

TO: Tasha Brackin, Senior Planner, Planning and Development

FROM: Ian Peterson, Analyst II, Budget Office

DATE: March 4, 2020

SUBJECT: **Trailside at Cottonwood Creek Concept Plan Amendment - Fiscal Impact Analysis**

A copy of the fiscal impact analysis for the Trailside at Cottonwood Creek Concept 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 Trailside at Cottonwood Creek Concept 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.

Trailside at Cottonwood Creek rezones a 15.67 acre property from Commercial and Office use to Single Family Residential. Based on the planned and existing zoning uses, this Fiscal Impact Analysis contrasts the addition of 56 housing units and 3.5 acres of open space, against the removal of medical offices totaling 70,000 square feet and retail space totaling 13,800 square feet.

Most City departments did not identify increases in the marginal costs of providing services to this amended development. The costs identified were in the Parks, Recreation, and Cultural Services Department (\$195-\$254).

The result of the fiscal impact analysis is a negative cumulative cashflow for the City during the 10-year timeframe. The major factor contributing to this outcome was the loss of retail space and associated 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
Trailside at Cottonwood Creek

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|------------------------------------------------------|---------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 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 | 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 | 195 | 201 | 207 | 213 | 219 | 226 | 232 | 239 | 247 | 254 |
| TOTAL EXPENDITURES | 195 | 201 | 207 | 213 | 219 | 226 | 232 | 239 | 247 | 254 |
| REVENUES | | | | | | | | | | |
| Property Taxes | 0 | 0 | 5,537 | 5,703 | 5,874 | 6,050 | 6,232 | 6,419 | 6,611 | 6,809 |
| Specific Ownership Tax: | 0 | 0 | 720 | 742 | 764 | 787 | 811 | 835 | 860 | 886 |
| Road & Bridge Revenue | 0 | 0 | 215 | 222 | 228 | 235 | 242 | 250 | 257 | 265 |
| Sales Tax Revenue (Residential and Commercial) | (65,829) | (67,803) | (69,837) | (71,933) | (74,091) | (76,313) | (78,603) | (80,961) | (83,390) | (85,891) |
| Sales and Use Tax Revenue (Building Materials) | 92,236 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous Revenue | 13,178 | 13,573 | 13,980 | 14,400 | 14,832 | 15,277 | 15,735 | 16,207 | 16,693 | 17,194 |
| General Fund Sub-Total | 39,585 | (54,230) | (49,385) | (50,866) | (52,392) | (53,964) | (55,583) | (57,250) | (58,968) | (60,737) |
| <u>Public Safety Sales Tax Fund</u> | | | | | | | | | | |
| Sales Tax Revenue (Residential and Commercial) | (13,166) | (13,561) | (13,967) | (14,387) | (14,818) | (15,263) | (15,721) | (16,192) | (16,678) | (17,178) |
| Sales and Use Tax Revenue (Building Materials) | 18,447 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety Sales Tax Fund Sub-Total | 5,282 | (13,561) | (13,967) | (14,387) | (14,818) | (15,263) | (15,721) | (16,192) | (16,678) | (17,178) |
| <u>2C Road Tax Fund</u> | | | | | | | | | | |
| Sales Tax Revenue (Residential and Commercial) | (20,585) | (19,385) | (20,027) | (20,689) | (21,371) | 0 | 0 | 0 | 0 | 0 |
| Sales and Use Tax Revenue (Building Materials) | 26,287 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2C Road Tax Fund Sub-Total | 5,702 | (19,385) | (20,027) | (20,689) | (21,371) | 0 | 0 | 0 | 0 | 0 |
| TOTAL REVENUE | 50,569 | (87,176) | (83,380) | (85,942) | (88,581) | (69,227) | (71,304) | (73,443) | (75,646) | (77,915) |
| REVENUE SURPLUS/DEFICIT | | | | | | | | | | |
| (Total Rev. Less Total Exp.) | | | | | | | | | | |
| ANNUAL | 50,375 | (87,376) | (83,586) | (86,155) | (88,800) | (69,452) | (71,536) | (73,682) | (75,893) | (78,169) |
| CUMULATIVE | 50,375 | (37,002) | (120,588) | (206,743) | (295,543) | (364,995) | (436,531) | (510,213) | (586,106) | (664,275) |

EXPENDITURE NOTES:

**Trailside at Cottonwood Creek Concept 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 proposed change in concept plan and zoning represents an insignificant change in the burden of the Police Departments response. Therefore there is no potential future marginal cost changes within the Police Department.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. Due to the proximity of existing Fire response infrastructure, and the relative similarity in call burden between existing and proposed usages, it was deemed this change in concept plan and zoning would place an insignificant burden on the Fire Department. Therefore, there is no potential future marginal cost changes within the Fire Department.

PUBLIC WORKS – OPERATIONS AND MAINTENANCE:

Streets maintenance within the public rights of way of the City are the responsibility of the City's Public Works Operations and Maintenance division. The roadways within this development are private, and thus incur no marginal change in maintenance obligations due to the change in concept plan and zoning.

PUBLIC WORKS – TRAFFIC ENGINEERING:

Traffic Engineering is responsible for signals maintenance and school traffic safety. There are no signalized intersections or school zones within existing and proposed uses, therefore no marginal cost is incurred within the Traffic Engineering department.

PUBLIC WORKS -TRANSIT:

This annexation lies outside the current service area of City transit services. There are currently no plans to extend service related to this development, therefore no marginal cost increases have been incorporated into this fiscal impact analysis.

PARKS:

This concept plan and zoning change, adds 3.5 acres of dedicated park open space to the maintenance obligations of the City's Parks, Recreation, and Cultural Services department. The marginal costs associated with these obligations are estimated on a per acre maintenance basis for open spaces, and thus amounts to \$193 to \$254 per year for the City.

Additional 4.8 acres of open space is set aside for trail connections to the development, and will be the responsibility of the Trailside HOA to maintain.

REVENUE NOTES

Trailside at Cottonwood Creek Concept 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 concept plan amendment are netted against those potentially generated by existing uses.

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, 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 concept 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 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 the commercial space within the development.

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.