Fiscal Impact Analysis of Proposed General Plan Amendments

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Presentation Overview

- Introduction
- Fiscal Impact Analysis and Study Overview
- Major Assumptions
- Summary Results and Major Findings
- Wrap-Up

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Overview of Assignment

- Phase I: Fiscal evaluation of General Plan Amendments
  - What would be the fiscal implications to the Town should the sub-area develop under current General Plan allowances, or under the proposed General Plan Amendment?
  - Analyzes each development scenario (twelve in all), each happening in isolation
- Phase II: Fiscal evaluation of Town wide growth scenarios
  - Reflecting current land use designations compared to proposed Plan Amendments in the aggregate
- Phase III: Fiscal Sustainability Audit
  - Specific revenue enhancement options
  - Suggested regulatory changes
  - Recommendations related to optimizing land use mix, recognizing every community has contributors and recipients

Fiscal Impact

- Cash flow to the public sector
  - Are the revenues generated by new growth enough to cover the resulting service and facility demands?
- Reflects operating expenses and capital costs (debt service and pay-go)
- All revenues
- Revenue minus expenditures = net surplus or net deficit

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Economic Impact

- Reflects overall economy of the community
- Residential
    - Primary factors are the construction phase and consumer spending
- Nonresidential
    - Primary factors are job creation and real disposable income
- Doesn’t follow jurisdictional lines; data limitations
    - Large portion of economic output flows out of jurisdiction, region, and possibly State
- Resident spending for mortgages, car payments, insurance probably are not sources of sales tax for local government

Hierarchy of Analysis

Land Use	Municipality	School District
Research	+	+
Office Parks	+	+
Industrial	+	+
High-Rise/Garden Apartments (studio/one bedroom)	+	+
Age-Restricted Housing	+	+
Garden Condominiums (1-2 bedrooms)	=	+
Open Space	=	+
Retail	(-)	+
Town House (2-3 bedrooms)	(-)	+
Expensive Single-Family	(-)	+
Town House (3-4 bedrooms)	(-)	(-)
Inexpensive Single-Family	(-)	(-)
Garden Apartments (3+ bedrooms)	(-)	(-)
Mobile Homes	(-)	(-)

Burchell and Listokin, 1978

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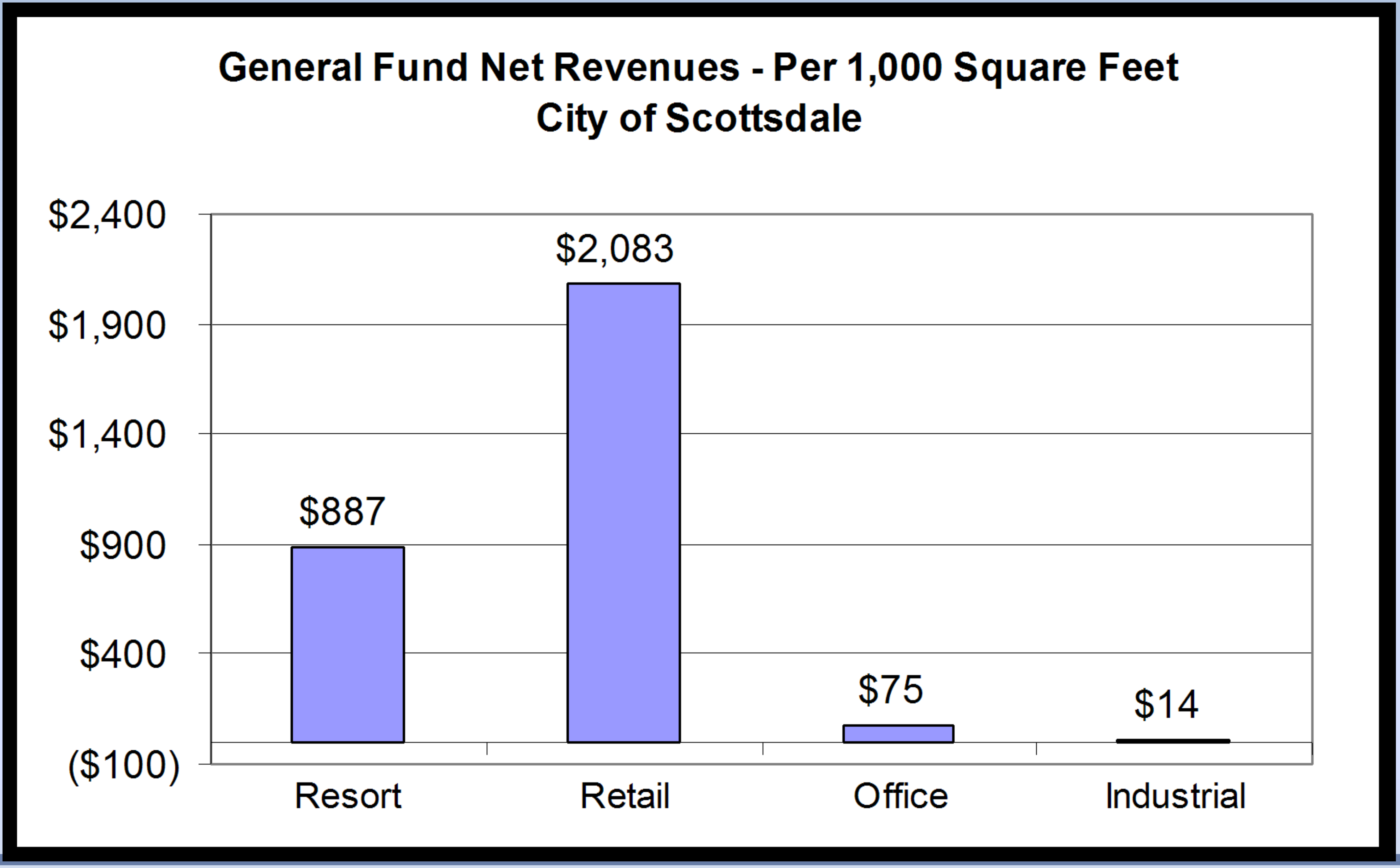
Influencing Factors

- Revenue structure
  - Sources
  - Distribution formulas
- Levels of service
- Infrastructure lifecycle
  - Existing capacities
- Characteristics of new development
  - Demographic
  - Socioeconomic

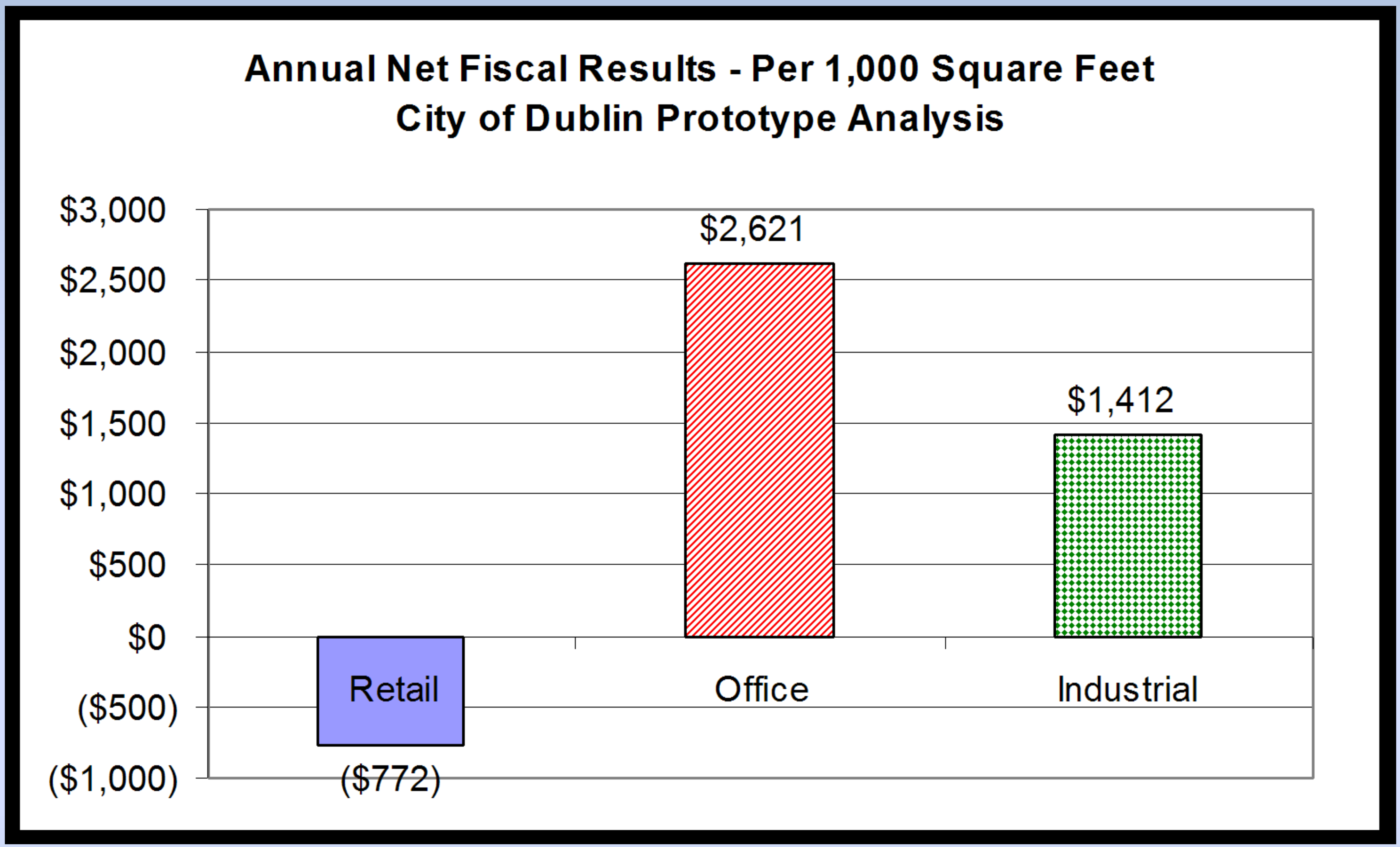
Revenue Structure

- Gross Receipts Tax



Revenue Structure

- Income Tax by Place of Employment



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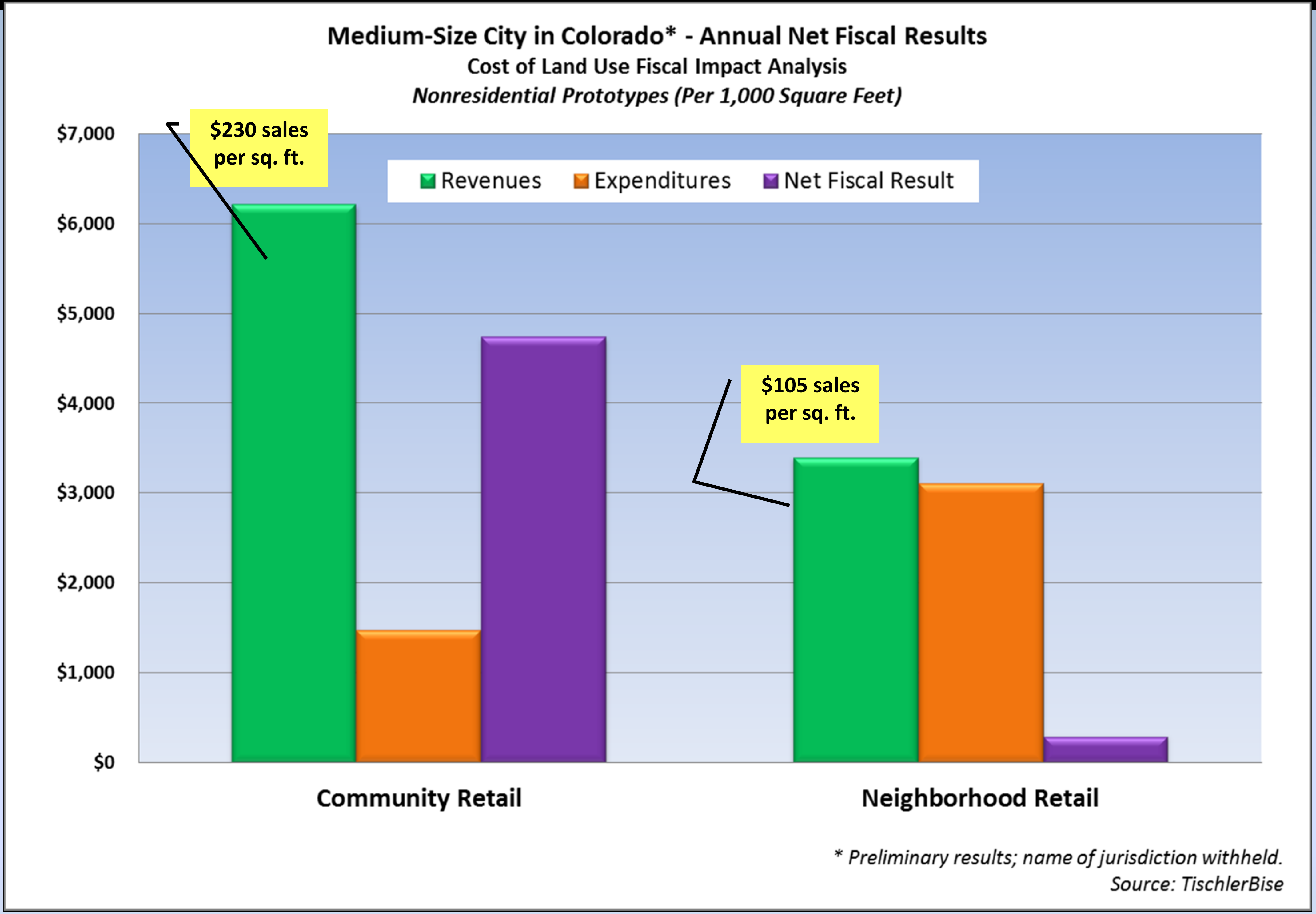
Not all Retail is Created Equal



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Analysis of General Plan Amendments

- Conducted meetings and follow-up with staff
  - Town budget, services, capital improvements
- Developed assumptions for land uses under current Plan and Plan Amendments with Town staff
- Developed fiscal model to:
  - Evaluate overall fiscal impact of each Plan Amendment
  - Identify infrastructure needs
  - Identify growth-related revenue sources
  - Examine operating impact (staff and operating costs)
- Prepared report on findings & present findings

The Study's Basic Assumptions

- Assumes current budget (FY2013) and levels of service
- Includes operating and capital costs for Town and on-site infrastructure
- Includes the following Funds
  - General Fund
  - Emergency Services Fund
  - Debt Service Fund
  - Capital Fund
  - Development Fee Funds
  - Highway User Fund

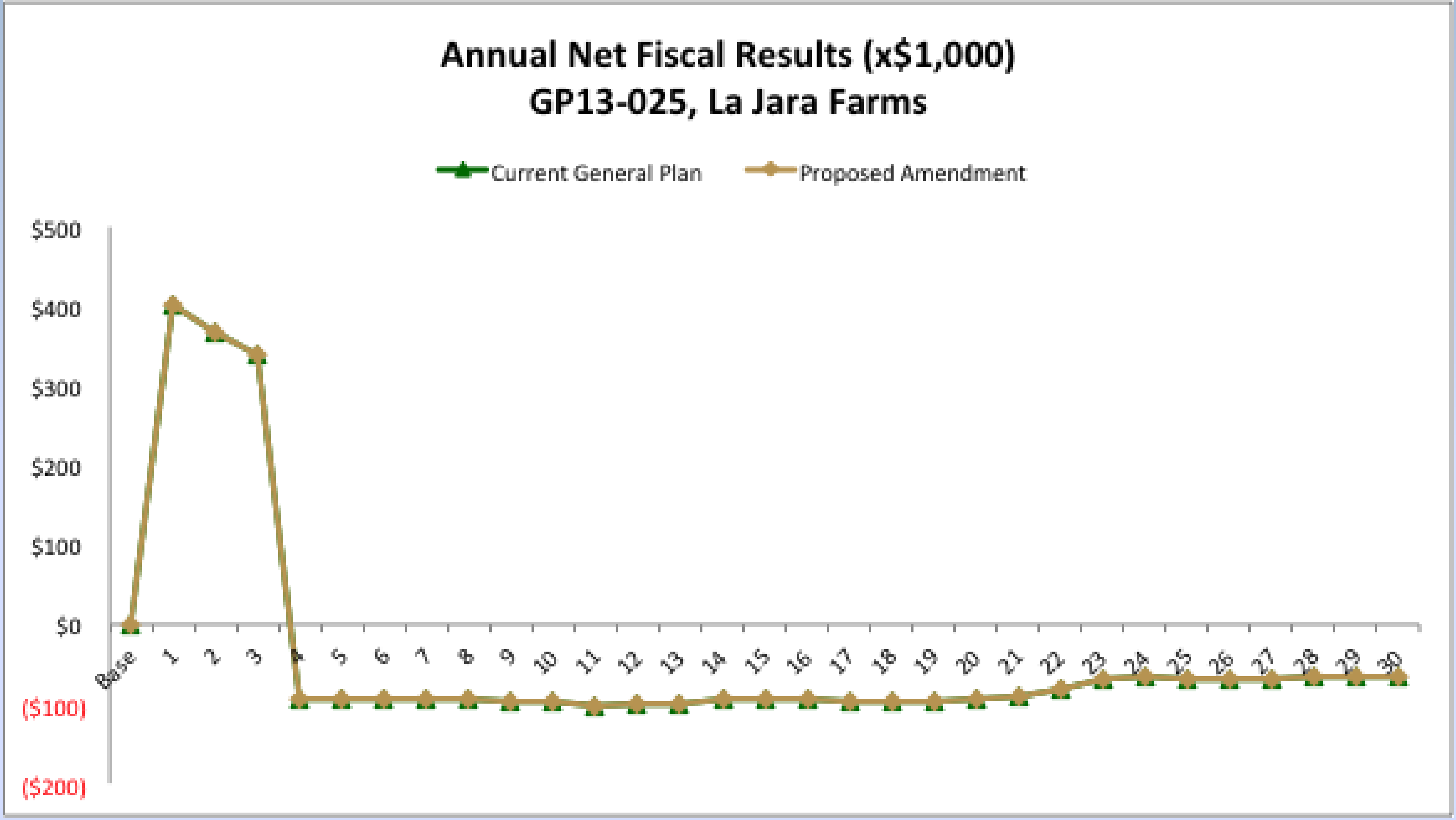
The Study's Basic Assumptions

- Retail sales tax revenue is projected both from future residential and additional retail space
  - It is estimated that 55 percent of taxable spending from residents is captured by the Town (Residential portion)
  - It is estimated that 41 percent of the demand is from the "secondary" market, or demand from non-residents of Queen Creek (Retail square footage portion)

La Jara Farms

- **GP13-025, La Jara Farms** is a proposal affecting 140 acres located at the southwest corner of German Road and Hawes Road. The application proposes a development consistent with current platting as Very Low Density Residential (96 single family units under both scenarios).

La Jara Farms



Findings

- Net surpluses are generated over the 3-year absorption period
- By Year 30, the annual net deficit is approximately $66,000 for both scenarios
- Annual operating expenditures in year 30 are $204,000 with annual revenues of $138,000.

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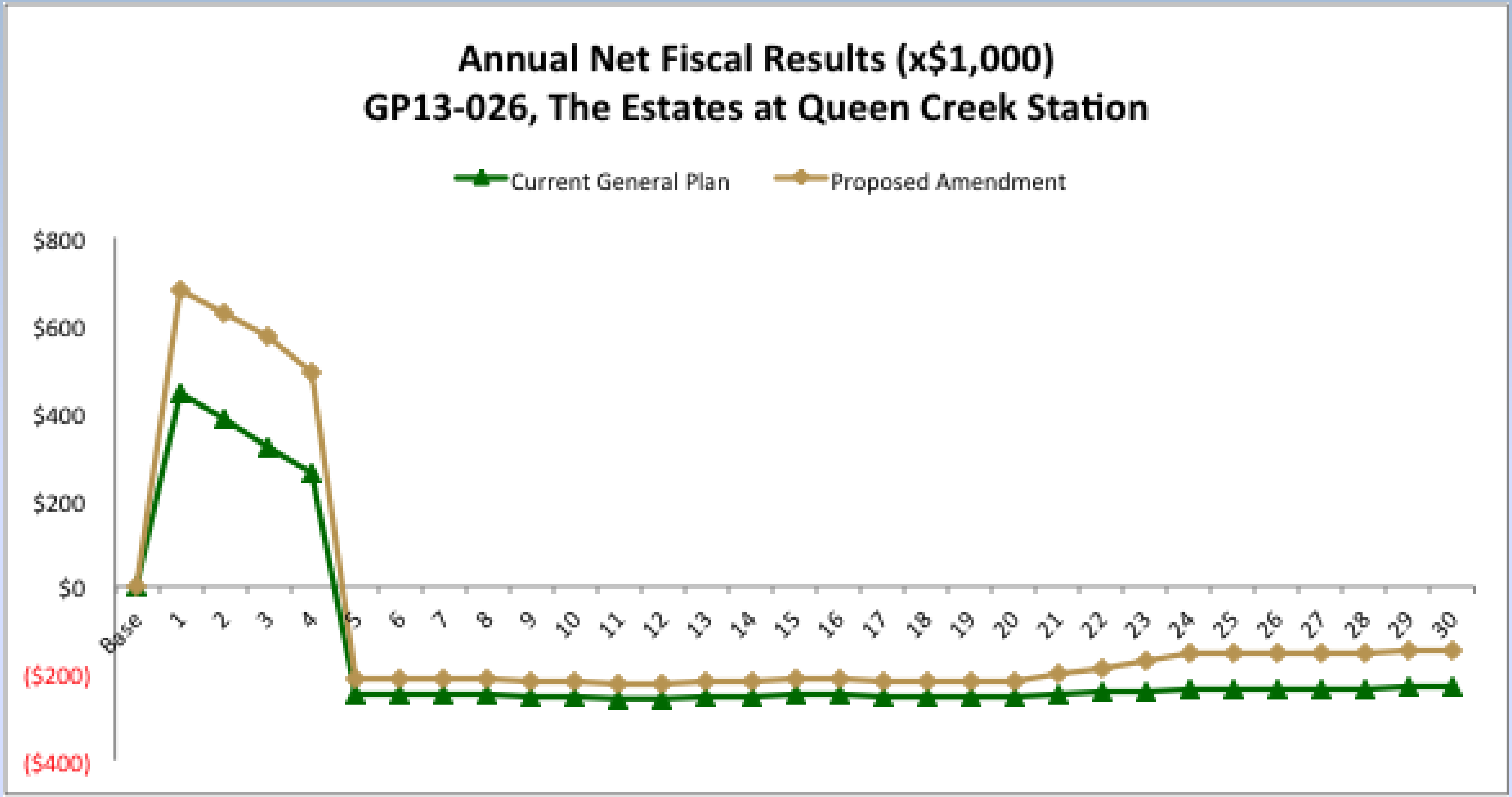
The Estates at Queen Creek Station

- **GP-13-026, The Estates at Queen Creek Station** is a proposal affecting 156 acres located at the southeast corner of Germann Road and Ellsworth Road. The application proposes changing from an Employment Type A land use that would host industrial (300,000 square feet), office (200,000 square feet), and commercial establishments (100,000 square feet), to allow development of 214 Low Density Residential single family homes.

The Estates at Queen Creek Station



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Findings

- After the 5-year construction period, both scenarios generate annual net deficits
- The proposed residential-only scenario (Proposed Amendment) generates the best fiscal results
- By Year 30, the annual net deficit is approximately $229,000 under the Current General Plan and $147,000 under the Proposed Amendment

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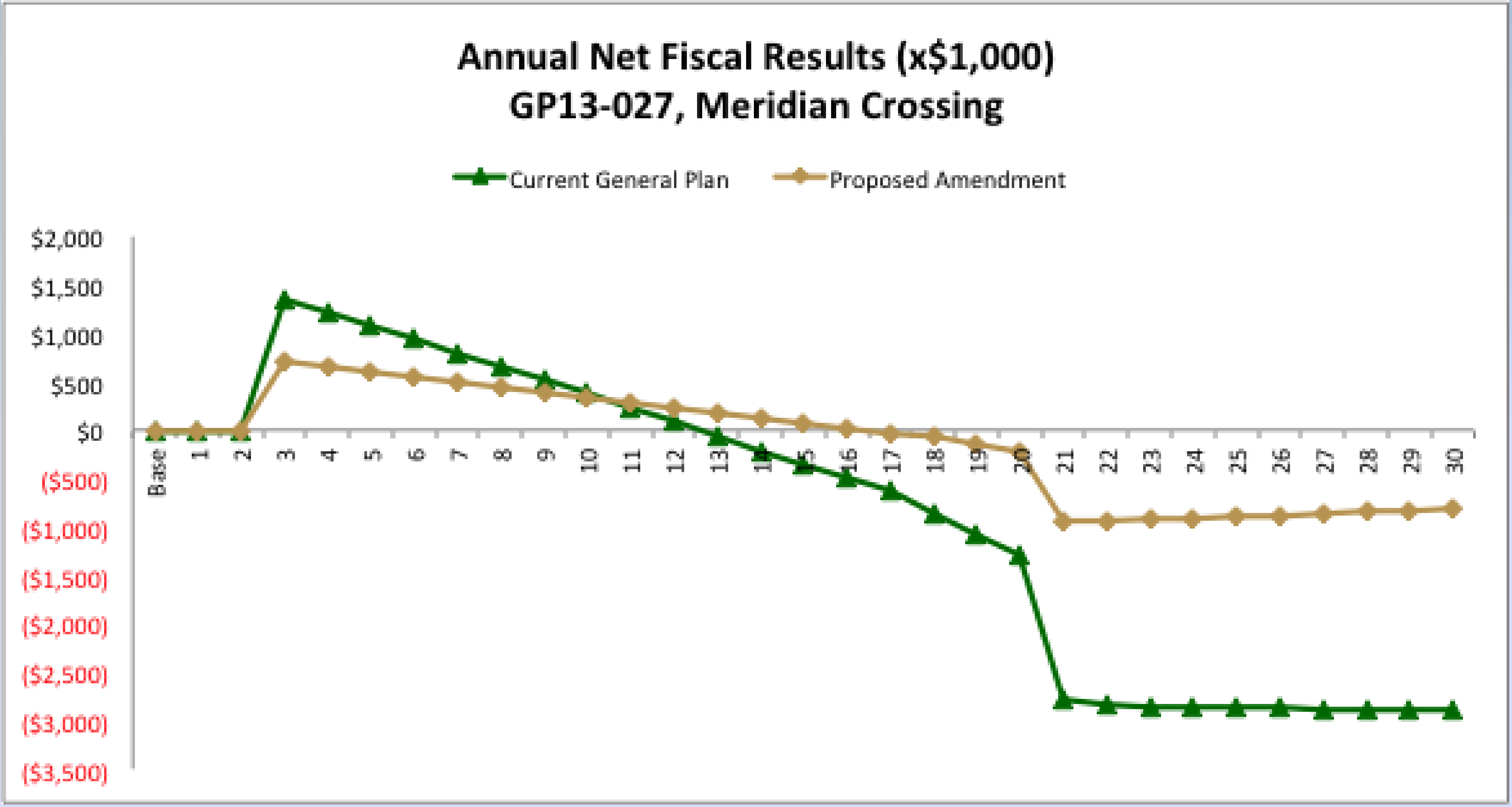
Meridian Crossing

- **GP13-027, Meridian Crossing** is a proposal affecting 500 acres located near the intersection of Meridian Road and Rittenhouse Road. The application proposes not pursuing the existing plan to develop over 3,000 multifamily residential units, and 252 acres to host approximately 450,000 square feet each of commercial and office space. The application seeks to change the General Plan to Medium Density Residential to host 987 single family homes, and to develop 20 acres of commercial (49,000 square feet) and office space (3,000 square feet).

Meridian Crossing



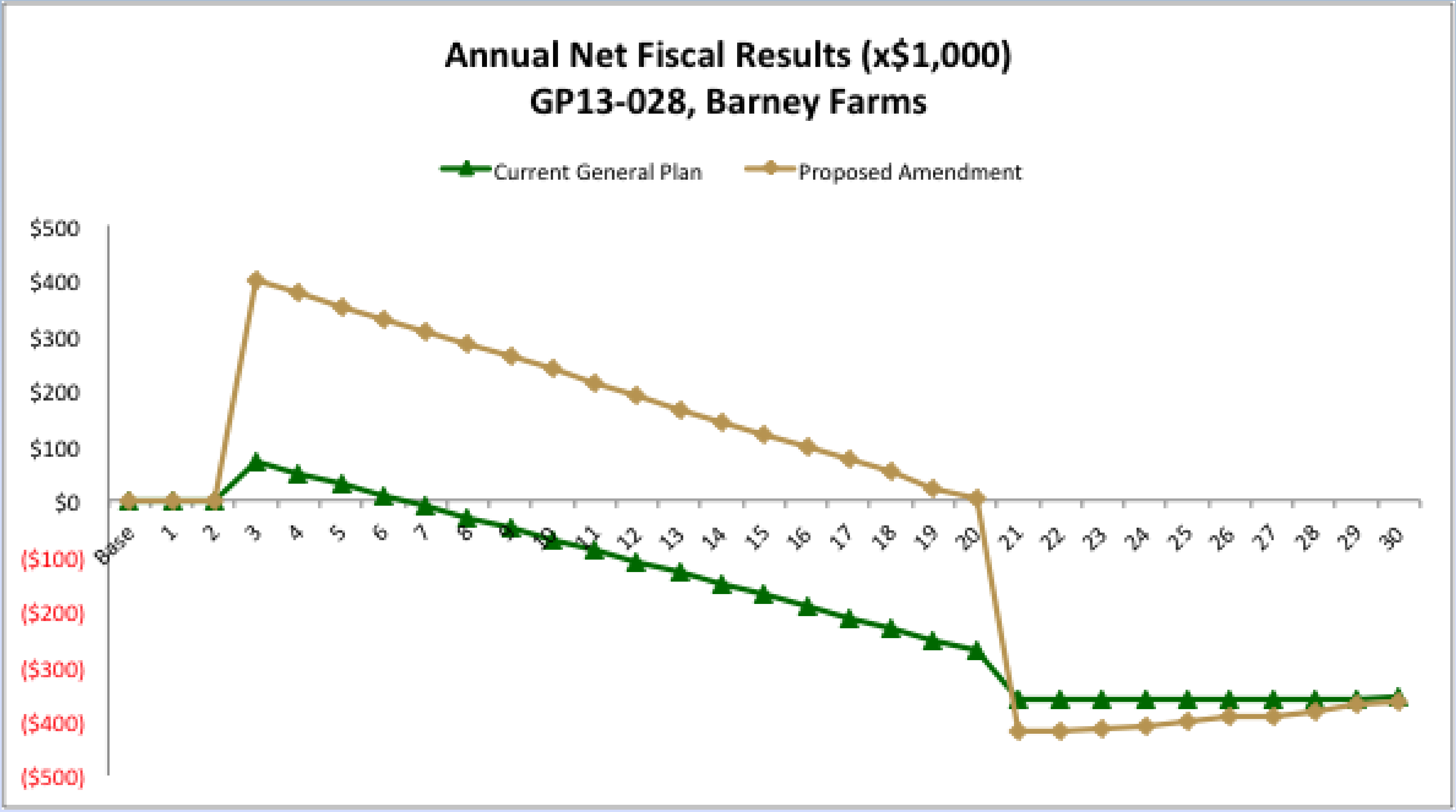
Findings

- Both scenarios generate annual net deficits by year 17
- Sales tax revenue attributable to residential benefits the Proposed Amendment
- The annual net deficit is approximately $2.9 million under the Current General Plan and approximately $810,000 under the Proposed Amendment
- Cumulative capital operating costs are more than double under the Current General Plan
- The Current General Plan assumes primarily multifamily and office development, which do not generate sufficient sales tax revenues to offset their costs

Barney Farms

- **GP13-028, Barney Farms** is a proposal affecting 241 acres at the northeast corner of Signal Butte Road and Queen Creek Road. The application proposes changing the current land use plan for 630,000 square feet of industrial development under Employment Type B, to a mix of land uses including Medium Density Residential A (assumes 162 SF units) and Medium Density Residential B (assumes 198 MF units), and 151 acres of office (600,000 square feet of office) and commercial space (400,000 square feet of retail).

Barney Farms



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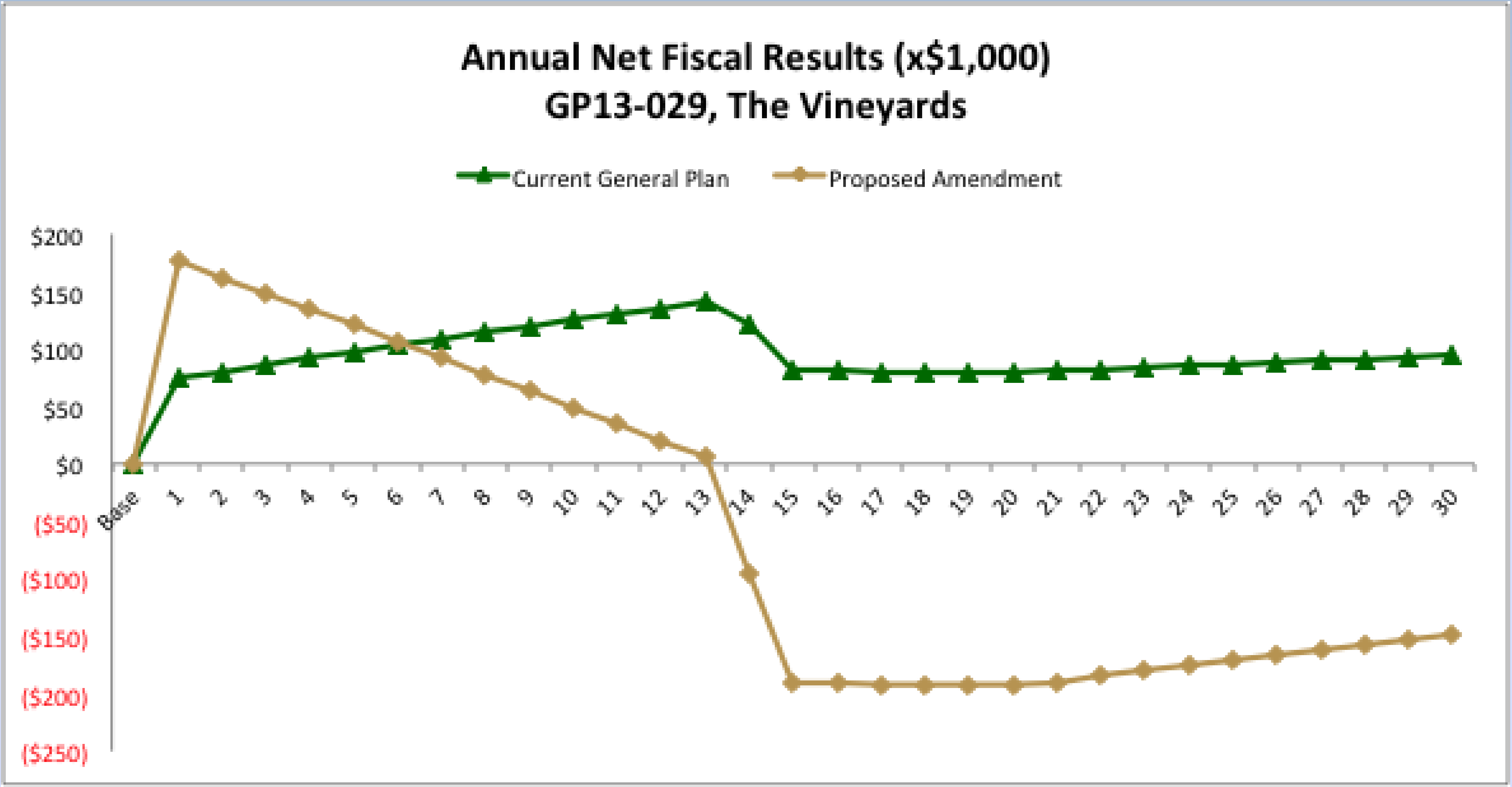
Findings

- The Proposed Amendment generates net surpluses for 18 years versus 4 years under the Current General Plan
- The Current General Plan assumption of industrial development generates substantially less revenue than its mixed use alternative
- While the resulting net deficit amounts are close in value, the actual operating impact from the two scenarios is very different:
  - The Current General Plan generates an annual operating cost of $508,000 while the Proposed Amendment generates an annual operating cost of $2 million—a fourfold increase

The Vineyards

- **GP13-029, The Vineyards** is a proposal affecting 55 acres just beyond the northwest corner of Gantzel Road and Combs Road. The application proposes changing the current land use plan to develop 40 single unit residential and approximately 100,000 square feet of commercial and office space, to develop only 189 single residential units under Medium Density Residential A.

The Vineyards



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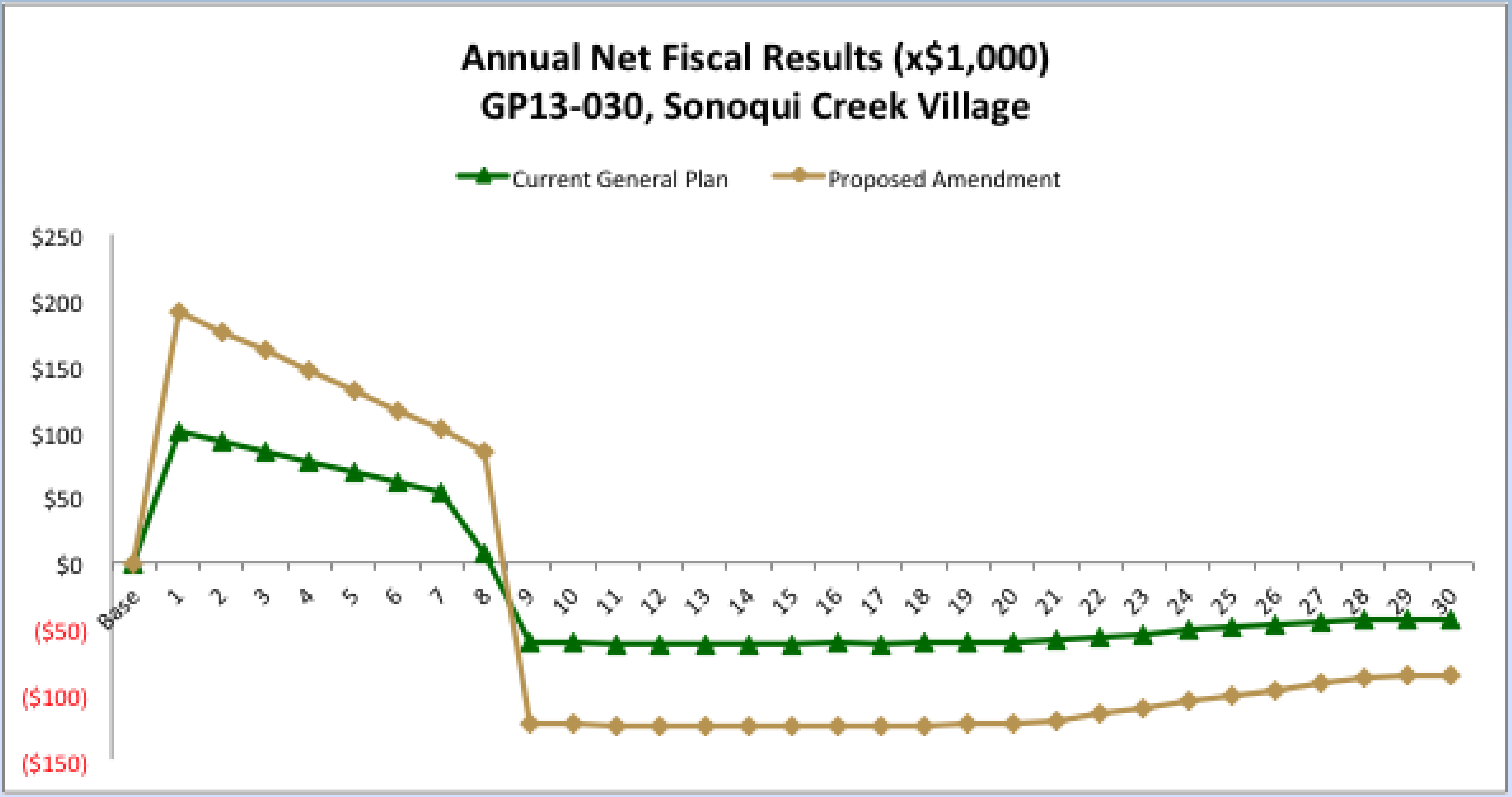
Findings

- The current General Plan land use assumptions generate net surpluses
- The Proposed Amendment generates net deficits after the construction phase
- By Year 30, the annual net fiscal impact is a surplus of approximately $94,000 under the Current General Plan and a net deficit of approximately $149,000 under the Proposed Amendment

Sonoqui Creek Village

- **GP13-030, Sonoqui Creek Village** is a proposal affecting 89.32 acres located at the northwest corner of Hawes Road and Riggs Road. The application proposes changing the current land use from Very Low Density Residential (assumes 61 single family units) to Low Density Residential (assumes 122 single family units).

Sonoqui Creek Village



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Findings

- Both development scenarios generate net deficits on an annual basis after the construction phase
- By Year 30 net deficits are generated of approximately $43,000 for the Current General Plan and $86,000 for the Proposed Amendment
- Additional sales tax generated by the Proposed Plan Amendment are not enough to offset the cost associated with doubling the residential units

Summary of Findings

- The fiscal results are heavily influenced by one-time construction revenues expire
- Scenarios with only residential development generate annual net deficits under the assumptions in this analysis
- Scenarios with a mix of land uses have mixed results
  - Those with retail land uses may generate net surpluses but the results are dependent on the combination of other land uses
  - Those scenarios with industrial land uses tend to generate net deficits

Comparison of Fiscal Results

	Burchell & Listokin (1993)*	*MAG Study** (2001)*	*TischlerBise GPA Analysis*** (2013)*
Single Family [1]	-	-	-
Multifamily [2]	-	-	-
Retail	-	+	+
Office	+	+	-
Industrial	+	-	-

+ = positive fiscal impact

- = negative fiscal impact

** "Typical Hierarchy of Land Use and Fiscal Impact," Robert Burchell and David Listokin, "Fiscal Impact Procedures and State of The Art." Lincoln Institute of Land Policy, 1993, as quoted in MAG Study, 2001.*

*** Results for Town of Queen Creek, MAG Study 2001; results were reported "per acre"*

**** Special analysis by TischlerBise per housing unit and per 1,000 sf of nonresidential space, using assumptions per the GPA fiscal impact analyses*

[1] MAG results reflect "Large Lot SF"

[2] MAG results reflect "Medium Density MF"

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Long-Term Issues/Considerations

- Increasing residential development increases the need for alternative long-term revenue sources
- Reliance on one-time revenue is a fiscally unsustainable proposition for most communities with a heavy residential base
  - The Town is severely constrained as to the amount of revenue available support on-going operations
- Scenarios with mixed-use, particularly with a strong retail element, will generate better long-term fiscal results
- From an economic perspective, an increased residential base will likely reduce the current amount of sales tax leakage

Long-Term Issues/Considerations

- Because of Arizona local government revenue structures, the fiscal return on industrial and office uses are fiscally neutral to slight deficits
  - Shouldn’t overlook the economic benefits of each
- The fiscal findings emphasize the need for a balanced mix of land uses
  - Every community has contributors and recipients
- Phase II will explore the question of long-term balance further
- Phase III will evaluate revenue enhancement options for consideration
- From a land use policy perspective, it is important to acknowledge that fiscal issues are only one concern.

Questions?