

TO: Katelynn Wintz, Senior Planner, Planning and Development

FROM: Ian Peterson, Analyst II, Budget Office

DATE: January 21, 2021

SUBJECT: Tuscan Foothills Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Tuscan Foothills Master Plan Amendment is attached. At the request of the Planning Department, the Budget Office prepared a fiscal impact analysis estimating the City General Fund, Public Safety Sales Tax (PSST) Fund, and 2C2 Road Maintenance Tax revenue and expenditures attributable to the Tuscan Foothills Master Plan Amendment for the period 2021-2030.

The fiscal review criteria of the City Code states city costs related to infrastructure and service levels shall be determined for a ten-year time horizon for only the appropriate municipal funds.

The methodology used for the fiscal impact analysis is a case study approach, in which City units project the incremental cost of providing services to the development for 2021-2030. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development.

Tuscan Foothills amends a 2.42-acre property in the City. Based on the planned zoning uses, this Fiscal Impact Analysis evaluates the change in zoning from Research and Development to medium high density residential to accommodate the addition of 24 dwelling units. In addition, the developer dedicated 1.02 acres of open space to the City to satisfy PLDO, which has a small impact on the Parks, Recreation, and Cultural Service obligations.

Most City departments did not identify increases in the incremental costs of providing services to this amended development. The costs identified were in the Police Department (\$1,231-\$1,607), Fire Department (\$67-\$87), and Parks, Recreation, and Cultural Services Department (\$102-\$133).

The result of the fiscal impact analysis is a positive cumulative cashflow for the City during the 10-year timeframe. The reason for this outcome is the new medium high residential provides enough residential sales and use tax foundation to defray the loss of the research and development zoning and associated property taxes.

The Summary of Expenditures and Revenues is attached. In addition, the Expenditure and Revenue Notes are attached and provide the methodology for calculating the expenditures and revenues.

FISCAL IMPACT ANALYSIS

GENERAL FUND FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR
Tuscan Foothills

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	1,231	1,268	1,306	1,346	1,386	1,428	1,470	1,515	1,560	1,607
Fire	67	69	71	73	75	77	80	82	84	87
Public Works - Operations and Maintenance	0	0	0	0	0	0	0	0	0	0
Public Works - Transit	0	0	0	0	0	0	0	0	0	0
Public Works - Traffic	0	0	0	0	0	0	0	0	0	0
Parks, Recreation and Cultural Services	102	105	108	111	115	118	122	125	129	133
TOTAL EXPENDITURES	1,400	1,442	1,485	1,530	1,576	1,623	1,672	1,722	1,774	1,827
REVENUES										
Property Taxes	0	0	(1,141)	(1,175)	(1,210)	(1,247)	(1,284)	(1,323)	(1,362)	(1,403)
Specific Ownership Taxes	0	0	(156)	(160)	(165)	(170)	(175)	(180)	(186)	(191)
Road & Bridge Revenue	0	0	(44)	(46)	(47)	(48)	(50)	(51)	(53)	(54)
Sales Tax Revenue (Residential)	3,866	3,982	4,101	4,224	4,351	4,481	4,616	4,754	4,897	5,044
Sales and Use Tax Revenue (Building Materials)	34,597	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	5,648	5,817	5,992	6,171	6,356	6,547	6,744	6,946	7,154	7,369
General Fund Sub-Total	44,110	9,799	8,752	9,015	9,285	9,564	9,851	10,146	10,450	10,764
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential)	773	796	820	845	870	896	923	951	979	1,009
Sales and Use Tax Revenue (Building Materials)	6,919	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	7,693	796	820	845	870	896	923	951	979	1,009
<u>2C2 Road Tax Fund</u>										
Sales Tax Revenue (Residential)	1,102	1,102	1,102	1,102	1,102	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	9,860	0	0	0	0	0	0	0	0	0
2C2 Road Tax Fund Sub-Total	10,962	1,102	1,102	1,102	1,102	0	0	0	0	0
TOTAL REVENUE	62,765	11,697	10,674	10,961	11,257	10,460	10,774	11,097	11,430	11,773
REVENUE SURPLUS/DEFICIT										
Total Rev. less Total Exp.)	61,365	10,255	9,189	9,431	9,681	8,837	9,102	9,375	9,656	9,946
ANNUAL	61,365	71,619	80,808	90,239	99,920	108,757	117,859	127,234	136,890	146,836
CUMMULATIVE										

EXPENDITURE NOTES:

Tuscan Foothills Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C2 Road Maintenance Tax Fund Fiscal Impact Analysis, 2021-2030

POLICE:

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. This amendment represents an impact to the Police Department's response area, and thus represents a \$1,231 to \$1,607 incremental cost increase to the Police Department.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. This amendment increases the population planned to live within city limits of this development and thus an increase in potential calls for service in the future. Therefore, there is a potential future incremental cost increases of \$67 to \$87 within the Fire Department.

PUBLIC WORKS – OPERATIONS AND MAINTENANCE:

Streets maintenance within the public rights of way of this development are the responsibility of the City's Public Works Operations and Maintenance division, including milling, paving, crackseal, chipseal, concrete and ramps. No additional maintenance obligations were estimated due to this amendment; therefore, no incremental cost changes were estimated for the department.

PUBLIC WORKS – TRAFFIC ENGINEERING:

Traffic Engineering is responsible for signals maintenance and school traffic safety. There are no additional signalized intersections nor school zones added in this amendment, therefore, no incremental cost changes were estimated for the department.

PUBLIC WORKS -TRANSIT:

This amendment lies within the vicinity of existing routes within the current service area City transit services. There are currently no plans to extend or modify service at this time, therefore, no incremental cost changes were estimated for the department.

PARKS:

Due to this amendment, the developer has dedicated 1.02 acres of open space adjacent to the development. The parcel represents a small increase in the incremental cost of \$102 to \$133 for the Parks, Recreation and Cultural Services

REVENUE NOTES

Tuscan Foothills Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C2 Road Maintenance Tax Fund Fiscal Impact Analysis, 2021-2030

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2023 because of the time lag associated with placing assessed value onto the assessment rolls. The 2023 revenue is calculated by multiplying the City mill levy of 4.279 mills by the projected increase in City assessed valuation resulting from the proposed development. This assumes there is no change in the commercial assessment ratio of 29%, and residential assessment ratio of 7.15%. The cumulative assessed valuation includes a 3% annual increase in market values.

The generation of property taxes by the proposed uses in this master plan amendment are netted against those potentially generated by existing uses.

The difference in assessment ratios from the R&D zoning down to the medium high residential density accounts for the negative property tax value, despite the net increase in overall assessed value of the property.

SPECIFIC OWNERSHIP TAXES

The Specific Ownership Taxes are calculated at 13.63% of the property tax revenues. This is based on the average actual City Specific Ownership Taxes as a percent of property tax revenues over a period of five years.

ROAD & BRIDGE REVENUE:

The Road & Bridge Revenue is calculated at 3.88% of the property tax revenues. This is based on the average actual City Road & Bridge revenues as a percent of property tax revenue over a period of five years.

SALES AND USE TAX:

The revenue calculation assumes the existing General Fund tax rate and existing collection practices.

Projections include sales tax revenue from the personal consumption by the population projected to reside in this development, and the sale of building materials used in the projected construction of the households in the development.

The generation of sales taxes by the proposed uses in this master plan amendment are netted against those potentially generated by existing uses.

The Sales Tax Revenue for Residential Uses is calculated by determining the average household income per unit and the percentage of income spent on taxable consumption.

The average household income per unit is calculated based upon an "affordability" calculation, which assumes 10% down, 30-year mortgage @ 4%, and a 28% income/Principal and Interest ratio. The percentage of income spent on taxable consumption is 33%, which is derived based on the estimates from the U.S. Department of Commerce Consumer Expenditure Surveys. It also assumes that 75% of consumption by the new residents will be within the City and that 60% of the consumption by these residents is new to the City. Projections include a 3% annual increase for inflation.

The Sales Tax Revenue for Building Materials is calculated based on sales taxable materials at 40% of the market value of the property. Sales Tax Revenue that would be received from prior potential construction plans is netted against what will be received from construction of this proposed development.

Miscellaneous Revenue

The revenue calculation for Miscellaneous Revenue is population based and is derived from City revenue categories like fines or charges for services on a per capita basis for residents of the City.

The Budget Office used an estimate of 2.5 persons per dwelling unit for these calculations.

Correlating with the assumptions on Sales Tax Revenue, Miscellaneous Revenue is projected as 60% new to the City.