

**TO:** Rachel Teixeira, Planner II, Planning and Development  
**FROM:** Ian Peterson, Analyst II, Budget Office  
**DATE:** May 12, 2020  
**SUBJECT:** **Prospect Park Master Plan Amendment - Fiscal Impact Analysis**

A copy of the fiscal impact analysis for the Prospect Park 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 Prospect Park Master Plan 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 marginal 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.

Prospect Park amends a 20.638 acre property in the City. Based on the planned zoning uses, this Fiscal Impact Analysis evaluates the change in uses from commercial to multi-family residential for 15.638 acres of the development. The commercial zoning was evaluated as a mix of retail and office complexes. The City's Budget Office assumed, based on the density of the residential zoning, an average of 290 dwelling units was a reasonable estimate of housing added on this parcel.

Most City departments did not identify increases in the marginal costs of providing services to this amended development. The costs identified were in the Police Department (\$6,008-\$7,838), and Fire Department (\$686-\$896).

The result of the fiscal impact analysis is a negative cumulative cashflow for the City during the 10-year timeframe. The reason for this outcome is the loss of sales tax for commercial uses within this development. While the multi-family does provide significant population based revenues, in addition to sales tax, it was not enough to overcome the loss of commercial sales tax revenues.

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  
Prospect Park

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>EXPENDITURES</b>										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	6,008	6,188	6,373	6,565	6,762	6,964	7,173	7,388	7,610	7,838
Fire	686	707	728	750	772	796	820	844	869	896
Public Works - Operations and Maintenance	0	0	0	0	0	0	0	0	0	0
Public Works - Transit	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
<b>TOTAL EXPENDITURES</b>	<b>6,694</b>	<b>6,895</b>	<b>7,102</b>	<b>7,315</b>	<b>7,534</b>	<b>7,760</b>	<b>7,993</b>	<b>8,233</b>	<b>8,480</b>	<b>8,734</b>
<b>REVENUES</b>										
Property Taxes	0	0	(4,265)	(4,393)	(4,525)	(4,660)	(4,800)	(4,944)	(5,092)	(5,245)
Specific Ownership Taxes	0	0	(581)	(599)	(617)	(635)	(654)	(674)	(694)	(715)
Road & Bridge Revenue	0	0	(165)	(170)	(176)	(181)	(186)	(192)	(198)	(204)
Sales Tax Revenue (Residential and Commercial)	(193,137)	(198,931)	(204,899)	(211,046)	(217,378)	(223,899)	(230,616)	(237,534)	(244,660)	(252,000)
Sales and Use Tax Revenue (Building Materials)	304,819	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	68,242	70,290	72,398	74,570	76,807	79,111	81,485	83,929	86,447	89,041
<b>General Fund Sub-Total</b>	<b>179,924</b>	<b>(128,642)</b>	<b>(137,513)</b>	<b>(141,638)</b>	<b>(145,887)</b>	<b>(150,264)</b>	<b>(154,772)</b>	<b>(159,415)</b>	<b>(164,197)</b>	<b>(169,123)</b>
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	(39,988)	(41,188)	(42,424)	(43,696)	(45,007)	(46,357)	(47,748)	(49,181)	(50,656)	(52,176)
Sales and Use Tax Revenue (Building Materials)	60,964	0	0	0	0	0	0	0	0	0
<b>Public Safety Sales Tax Fund Sub-Total</b>	<b>20,975</b>	<b>(41,188)</b>	<b>(42,424)</b>	<b>(43,696)</b>	<b>(45,007)</b>	<b>(46,357)</b>	<b>(47,748)</b>	<b>(49,181)</b>	<b>(50,656)</b>	<b>(52,176)</b>
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	(56,983)	(59,217)	(61,517)	(63,886)	(66,326)	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	86,873	0	0	0	0	0	0	0	0	0
<b>2C Road Tax Fund Sub-Total</b>	<b>29,890</b>	<b>(59,217)</b>	<b>(61,517)</b>	<b>(63,886)</b>	<b>(66,326)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUE</b>	<b>230,790</b>	<b>(229,046)</b>	<b>(241,453)</b>	<b>(249,220)</b>	<b>(257,220)</b>	<b>(196,621)</b>	<b>(202,520)</b>	<b>(208,595)</b>	<b>(214,853)</b>	<b>(221,299)</b>
<b>REVENUE SURPLUS/DEFICIT</b>										
(Total Rev. less Total Exp.)										
<b>ANNUAL</b>	<b>224,096</b>	<b>(235,941)</b>	<b>(248,554)</b>	<b>(256,535)</b>	<b>(264,754)</b>	<b>(204,381)</b>	<b>(210,513)</b>	<b>(216,828)</b>	<b>(223,333)</b>	<b>(230,033)</b>
<b>CUMMULATIVE</b>	<b>224,096</b>	<b>(11,845)</b>	<b>(260,399)</b>	<b>(516,934)</b>	<b>(781,688)</b>	<b>(986,070)</b>	<b>(1,196,582)</b>	<b>(1,413,410)</b>	<b>(1,636,743)</b>	<b>(1,866,776)</b>

**EXPENDITURE NOTES:**

**Prospect Park Master Plan Amendment**

**General Fund/Public Safety Sales Tax (PSST) Fund/2C 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 Prospect Park Master Plan Amendment represents an impact to the Police Department's response area, and thus represents a \$6,008 to \$7,838 marginal cost increase to the Police Department. The impact is netted between prior and proposed uses.

**FIRE:**

As development occurs, the Fire Department is responsible for emergency first response in the area. The Prospect Park Master Plan Amendment increases the population planned 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 \$686 to \$896 within the Fire Department. The impact is netted between prior and proposed uses.

**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, in the absence of firm development plans, the City has assumed that the public rights of way will be net neutral between prior uses and this proposed use.

**PUBLIC WORKS - TRAFFIC ENGINEERING:**

Traffic Engineering is responsible for signals maintenance and school traffic safety. The development does not hold a school zone, nor are there any signalized intersections planned, therefore there are no marginal cost changes within the Traffic Engineering Department

**PUBLIC WORKS -TRANSIT:**

This amendment lies along the current service area of City transit services. Therefore, no marginal cost increases have been incorporated into this fiscal impact analysis.

**PARKS:**

This Master Plan Amendment, and subsequent development, does not add to the maintenance obligations of the City's Parks, Recreation, and Cultural Services department. Therefore no marginal cost increases exist within the Prospect Park development.

## **REVENUE NOTES**

### **Prospect Park Master Plan Amendment**

### **General Fund/Public Safety Sales Tax (PSST) Fund/2C 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 derives 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. Also, the Budget Office does not incorporate the 10% down figure into the income equation for multi-family residential.

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.

In a Master Plan Amendment, when the use in a commercial area is unclear prior to the amendment, the Budget Office uses an assumption of a 50-50 split of retail and office use.

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.