

TO: Lonna Thelen, Principal Planner, Planning and Community Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: January 27, 2020
SUBJECT: JL Ranch Major Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the JL Ranch Major 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 2C Road Maintenance Tax revenue and expenditures attributable to the JL Ranch development for the period 2020-2029.

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 2020-2029. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development.

The JL Ranch Major Master Plan Amendment converts 14.63 acres of commercial zoning to multi-family. Based on analysis of density in and around the area of this development, this Fiscal Impact Analysis evaluates the addition of 275 dwelling units on what was formerly a planned business center zoning use.

Most City departments did not identify increases in the marginal costs of providing services to this amended development. The costs that were identified were in the Police Department (\$5,787 to \$6,916) and Fire Department (\$283 to \$338).

The result of the fiscal impact analysis is a negative cumulative cashflow for the City during the 10-year timeframe. The major contributing factor is the loss of potential sales tax revenue from commercial activity.

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
JL Ranch

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| EXPENDITURES | | | | | | | | | | |
| Total Salaries, Operating, and Capital Outlay | | | | | | | | | | |
| Police | 5,787 | 5,903 | 6,021 | 6,141 | 6,264 | 6,389 | 6,517 | 6,647 | 6,780 | 6,916 |
| Fire | 283 | 289 | 294 | 300 | 306 | 312 | 319 | 325 | 332 | 338 |
| Public Works - Streets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENDITURES | 6,070 | 6,191 | 6,315 | 6,442 | 6,570 | 6,702 | 6,836 | 6,973 | 7,112 | 7,254 |
| REVENUES | | | | | | | | | | |
| Property Taxes | 0 | 0 | (7,773) | (8,006) | (8,246) | (8,494) | (8,749) | (9,011) | (9,281) | (9,560) |
| Specific Ownership Tax: | 0 | 0 | (904) | (931) | (959) | (988) | (1,017) | (1,048) | (1,079) | (1,112) |
| Road & Bridge Revenue | 0 | 0 | (295) | (304) | (313) | (323) | (332) | (342) | (353) | (363) |
| Sales Tax Revenue (Residential & Commercial) | (63,625) | (65,998) | (68,441) | (70,958) | (73,550) | (76,221) | (78,971) | (81,804) | (84,721) | (87,727) |
| Sales and Use Tax Revenue (Building Materials) | 106,890 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous Revenue | 64,760 | 66,702 | 68,703 | 70,764 | 72,887 | 75,074 | 77,326 | 79,646 | 82,035 | 84,497 |
| General Fund Sub-Total | 108,025 | 705 | (8,710) | (9,435) | (10,182) | (10,951) | (11,743) | (12,559) | (13,399) | (14,265) |
| Public Safety Sales Tax Fund | | | | | | | | | | |
| Sales Tax Revenue (Residential & Commercial) | (12,725) | (13,200) | (13,688) | (14,192) | (14,710) | (15,244) | (15,794) | (16,361) | (16,944) | (17,545) |
| Sales and Use Tax Revenue (Building Materials) | 21,378 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety Sales Tax Fund Sub-Total | 8,653 | (13,200) | (13,688) | (14,192) | (14,710) | (15,244) | (15,794) | (16,361) | (16,944) | (17,545) |
| 2C Road Tax Fund | | | | | | | | | | |
| Sales Tax Revenue (Residential & Commercial) | (19,724) | (18,423) | (19,119) | (19,837) | (20,576) | (21,336) | 0 | 0 | 0 | 0 |
| Sales and Use Tax Revenue (Building Materials) | 33,136 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2C Road Tax Fund Sub-Total | 13,412 | (18,423) | (19,119) | (19,837) | (20,576) | (21,336) | 0 | 0 | 0 | 0 |
| TOTAL REVENUE | 130,090 | (30,918) | (41,518) | (43,463) | (45,467) | (47,531) | (27,537) | (28,920) | (30,344) | (31,810) |
| REVENUE SURPLUS/DEFICIT | | | | | | | | | | |
| (Total Rev. less Total Exp.) | 124,020 | (37,109) | (47,833) | (49,905) | (52,038) | (54,233) | (34,373) | (35,892) | (37,455) | (39,064) |
| ANNUAL CUMULATIVE | 124,020 | 86,911 | 39,078 | (10,827) | (62,865) | (117,098) | (151,471) | (187,363) | (224,818) | (263,883) |

FIGURE 5

EXPENDITURE NOTES:

JL Ranch Major Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2020-2029

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 first response area, and thus represents a \$5,787 to \$6,916 marginal cost 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 due to live within city limits and thus an increase in potential calls for service in the future. Therefore, there is a potential future marginal cost increases of \$283 to \$338 within the Fire Department.

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

The JL Ranch Major Master Plan Amendment does not propose changes to existing roadways, and is not anticipated to trigger additional roadway improvements. There are no additional marginal costs incurred within the Public Works Department.

PUBLIC WORKS -TRANSIT:

The addition of this annexation 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:

This amendment does not add new or expanded parks or open spaces, and as such there are no increased marginal costs for the Parks Department

REVENUE NOTES

JL Ranch Major Master Plan Amendment General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2020-2029

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2022 based upon beginning construction in 2020 because of the time lag associated with placing assessed value onto the assessment rolls. The 2022 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 collection of property tax per the Master Plan amendment is netted against potential property tax revenue within the original proposed Master Plan. The potential market value of the multi-family complex is much higher than the combined market value for the new small lot single family homes.

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 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 collection of sales tax related to the Master Plan amendment is netted against potential sales tax revenue within the original proposed Master Plan.

The Sales Tax Revenue for Residential Uses is calculated by determining the average income per dwelling 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 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. This has been netted against the potential Sales Tax Revenue for Residential Uses derived from the originally proposed commercial 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.

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