

TO: Katie Carleo, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: July 5, 2019
SUBJECT: Flying Horse Parcel #13 Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Flying Horse Parcel #13 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 Flying Horse Parcel #13 Master Plan Amendment 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 Flying Horse Parcel #13 Master Plan Amendment converts 23.465 acres of multi-family residential at 12-20 units per acre to 100 small lot single family homes. This Fiscal Impact Analysis evaluates the change in density from 16 DU/ac to 4.26 DU/ac and the associated costs and revenues.

Most City departments did not identify increases in the marginal costs of providing services to this amended development. The only costs identified were in the Public Works Operations and Maintenance Division (\$16,737-\$20,002).

The result of the fiscal impact analysis is a negative cumulative cashflow for the City during the 10-year timeframe. A combination of factors contributed to this outcome. Primarily, the change in density significantly lowered population projected to live within Flying Horse Parcel #13. With this comes decreased sales tax for residential uses, even accounting for different economic profiles from multi-family to single family, and a sharp decrease in population driven metrics in miscellaneous revenue. In addition, the building materials and total market value declined due to the change in density.

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
Flying Horse Parcel #13

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	0	0	0	0	0	0	0	0	0	0
Fire	0	0	0	0	0	0	0	0	0	0
Public Works - Operations and Maintenance	16,737	17,072	17,413	17,761	18,117	18,479	18,849	19,226	19,610	20,002
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	16,737	17,072	17,413	17,761	18,117	18,479	18,849	19,226	19,610	20,002
REVENUES										
Property Taxes	0	0	(9,725)	(10,017)	(10,318)	(10,627)	(10,946)	(11,274)	(11,613)	(11,961)
Specific Ownership Tax:	0	0	(1,265)	(1,303)	(1,342)	(1,383)	(1,424)	(1,467)	(1,511)	(1,556)
Road & Bridge Revenue	0	0	(378)	(390)	(401)	(413)	(426)	(439)	(452)	(465)
Sales Tax Revenue (Residential)	36,502	37,597	38,725	39,886	41,083	42,315	43,585	44,892	46,239	47,626
Sales and Use Tax Revenue (Building Materials)	(254,301)	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	(97,045)	(99,957)	(102,955)	(106,044)	(109,225)	(112,502)	(115,877)	(119,353)	(122,934)	(126,622)
General Fund Sub-Total	(314,845)	(62,360)	(75,600)	(77,868)	(80,204)	(82,610)	(85,088)	(87,641)	(90,270)	(92,978)
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential)	7,300	7,519	7,745	7,977	8,217	8,463	8,717	8,978	9,248	9,525
Sales and Use Tax Revenue (Building Materials)	(50,860)	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	(43,560)	7,519	7,745	7,977	8,217	8,463	8,717	8,978	9,248	9,525
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential)	11,315	11,655	0	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	(78,833)	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	(67,518)	11,655	0	0	0	0	0	0	0	0
TOTAL REVENUE	(425,923)	(43,186)	(67,855)	(69,890)	(71,987)	(74,147)	(76,371)	(78,662)	(81,022)	(83,453)
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)										
ANNUAL	(442,660)	(60,257)	(85,268)	(87,652)	(90,104)	(92,626)	(95,220)	(97,888)	(100,632)	(103,455)
CUMMULATIVE	(442,660)	(502,917)	(588,185)	(675,837)	(765,941)	(858,567)	(953,786)	(1,051,674)	(1,152,306)	(1,255,762)

EXPENDITURE NOTES:

Flying Horse Parcel #13 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. This Master Plan Amendment represents a net neutral to the Police Department's patrol area, and thus represents no marginal cost to the Police Department.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. Due to the conversion of multi-family down to single family, this Master Plan Amendment does not add the potentiality for an increase emergency first response. Therefore, there is no additional marginal cost within the Fire Department.

PUBLIC WORKS - STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

Per the planning drawings, all internal drives and roadways within the development are listed as public. Therefore, the marginal cost for road repair and maintenance will be \$16,737 to \$20,002.

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. The outdoor amenities provided by this development are to be operated and maintained by the HOA. Therefore, no increase in the marginal cost is projected.

REVENUE NOTES

Flying Horse Parcel #13 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 7.15%. 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 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 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 new single family homes.

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.