

TO: Katie Carleo, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: June 24, 2019
SUBJECT: Church for All Nations Annexation – Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Church for All Nations Annexation 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 2C Road Maintenance Tax revenue and expenditures attributable to the Church for All Nations Annexation for the period 2019–2028.

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 marginal cost of providing services to the development for 2019–2028. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development.

The Church for All Nations Annexation would add 43.71 acres of mixed commercial and residential to the City. This Fiscal Impact Analysis evaluates the addition of 42,000 square feet of retail and restaurants, a 4,000 square foot fast food restaurant, and a 120 dwelling unit retirement center.

City departments projected several identifiable increases in the marginal costs of providing services to this amended development. The costs identified were in the Police Department (\$21,878 to \$26,147), the Fire Department (\$1,916–\$2,290), and the Public Works Operations and Maintenance Division (\$3,959–\$4,731).

The result of the fiscal impact analysis is a positive cumulative cashflow for the City during the 10-year timeframe.

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
Church for All Nations Annexation

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	21,878	22,316	22,762	23,218	23,682	24,155	24,639	25,131	25,634	26,147
Fire	1,916	1,954	1,994	2,033	2,074	2,116	2,158	2,201	2,245	2,290
Public Works - Operations and Maintenance	3,959	4,038	4,119	4,201	4,285	4,371	4,458	4,548	4,639	4,731
Public Works - Transportation Engineering	0	0	0	0	0	0	0	0	0	0
Public Works - City Engineering	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	27,754	28,309	28,875	29,452	30,041	30,642	31,255	31,880	32,518	33,168
REVENUES										
Property Taxes	0	0	6,038	6,219	6,406	6,598	6,796	7,000	7,210	7,426
Specific Ownership Tax:	0	0	786	809	833	858	884	911	938	966
Road & Bridge Revenue	0	0	235	242	249	257	264	272	280	289
Sales Tax Revenue (Residential & Commercial)	52,278	53,416	54,588	55,795	57,038	58,319	59,638	60,997	62,397	63,838
Sales and Use Tax Revenue (Building Materials)	138,275	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	16,943	17,451	17,975	18,514	19,069	19,641	20,231	20,838	21,463	22,107
General Fund Sub-Total	207,495	70,867	79,621	81,579	83,596	85,674	87,814	90,018	92,288	94,626
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential & Commercial)	10,456	10,683	10,918	11,159	11,408	11,664	11,928	12,199	12,479	12,768
Sales and Use Tax Revenue (Building Materials)	27,655	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	38,111	10,683	10,918	11,159	11,408	11,664	11,928	12,199	12,479	12,768
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential & Commercial)	16,206	16,559	0	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	42,865	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	59,071	16,559	0	0	0	0	0	0	0	0
TOTAL REVENUE	304,677	98,109	90,539	92,738	95,004	97,338	99,741	102,217	104,767	107,394
REVENUE SURPLUS/DEFICIT (Total Rev. less Total Exp.)										
ANNUAL	276,924	69,800	61,664	63,286	64,963	66,695	68,486	70,337	72,249	74,226
CUMULATIVE	276,924	346,724	408,387	471,673	536,636	603,331	671,818	742,155	814,404	888,630

FIGURE 3cc

EXPENDITURE NOTES:

Church for All Nations Annexation

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2019-2028

POLICE:

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. This annexation represents an addition to the Police Department's patrol area, and thus represents a marginal increase in the cost of service of \$21,878 to \$26,147.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. There is a marginal increases in the potential for emergency first response due to the addition of new residents and the foot traffic increase derived from attendance of expanded services and retail growth. Therefore, the marginal increases in the cost of service for the Fire Department for first response (fuel, medical supplies, and vehicle maintenance) amounts to \$1,916 to \$2,290.

PUBLIC WORKS - STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

Per the planning drawings, there is a small portion of public roadway that is being annexed into the City. All internal drives and roadways within the development are listed as private. Therefore, the marginal cost for road repair and maintenance will be \$3,959 to \$4,731.

PUBLIC WORKS -TRANSIT:

The change in land use within this Master Plan Amendment will not alter transit services to this area within the next ten years, thus there are no identifiable marginal costs within the next ten years.

PARKS:

No additional Parks services were added within this annexation. Therefore, no increase in the marginal cost is projected.

REVENUE NOTES

Church for All Nations

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2019-2028

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2021 based upon beginning construction in 2019 because of the time lag associated with placing assessed value onto the assessment rolls. The 2021 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 7.2%. The cumulative assessed valuation includes a 3% annual increase in market values.

SPECIFIC OWNERSHIP TAXES

The Specific Ownership Taxes are calculated at 13.01% 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 3.89% 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 Annexation, 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 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 new residents will be living within a senior living center. As a proxy, since it is unclear what the nature of amenities and cost of the center for residents will be, the Budget Office used the average market price projected for the condo/townhomes in this development as the baseline for the affordability calculation.

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 the 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 1.5 persons per dwelling unit for these calculations.

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