

TO: Lonna Thelen, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: February 15, 2019
SUBJECT: **Pikes Peaks Heights Major Master Plan Amendment - Fiscal Impact Analysis**

A copy of the fiscal impact analysis for the Pikes Peak Heights 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 amended Pikes Peak Heights development 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, and nets those revenues against the potential revenue of the previously proposed land use in the Master Plan.

The Pikes Peak Heights Master Plan Amendment, of which this FIA evaluates, rezones light industrial to single-family residential. In addition, this amendment contains the dedication of 36.1 acres of open space to the City.

Most departments indicated that there were no identifiable marginal costs of providing services to this amended development. However, the Fire Department (\$132-\$158), Police Department (\$3,704-\$4,426), Parks Department (\$3,610-\$4,314), and Public Works Ops and Maintenance (\$1,900-\$2,271) identified marginal increases in operation costs annually.

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
Pikes Peak Heights

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	3,704	3,778	3,854	3,931	4,009	4,089	4,171	4,255	4,340	4,426
Fire	132	135	137	140	143	146	149	152	155	158
Public Works - Ops and Maintenance	1,900	1,938	1,977	2,016	2,057	2,098	2,140	2,183	2,226	2,271
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	3,610	3,682	3,756	3,831	3,908	3,986	4,065	4,147	4,230	4,314
TOTAL EXPENDITURES	9,346	9,533	9,724	9,918	10,116	10,319	10,525	10,736	10,950	11,169
REVENUES										
Property Taxes	0	0	(2,423)	(2,496)	(2,570)	(2,648)	(2,727)	(2,809)	(2,893)	(2,980)
Specific Ownership Tax:	0	0	(282)	(290)	(299)	(308)	(317)	(327)	(336)	(347)
Road & Bridge Revenue	0	0	(92)	(95)	(98)	(101)	(104)	(107)	(110)	(113)
Sales Tax Revenue (Residential & Commercial)	482	497	512	527	543	559	576	593	611	629
Sales and Use Tax Revenue (Building Materials)	38,127	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	16,310	16,800	17,304	17,823	18,357	18,908	19,475	20,060	20,662	21,281
General Fund Sub-Total	54,920	17,297	15,019	15,469	15,933	16,411	16,904	17,411	17,933	18,471
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential & Commercial)	96	99	102	105	109	112	115	119	122	126
Sales and Use Tax Revenue (Building Materials)	7,625	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	7,722	99	102	105	109	112	115	119	122	126
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential & Commercial)	150	154	0	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	11,819	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	11,969	154	0	0	0	0	0	0	0	0
TOTAL REVENUE	74,611	17,550	15,121	15,575	16,042	16,523	17,019	17,530	18,055	18,597
REVENUE SURPLUS/DEFICIT (Total Rev. less Total Exp.)										
ANNUAL	65,264	8,017	5,398	5,657	5,926	6,205	6,494	6,794	7,105	7,428
CUMULATIVE	65,264	73,282	78,679	84,336	90,261	96,466	102,960	109,754	116,859	124,286

FIGURE 8

EXPENDITURE NOTES:

Pikes Peak Heights Master Plan Amendment

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. The change between the new and originally proposed land uses represents a marginal cost of \$3,704 to \$4,426 for providing service to the area.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. Between the originally proposed Master Plan and this amendment, the only additional, operational, identifiable marginal costs of providing service are fuel, medical supplies and maintenance (\$132-\$158 annually).

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

There are small additional public infrastructure and maintenance obligations associated with this amendment in the next ten years. The identifiable increased marginal costs to Public Works are in the Streets Division for maintenance of roadways (\$1,900-\$2,271),

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:

The Master Plan Amendment increases the amount of open space dedicated to the City, which represents a marginal increase in service and maintenance level provided (\$3,610-\$4,314).

REVENUE NOTES

Pikes Peak Heights Master Plan Amendment

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.

The collection of property tax per the Master Plan amendment is netted against potential property tax revenue within the original proposed Master Plan. The property tax is negative mainly because of the different assessment ratios between commercial and residential.

SPECIFIC OWNERSHIP TAXES

The Specific Ownership Taxes are calculated at 11.63% 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 3.85% 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 Pikes Peak Heights, 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 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 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.