | \$ 472 | 1.34% | Yes | 95% | \$ 448 |
| Apparel & Services | \$ 1,297 | 3.69% | Yes | 75% | \$ 973 |
| Transportation | \$ 6,770 | 19.28% | Yes | 50% | \$ 3,385 |
| Entertainment (less Fees & Admissi | \$ 1,285 | 3.66% | Yes | 50% | \$ 643 |
| Personal Care Products & Services | \$ 450 | 1.28% | Yes | 95% | \$ 428 |
| Tobacco Products | \$ 383 | 1.09% | Yes | 95% | \$ 364 |
| Reading | \$ 80 | 0.23% | Yes | 95% | \$ 76 |
| Miscellaneous | \$ 572 | 1.63% | Yes | 75% | \$ 429 |
| Subtotal Taxable | \$ 14,684 | 41.82% | | | \$ 9,353 |
| | | | | | \$ 62.79% |
| Food at Home | \$ 2,719 | 7.74% | No | | |
| All Other Housing Costs | \$ 10,796 | 30.75% | No | | |
| Health Care | \$ 2,498 | 7.12% | No | | |
| Entertainment-Fees & Admissions | \$ 294 | 0.84% | No | | |
| Education | \$ 398 | 1.13% | No | | |
| Cash Contributions | \$ 1,181 | 3.36% | No | | |
| Personal Insurance and Pensions | \$ 2,537 | 7.23% | No | | |
| Subtotal Non-Taxable | \$ 20,423 | 58.17% | | | |

Source: 2006 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; HR&A, Inc.

C-3 10-Year Revenue Projections

| Year | Sales Tax | | Property Tax | | Utility Tax | | Gas Tax | | Prop 172 | | Total | |
|--|------------|-----------|--------------|------------|-------------|------------|------------|-----------|------------|----------|------------|--------------|
| | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ | Nominal \$ | 2008 \$ |
| 1 | 2008 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | 2009 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | 2010 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4 | 2011 | \$ 7,480 | \$ 5,784 | \$ 75,315 | \$ 62,104 | \$ 21,069 | \$ 17,373 | \$ 1,306 | \$ 1,077 | \$ 634 | \$ 523 | \$ 105,805 |
| 5 | 2012 | \$ 7,705 | \$ 5,587 | \$ 76,822 | \$ 59,402 | \$ 21,701 | \$ 16,780 | \$ 1,346 | \$ 1,040 | \$ 653 | \$ 505 | \$ 108,226 |
| 6 | 2013 | \$ 7,936 | \$ 5,396 | \$ 78,358 | \$ 56,818 | \$ 22,352 | \$ 16,207 | \$ 1,386 | \$ 1,005 | \$ 673 | \$ 488 | \$ 110,704 |
| 7 | 2014 | \$ 8,174 | \$ 5,212 | \$ 79,925 | \$ 54,345 | \$ 23,022 | \$ 15,654 | \$ 1,427 | \$ 971 | \$ 693 | \$ 471 | \$ 113,242 |
| 8 | 2015 | \$ 8,419 | \$ 5,034 | \$ 81,524 | \$ 51,981 | \$ 23,713 | \$ 15,120 | \$ 1,470 | \$ 937 | \$ 714 | \$ 455 | \$ 115,840 |
| 9 | 2016 | \$ 8,672 | \$ 4,862 | \$ 83,154 | \$ 49,719 | \$ 24,424 | \$ 14,604 | \$ 1,514 | \$ 905 | \$ 735 | \$ 440 | \$ 118,500 |
| 10 | 2017 | \$ 8,932 | \$ 4,696 | \$ 84,817 | \$ 47,556 | \$ 25,157 | \$ 14,105 | \$ 1,560 | \$ 875 | \$ 757 | \$ 425 | \$ 121,223 |
| 11 | 2018 | \$ 9,200 | \$ 4,536 | \$ 86,514 | \$ 45,467 | \$ 25,912 | \$ 13,624 | \$ 1,607 | \$ 845 | \$ 780 | \$ 410 | \$ 124,012 |
| 12 | 2019 | \$ 9,476 | \$ 4,381 | \$ 88,244 | \$ 43,507 | \$ 26,689 | \$ 13,159 | \$ 1,655 | \$ 816 | \$ 803 | \$ 396 | \$ 126,867 |
| 13 | 2020 | \$ 9,760 | \$ 4,232 | \$ 90,009 | \$ 41,614 | \$ 27,490 | \$ 12,709 | \$ 1,704 | \$ 788 | \$ 828 | \$ 383 | \$ 129,791 |
| 14 | 2021 | \$ 10,053 | \$ 4,087 | \$ 91,809 | \$ 39,804 | \$ 28,314 | \$ 12,276 | \$ 1,756 | \$ 761 | \$ 852 | \$ 370 | \$ 132,784 |
| Total | | \$ 95,807 | \$ 53,807 | \$ 916,490 | \$ 552,337 | \$ 269,841 | \$ 161,610 | \$ 16,731 | \$ 10,020 | \$ 8,124 | \$ 4,865 | \$ 1,306,993 |
| | | \$ | \$ 53,807 | \$ | \$ 552,337 | \$ | \$ 161,610 | \$ | \$ 10,020 | \$ | \$ 4,865 | \$ 782,639 |
| Annual Average | | \$ 8,710 | \$ 4,892 | \$ 83,317 | \$ 50,212 | \$ 24,531 | \$ 14,692 | \$ 1,521 | \$ 911 | \$ 739 | \$ 442 | \$ 118,818 |
| <div> <div>Ann. Inflation (property tax) =</div> <div>Ann. Inflation (all others) =</div> <div>Discount rate =</div> <div> <div>2.00% (HR&A)</div> <div>3.00% (HR&A)</div> <div>6.640%</div> <div>(4.64% 10-year Treasury Yield + 2% Risk Margin)</div> <div>(Bloomberg 5/28/08)</div> </div> </div> | | | | | | | | | | | | |
| <div> <div>Occupancy</div> <div>73%</div> <div>Per RTI Properties Current Conditions</div> </div> | | | | | | | | | | | | |

ATTACHMENT D

Public Service Cost Calculation Details

D-1 Project Public Service Cost Calculations

D-2 Existing Public Service Cost Calculations

D-1 Project Public Service Cost Calculations

| | | |
|---|------------------|--|
| City Residential Population | 4,045,873 | DOF 1/1/2008 |
| Total City Employees | 1,619,613 | SCAG, interpolation from 2004 Regional Transportation Plan, Small Area Forecast |
| Employee-Resident Equivalents | 534,472 | HR&A |
| Residential Pop + Employee-Resident Equivalents | 4,580,345 | |
| Project Units | 150 | RTI Properties, Inc. |
| Population per Unit | 2.02 | Draft EIR |
| Project Population | 303 | RTI Properties, Inc. |

| | Based on Salaries, Expenses & Equipment¹ | | Based on Direct Costs of Operations² | |
|---|--|-------------------|--|-------------------|
| Police Department Budget | \$ | 1,227,258,245 | \$ | 1,941,763,176 |
| Residential Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 268 | \$ | 424 |
| Project Population | | 303 | | 303 |
| Project Average Cost | | \$ 81,186 | | \$ 128,452 |
| Fire Department | \$ | 535,025,379 | \$ | 790,550,174 |
| Residential Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 117 | \$ | 173 |
| Project Population | | 303 | | 303 |
| Project Average Cost | | \$ 35,393 | | \$ 52,297 |
| Cultural Affairs | \$ | 10,068,269 | \$ | 14,952,661 |
| Residential Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 2 | \$ | 3 |
| Project Population | | 303 | | 303 |
| Project Average Cost | | \$ 666 | | \$ 989 |
| Parks & Recreation | \$ | 131,762,706 | \$ | 228,885,793 |
| Residential Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 29 | \$ | 50 |
| Project Population | | 303 | | 303 |
| Project Average Cost | | \$ 8,716 | | \$ 15,141 |
| Library | \$ | 65,525,712 | \$ | 114,781,040 |
| Residential Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 14 | \$ | 25 |
| Project Population | | 303 | | 303 |
| Project Average Cost | | \$ 4,335 | | \$ 7,593 |
| Total Average Project Services Cost | \$ | 130,296 | \$ | 204,472 |
| Project Annual Revenues (in 2008 \$) | \$ | 420,811 | \$ | 420,811 |
| Net Fiscal Impact | | \$ 290,515 | | \$ 216,339 |

¹ City of Los Angeles, *Budget Summary 2007-08*, Summary of Appropriations.

² City of Los Angeles, *Budget Summary 2007-08*, Direct Costs of Operation Including Costs in Other Appropriations.

D-2 Existing Public Service Cost Calculations

| | | |
|--|------------------|--|
| City Residential Population | 4,045,873 | DOF 1/1/2008 |
| Total City Employees | 1,619,613 | SCAG, interpolation from 2004 Regional Transportation Plan, Small Area Forecast |
| Employee-Resident Equivalents | 534,472 | HR&A |
| City Residents Pop + Employee-Resident Equivalents | 4,580,345 | |
| Building Units | 112 | RTI Properties, Inc. |
| Population per Unit | 1.02 | HR&A |
| Building Population | 114 | RTI Properties, Inc. |

| | <u>Based on Salaries, Expenses & Equipment¹</u> | | <u>Based on Direct Costs of Operations²</u> | |
|--|--|---------------|--|---------------|
| Police Department Budget | \$ | 1,227,258,245 | \$ | 1,941,763,176 |
| City Residents Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 268 | \$ | 424 |
| Building Population | | 114 | | 114 |
| Occupancy Factor | | 73% | | 73% |
| Building Average Cost | \$ | 22,363 | \$ | 35,383 |
| Fire Department | \$ | 535,025,379 | \$ | 790,550,174 |
| City Residents Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 117 | \$ | 173 |
| Building Population | | 114 | | 114 |
| Occupancy Factor | | 73% | | 73% |
| Building Average Cost | \$ | 9,749 | \$ | 14,406 |
| Cultural Affairs | \$ | 10,068,269 | \$ | 14,952,661 |
| City Residents Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 2 | \$ | 3 |
| Building Population | | 114 | | 114 |
| Occupancy Factor | | 73% | | 73% |
| Building Average Cost | \$ | 183 | \$ | 272 |
| Parks & Recreation | \$ | 131,762,706 | \$ | 228,885,793 |
| City Residents Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 29 | \$ | 50 |
| Building Population | | 114 | | 114 |
| Occupancy Factor | | 73% | | 73% |
| Building Average Cost | \$ | 2,401 | \$ | 4,171 |
| Library | \$ | 65,525,712 | \$ | 114,781,040 |
| City Residents Pop + Employee-Resident Equivalents | \$ | 4,580,345 | \$ | 4,580,345 |
| Annual Cost per capita | \$ | 14 | \$ | 25 |
| Building Population | | 114 | | 114 |
| Occupancy Factor | | 73% | | 73% |
| Building Average Cost | \$ | 1,194 | \$ | 2,092 |
| Total Average Apartments Services Cost (in 2008 \$) | \$ | 35,890 | \$ | 56,324 |
| Current Apartments Annual Revenues | \$ | 71,149 | \$ | 71,149 |
| Net Fiscal Impact | \$ | 35,259 | \$ | 14,825 |

¹ City of Los Angeles, *Budget Summary 2007-08*, Summary of Appropriations.

² City of Los Angeles, *Budget Summary 2007-08*, Direct Costs of Operation Including Costs in Other Appropriations.
Source: HR&A