

TO: Dan Sexton, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: December 4, 2020
SUBJECT: Hill Properties Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Hill Properties 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 Hill Properties 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 increased 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.

The Hill Properties amends a 43 acre property in the City. Based on the planned zoning uses, this Fiscal Impact Analysis evaluates the transition of 24.1 acres of hospital and office zoning to high density residential adding 482 housing units to the City. In addition, a 7.95 acre neighborhood park and 10.75 acres of public open space was also evaluated.

The costs identified were in the Police Department (\$14,330-\$18,698), Fire Department (\$727-\$949), Public Works Transit Division (\$10,000), and Parks, Recreation, and Cultural Services Department (\$31,550-\$41,166).

The result of the fiscal impact analysis is a positive cumulative cashflow for the City during the 10-year timeframe. The addition of the high density residential is extensive and dense enough to defray the cost of increased level of service. Also, due to the nature of the prior land uses, City revenues would experience a net growth due to this amendment.

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
Hill Properties

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	14,330	14,760	15,203	15,659	16,129	16,612	17,111	17,624	18,153	18,698
Fire	727	749	772	795	819	843	868	894	921	949
Public Works - Operations and Maintenance	0	0	0	0	0	0	0	0	0	0
Public Works - Transit	10,000	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	31,550	32,497	33,471	34,476	35,510	36,575	37,672	38,803	39,967	41,166
TOTAL EXPENDITURES	56,607	48,006	49,446	50,929	52,457	54,031	55,652	57,321	59,041	60,812
REVENUES										
Property Taxes	0	0	27,116	27,930	28,768	29,631	30,520	31,435	32,378	33,350
Specific Ownership Taxes	0	0	3,696	3,807	3,921	4,039	4,160	4,285	4,413	4,546
Road & Bridge Revenue	0	0	1,052	1,084	1,116	1,150	1,184	1,220	1,256	1,294
Sales Tax Revenue (Residential and Commercial)	40,755	41,978	43,237	44,534	45,870	47,246	48,663	50,123	51,627	53,176
Sales and Use Tax Revenue (Building Materials)	66,220	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	113,423	116,826	120,331	123,941	127,659	131,489	135,433	139,496	143,681	147,992
General Fund Sub-Total	220,398	158,804	195,432	201,295	207,334	213,554	219,960	226,559	233,356	240,357
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	8,151	8,396	8,647	8,907	9,174	9,449	9,733	10,025	10,325	10,635
Sales and Use Tax Revenue (Building Materials)	13,244	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	21,395	8,396	8,647	8,907	9,174	9,449	9,733	10,025	10,325	10,635
<u>2C2 Road Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	11,615	11,532	11,447	11,359	11,269	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	18,873	0	0	0	0	0	0	0	0	0
2C2 Road Tax Fund Sub-Total	30,488	11,532	11,447	11,359	11,269	0	0	0	0	0
TOTAL REVENUE	272,281	178,731	215,526	221,561	227,776	223,003	229,693	236,584	243,681	250,992
REVENUE SURPLUS/DEFICIT										
Total Rev. less Total Exp.)	215,673	130,726	166,081	170,632	175,319	168,972	174,041	179,263	184,641	190,180
ANNUAL	215,673	346,399	512,480	683,111	858,431	1,027,403	1,201,444	1,380,707	1,565,348	1,755,528
CUMULATIVE										

EXPENDITURE NOTES:

Hill Properties 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 increase to the Police Department's response area, and thus represents a \$14,330 to \$18,698 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 \$727 to \$949 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. There was no change in the level of service required between proposed and prior land uses, and thus no incremental change in the cost of service for the Operations and Maintenance division.

PUBLIC WORKS – TRAFFIC ENGINEERING:

Traffic Engineering is responsible for signals maintenance and school traffic safety. No additional signalized intersections or school zones were proposed in this amendment, and thus no incremental change in the cost of service for the Traffic Engineering division.

PUBLIC WORKS -TRANSIT:

This amendment lies along a currently operating Transit route. Because of the nature of the development, and potential use of the Transit services, City staff indicated a bus stop could be constructed adjacent to the development to increase accessibility of the route. The incremental cost of adding these bus stops is \$10,000 at the time of construction.

PARKS:

This amendment, and subsequent development, adds 18.7 acres of land to the maintenance obligations of the City's Parks, Recreation, and Cultural Services department. 10.75 acres are designated as open space, with a further 7.95 acres designated as a neighborhood park. Because of the nature of the soil and geological composition of the area, the neighborhood park will not be a fully irrigated park, lowering City maintenance obligations. The incremental costs associated with these obligations are estimated on a per acre maintenance basis for parks and open spaces, and thus amounts to \$31,550 to \$41,166 per year for the City.

REVENUE NOTES

Hill Properties 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.

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.

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.