

TO: Katelynn Wintz, Senior Planner, Planning and Development

FROM: Ian Peterson, Analyst II, Budget Office

DATE: January 21, 2021

SUBJECT: 2424 Garden of the Gods Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the 2424 Garden of the Gods 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 2424 Garden of the Gods Master Plan Amendment for the period 2021-2030.

The fiscal review criteria of the City Code state 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.

2424 Garden of the Gods amends a 125-acre property in the City. 55 acres will be zoned as private open space, with 44 acres designated for existing uses for the buildings already occupying the plot. This Fiscal Impact Analysis ultimately evaluates the zoning change of the remaining 26 acres from light industrial to a mix of potential uses that includes high density residential, commercial, and institutional. After analyzing surrounding uses, the Budget Office used an assumption that 75% of the 26 acres would be devoted to high density residential, and 25% for neighborhood commercial.

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 (\$18,867-\$24,617) and Fire Department (\$766-\$1,000).

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 proposed zoning uses from this amendment (high density residential and neighborhood commercial) offset and exceed any loss of sales tax revenue from removing the light industrial zoning and the increased cost of providing service.

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.

GENERAL FUND FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR
2424 Garden of the Gods

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	18,867	19,433	20,016	20,616	21,235	21,872	22,528	23,204	23,900	24,617
Fire	766	789	813	837	863	888	915	943	971	1,000
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	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	19,633	20,222	20,829	21,454	22,097	22,760	23,443	24,146	24,871	25,617
REVENUES										
Property Taxes	0	0	9,331	9,611	9,899	10,196	10,502	10,817	11,142	11,476
Specific Ownership Taxes	0	0	1,272	1,310	1,349	1,390	1,431	1,474	1,519	1,564
Road & Bridge Revenue	0	0	362	373	384	396	407	420	432	445
Sales Tax Revenue (Residential and Commercial)	66,374	68,365	70,416	72,529	74,704	76,946	79,254	81,632	84,080	86,603
Sales and Use Tax Revenue (Building Materials)	486,262	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	77,937	80,275	82,684	85,164	87,719	90,351	93,061	95,853	98,729	101,691
General Fund Sub-Total	630,573	148,641	164,065	168,987	174,056	179,278	184,656	190,196	195,902	201,779
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	13,275	13,673	14,083	14,506	14,941	15,389	15,851	16,326	16,816	17,321
Sales and Use Tax Revenue (Building Materials)	97,252	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	110,527	13,673	14,083	14,506	14,941	15,389	15,851	16,326	16,816	17,321
<u>2C2 Road Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	18,917	19,148	19,387	19,633	19,886	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	138,585	0	0	0	0	0	0	0	0	0
2C2 Road Tax Fund Sub-Total	157,501	19,148	19,387	19,633	19,886	0	0	0	0	0
TOTAL REVENUE	898,602	181,462	197,535	203,125	208,883	194,667	200,507	206,522	212,718	219,099
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)										
ANNUAL	878,969	161,240	176,706	181,672	186,786	171,907	177,064	182,376	187,847	193,483
CUMMULATIVE	878,969	1,040,209	1,216,915	1,398,586	1,585,373	1,757,279	1,934,343	2,116,719	2,304,567	2,498,049

EXPENDITURE NOTES:

2424 Garden of the Gods 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 \$18,867 to \$24,617 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 \$766 to \$1,000 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:

This amendment, and subsequent development, contains 55 acres of open space, but as of preparing the fiscal impact analysis, that land has not been dedicated to the City, and therefore no maintenance obligations, and no incremental cost changes, exist for the Parks, Recreation, and Cultural Services department.

REVENUE NOTES

2424 Garden of the Gods 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.

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, sales tax revenue generated by commercial development above and beyond the personal consumption identified, and the sale of building materials used in the projected construction of the households and commercial space 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 Budget Office derived a market value per unit for multi-family dwellings to plug into the aforementioned calculation that serves as a proxy in the affordability calculation for potential renters in the development to match the demographic mix projected to reside in the development.

The Sales Tax Revenue for Commercial Uses is calculated by determining the average amount of commercial space within the development. The Budget Office collates economic and market data to create metrics to estimate potential revenue generated by that commercial space.

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.

The Budget Office used an assumption of 75% Residential 25% Commercial to estimate the potential developed use generated by the zone change. This assumption was built of analyzing nearby land use and deciding the most likely use would be housing with a small amount of commercial to augment existing commercial zoning in the vicinity.

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.