

TO: Katelynn Wintz, Planner II, Planning and Development

FROM: Ian Peterson, Analyst II, Budget Office

DATE: April 7, 2021

SUBJECT: BLR Village A Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the BLR Village A 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 2C2 Road Maintenance Tax revenue and expenditures attributable to the BLR Village A 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 incremental 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.

BLR Village A amends a 297-acre property in the City. Based on the planned zoning uses, this Fiscal Impact Analysis evaluates the conversion of former ROW to an additional 15.1 acres of Commercial, 16.4 acres Park, and 1.1 acres Residential. Simultaneously, the density of housing units within the entire development was lowered; using an average of the possible unit counts in the residential zones, the Budget Office assumed a net loss of 1,328 units.

Most City departments did not identify changes in the incremental costs of providing services to this amended development. The incremental cost changes identified were decreases in the Police Department (\$59,000-\$76,982) and Fire Department (\$5,003-\$6,528).

While there was additional park zoning added within this amendment, overall maintenance will be handled by special district.

The result of the fiscal impact analysis is a positive cumulative cashflow for the City during the 10-year timeframe. The reason for this outcome stems from the addition of the Commercial zoning, adding a significant Sales and Use tax foundation to offset the loss of residential units and associated population.

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
BLR Village A

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	(59,000)	(60,770)	(62,593)	(64,471)	(66,405)	(68,397)	(70,449)	(72,563)	(74,739)	(76,982)
Fire	(5,003)	(5,153)	(5,308)	(5,467)	(5,631)	(5,800)	(5,974)	(6,153)	(6,338)	(6,528)
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
TOTAL EXPENDITURES	(64,003)	(65,923)	(67,901)	(69,938)	(72,036)	(74,197)	(76,423)	(78,716)	(81,077)	(83,509)
REVENUES										
Property Taxes	0	0	(51,244)	(52,782)	(54,365)	(55,996)	(57,676)	(59,406)	(61,189)	(63,024)
Specific Ownership Taxes	0	0	(7,067)	(7,279)	(7,497)	(7,722)	(7,954)	(8,192)	(8,438)	(8,691)
Road & Bridge Revenue	0	0	(1,988)	(2,048)	(2,109)	(2,173)	(2,238)	(2,305)	(2,374)	(2,445)
Sales Tax Revenue (Residential and Commercial)	966,813	995,818	1,025,692	1,056,463	1,088,157	1,120,802	1,154,426	1,189,059	1,224,730	1,261,472
Sales and Use Tax Revenue (Building Materials)	(1,661,559)	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	823,613	848,322	873,771	899,984	926,984	954,793	983,437	1,012,940	1,043,329	1,074,628
General Fund Sub-Total	128,868	1,844,140	1,839,164	1,894,339	1,951,170	2,009,705	2,069,996	2,132,096	2,196,058	2,261,940
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	193,363	199,164	205,138	211,293	217,631	224,160	230,885	237,812	244,946	252,294
Sales and Use Tax Revenue (Building Materials)	(332,312)	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	(138,949)	199,164	205,138	211,293	217,631	224,160	230,885	237,812	244,946	252,294
<u>2C2 Road Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	275,542	285,384	295,520	305,961	316,716	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	(473,544)	0	0	0	0	0	0	0	0	0
2C2 Road Tax Fund Sub-Total	(198,002)	285,384	295,520	305,961	316,716	0	0	0	0	0
TOTAL REVENUE	(208,084)	2,328,687	2,339,823	2,411,593	2,485,517	2,233,865	2,300,881	2,369,907	2,441,005	2,514,235
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)										
ANNUAL	(144,081)	2,394,610	2,407,724	2,481,531	2,557,553	2,308,062	2,377,304	2,448,623	2,522,082	2,597,744
CUMMULATIVE	(144,081)	2,250,529	4,658,253	7,139,784	9,697,337	12,005,399	14,382,703	16,831,326	19,353,407	21,951,151

EXPENDITURE NOTES:

BLR Village A Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C2 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. Due to the overall lowering of the density this amendment represents a net decrease to the Police Department's calls for service, and thus represents a \$59,000 to \$76,982 incremental cost decrease to the Police Department.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. This amendment decreases the population planned to live within city limits and thus a decrease in potential calls for service in the future. Therefore, there are potential future incremental cost decreases of \$5,003 to \$6,528 within the Fire Department.

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, including milling, paving, crackseal, chipseal, concrete and ramps. No additional road maintenance obligations were created by this amendment; therefore no incremental cost changes have been incorporated in this fiscal impact analysis.

PUBLIC WORKS – TRAFFIC ENGINEERING:

Traffic Engineering is responsible for signals maintenance and school traffic safety. No new signalized intersections or school zones were identified in this amendment, and thus no incremental cost changes have been incorporated into this fiscal impact analysis.

PUBLIC WORKS -TRANSIT:

This annexation lies outside the current service area of City transit services. There are currently no plans to extend service at this time, therefore no incremental changes have been incorporated into this fiscal impact analysis.

PARKS:

This amendment, and subsequent development, adds 16.4 additional acres of land to the BLR Village development. Maintenance obligations for this park zoning falls to the special district, therefore no incremental cost changes have been incorporated into this fiscal impact analysis.

REVENUE NOTES

BLR Village A Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C2 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 13.79% 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 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 for potential renters in the development to match the demographic mix projected to reside in the 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.

The Sales Tax Revenue for Building Materials is negative because, while Commercial zoning is assessed at a higher rate, the reduction of 1,328 units of residential has a significant impact on this line item, and an impact the Commercial zoning cannot net out.

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.