

TO: Lonna Thelen, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: September 5, 2019
SUBJECT: Spring Creek Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Spring Creek 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 Spring Creek Master Plan Amendment 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 Spring Creek Master Plan Amendment converts 21.5 acres of commercial space and business park to 13.6 acres of multi-family residential, 6.9 acres of commercial and 1.08 acres of detention area. This Fiscal Impact Analysis evaluates the associated costs and revenues with the conversion of commercial and business park space into a commercial and multi-family for between 163-326 dwelling units. For use in the fiscal impact models, the Budget Office used an average of 245 dwelling units added to the City.

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 Fire Department (\$374-\$447).

The result of the fiscal impact analysis is a positive cumulative cashflow for the City during the 10-year timeframe. The density of the multi-family within this proposed Master Plan Amendment contributes to overcoming the loss of potential commercial sales tax revenue incurred by the same change.

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
 Spring Creek

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
EXPENDITURES										
Total Salaries, Operating, and Capital Outlay										
Police	0	0	0	0	0	0	0	0	0	0
Fire	374	381	389	397	405	413	421	429	438	447
Public Works - Operations and Maintenance	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 Services	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	374	381	389	397	405	413	421	429	438	447
REVENUES										
Property Taxes	0	0	8,103	8,346	8,596	8,854	9,120	9,393	9,675	9,965
Specific Ownership Tax:	0	0	1,054	1,086	1,118	1,152	1,186	1,222	1,259	1,296
Road & Bridge Revenue	0	0	315	325	334	344	355	365	376	388
Sales Tax Revenue (Residential and Commercial)	(11,089)	(11,422)	(11,764)	(12,117)	(12,481)	(12,855)	(13,241)	(13,638)	(14,047)	(14,469)
Sales and Use Tax Revenue (Building Materials)	351,270	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	34,639	35,678	36,748	37,851	38,986	40,156	41,361	42,601	43,879	45,196
General Fund Sub-Total	374,820	24,256	34,456	35,490	36,554	37,651	38,781	39,944	41,142	42,377
Public Safety Sales Tax Fund										
Sales Tax Revenue (Residential and Commercial)	(2,218)	(2,284)	(2,353)	(2,423)	(2,496)	(2,571)	(2,648)	(2,728)	(2,809)	(2,894)
Sales and Use Tax Revenue (Building Materials)	70,254	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	68,036	(2,284)	(2,353)	(2,423)	(2,496)	(2,571)	(2,648)	(2,728)	(2,809)	(2,894)
2C Road Tax Fund										
Sales Tax Revenue (Residential)	(3,438)	(3,541)	0	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	108,894	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	105,456	(3,541)	0	0	0	0	0	0	0	0
TOTAL REVENUE	548,312	18,431	32,103	33,066	34,058	35,080	36,132	37,216	38,333	39,483
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)	547,939	18,050	31,714	32,670	33,654	34,667	35,711	36,787	37,895	39,036
ANNUAL	547,939	565,989	597,703	630,373	664,026	698,694	734,405	771,192	809,087	848,123
CUMULATIVE										

FIGURE 5

EXPENDITURE NOTES:

Spring Creek 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 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 commercial space to multi-family, this Master Plan Amendment adds a potential increase emergency first response. Therefore, there is additional marginal cost of \$374 to \$447 within the Fire Department for emergency response (fuel, medical supplies, and vehicle maintenance).

PUBLIC WORKS - STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

There were no major changes to the infrastructure needs within this development. Thus, there are no marginal changes in the cost to maintain infrastructure due to this Master Plan Amendment.

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 master plan amendment. Thus there is no increase in marginal cost incurred in the Parks Department.

REVENUE NOTES

Spring Creek 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.

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, commercial activity projected to occur within 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.

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 Residential Uses is netted against the loss of Sales Tax Revenue for Commercial Uses due to the nature of the changes within this Master Plan Amendment.

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.