



Fiscal & Economic

NEWSLETTER

Olathe, Kansas Analyzes Fiscal Impacts of Annexation Area

Under contract with the City of Olathe, Kansas, a suburb of Kansas City, TA evaluated the fiscal impact of annexing 1,400 acres in an area known as Blue River 12, under different land use plans. The plans vary by mix

Although there are long-term surpluses, there are initial deficits

and rates of residential and nonresidential growth.

The fiscal impact analysis conducted by TA incorporates a case study-marginal approach wherever possible. The case study-marginal methodology is the most realistic method for evaluating fiscal impacts.

Annexation Scenarios

To analyze the fiscal impact of annexing the Blue River 12 area, the following five

scenarios were evaluated: Scenario 1. *Business as Usual*; Scenario 2. *175 Business Park Corridor*; Scenario 3. *Coffee Creek Parkway*; Scenario 4. *Renner Main Street*; and Scenario 5. *Preferred Plan*.

The table below shows growth by scenario. The fiscal impact analysis is based on projections over a 25-year time-period.

Average Annual Net Results

The chart on page 2 shows the average annual net fiscal impact (revenues minus expenditures) over the 25-year development period for the five land use scenarios. The fiscal results are shown for three time periods: 1) Years 1-10, 2) Years 11-25, and 3) Years 1-25 and include both operating and capital impacts.

Although long-term net surpluses are generated by the five land use scenarios, there are net deficits incurred over the first 10-15

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IN THIS ISSUE

Annexations and Fiscal Impact Evaluations

This newsletter focuses on two annexation fiscal impact assignments. In one example the results are positive and in the other the fiscal findings are negative. The results depend on:

- local and state revenue structures
- type of development
- pace of the development
- assessed values
- geographic location
- existing capital facility capacities

Consider several "what if" scenarios

As the two examples discussed in this newsletter indicate, the fiscal results vary by time period. Therefore it is important to understand the findings over the life of the development period, such as:

- average annual results by scenario
- annual results by scenario

It is also important to understand the results by alternative. To do this, we recommend several "what if" scenarios.

In addition, a fiscal analysis should consider the following factors over the development period:

- forecast of capital facilities and related operating expenses
- other operating expenses
- all revenue sources

Understand the results over different time periods

To derive meaningful results, it is important to focus on the case study-marginal approach, versus the per capita-average cost or modified per capita approach. The case study-marginal approach reflects fiscal reality since it has the ability to reflect any demand methodology and geographic conditions.

Blue River 12 Scenario Summary					
	Business as Usual	175 Business Park Corridor	Coffee Creek Parkway	Renner "Main Street"	Preferred Plan
Total Population	17,676	15,928	18,039	17,822	22,587
Residential Units	5,214	5,573	5,897	5,578	7,782
Nonresidential Sq. Ft.	2,318,263	2,731,212	2,759,540	2,450,250	2,614,690

Plant City, Florida Evaluates Annexation Alternatives

Under contract with the Plant City Chamber of Commerce, and in cooperation with the City, TA evaluated the fiscal impact of annexing three geographic areas. The evaluations were conducted under the City's present revenue structure, as well as under an increased rate scenario, which assumed the City increases its transportation impact fees to 30% of the maximum supportable amount and the stormwater fee increases \$12 per equivalent residential unit (ERU) to almost \$62.

The fiscal impact analysis conducted by TA incorporates a case study-marginal ap-

proach whenever possible. The case study-marginal methodology is the most realistic method for evaluating fiscal impacts. This methodology attempts to take site or geographic specific information into considera-

The case study-marginal methodology is the most realistic method for evaluating fiscal impacts

tion. Therefore, any unique demographic or locational characteristics of new development

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OLATHE, KS

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years, depending on the scenario. The majority of these deficits are a result of the need to “upfront” capital facilities such as a fire sta-

Most of the deficits result from the need to “upfront” capital facilities

tion, roads and several park and recreation facilities, in order to implement the various land use alternatives.

Annual Net Results

The annual results, shown for three of the scenarios on this page, indicate deficits start when the capital facility expansions and

Initial annual deficits occur in all scenarios

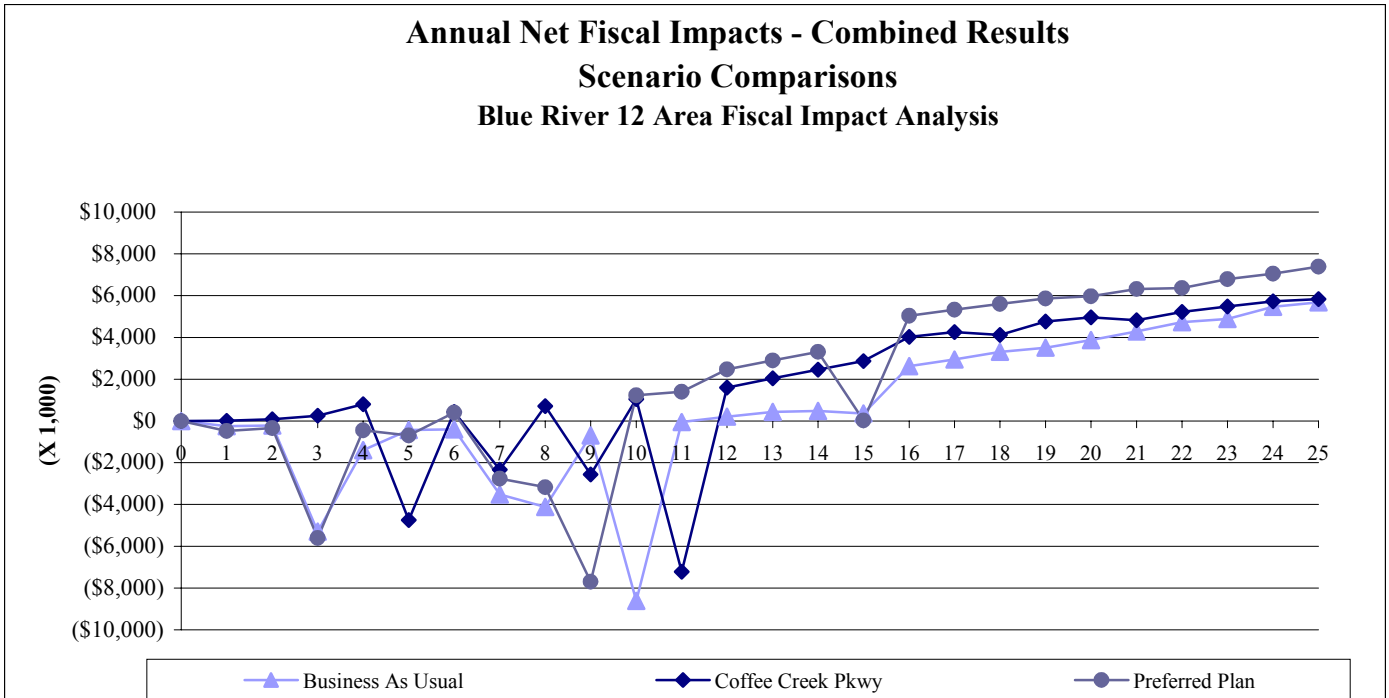
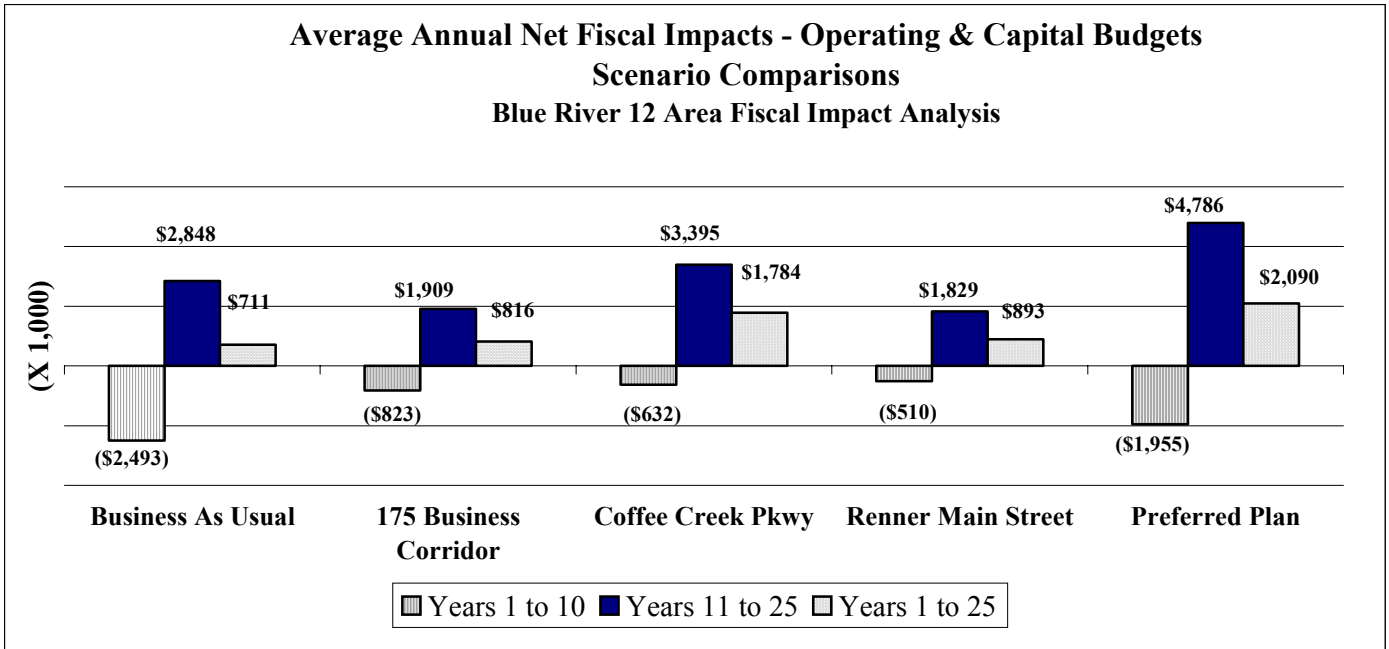
associated operating expenses are incurred. These additions directly impact the operating expenses.

Conclusions

There are various reasons for the results of the alternatives. The factors include the following:

- type of land use
- absorption pace
- assessed value of new construction
- staging of capital facilities
- related operating expenses
- financing mechanisms

The interplay of these factors for each alternative is discussed in the report.



TA News

Impact Fees

TA has prepared over 500 impact fees, more than any other firm. Highlighted below are three recent TA impact fee assignments.

Selected Examples

Coolidge, AZ - TA was hired to calculate development fees for the City of Coolidge, Arizona. Located southeast of the Phoenix metropolitan area, the City is expected to increase in population from 8,200 to 68,000 in the next 10 years. TA calculated development fees for sewer, libraries, parks and recreation,

Housing unit milestones will trigger impact fee increases

police, fire/EMS, transportation, and general government facilities and vehicles.

The Coolidge City Council voted to implement 100% of the sewer development fee and gradually phase in the remaining development fees over time as development occurs and housing unit milestones are reached. The other development fees will be initially assessed at 45% of the maximum justifiable amount. The fees will then go up by 10% for each 500 dwelling units for which a building permit is issued until the fees reach 100% of the maximum justifiable amount.

Currituck Co., NC - This coastal county, located south of the Virginia Beach metropolitan area, has been adding over 600 housing units per year. Many of these are seasonal units on the outer banks. However the year-round housing on the mainland is rapidly filling available school capacity. TA prepared a

report on Student Generation Rates to address the unique circumstances of Currituck County. TA matched student addresses to the addresses of detached housing units obtaining a certifi-

The school impact fees vary to reflect year round and seasonal housing areas

cate of occupancy within the past five years. Student generation rates were also prepared using the U.S. Census Bureau Public Use Microdata Sample (PUMS). The PUMS data enabled TA to create student generation rates by housing type and number of bedrooms. Because most new housing on the mainland of Currituck County is located near the VA-NC state line, the recommended student generation rates were derived using data from both North Carolina and the southern portion of Virginia Beach. To account for seasonal housing, two separate school impact fee schedules were recommended, one for the mainland and the other for the outer banks.

Evans, CO - The City of Evans is a community being affected by growth in Denver, Greeley and Loveland. TA was hired to modify the City's existing street impact fees based on a new transportation study. One of the City's objectives was to evaluate the percep-

The cash flow presented different funding options

tion that impact fees currently imposed on nonresidential development were disproportionately high. In the new impact fee, TA added the average trip length adjustments by type of development, which reduced the non-residential impact fees.

An innovative feature in this study was a projected cash flow analysis that provided five different options for funding the City's transportation plan. Funding options varied the mix of revenue from street impact fees, State and County Highway funds and a street user charge. The latter funding option would be a new source of revenue for the City of Evans, requiring transportation services to be provided as an enterprise operation. Several western states have successfully implemented transportation utilities and their use has withstood a court challenge in Colorado.

New TA Impact Fee Assignments:

- Banning, CA
- Butte Co., CA
- Camden Co., NC
- Carroll Co., MD
- Delaware, OH
- Easton, MD
- Glendale, AZ
- Goochland Co., VA
- Half Moon Bay, CA
- Harford Co., MD
- Henrico Co., VA
- Henry Co., GA
- Hooper City, UT
- Kellogg, ID
- Logan, UT
- Miami, FL
- National City, CA
- New Castle Co., DE
- Pasco Co. Schools, FL
- Visalia, CA
- Yuma, AZ



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Please send the following:

- Recent TA Fiscal & Economic Newsletters
- Reprint "20 Points to Know About Impact Fees"
- Reprint "Impact Fees—Understand Them or Be Sorry"
- Excerpts from: ICMA IQ Report "Introduction to Infrastructure Financing"
- Excerpts from: ICMA Smart Growth Network "Smart Growth & Fiscal Realities"

4701 Sangamore Road, Suite N210
 Bethesda, MD 20816
 (800) 424-4318 • Fax (301) 320-4860
 tafiscal@tischlerassociates.com
 www.tischlerassociates.com
 Also: Pasadena, CA

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PLANT CITY, FL

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are reflected, as well as the extent to which a particular infrastructure or service operates under, over or close to capacity.

Annexation Areas

Three annexation areas were analyzed for their fiscal impacts to Plant City. Comprising a total of approximately 21,000 acres of land surrounding the City, these annexation areas include: Area 1. *Northeast*; Area 2. *South*; and Area 3. *West*. The table on the right shows growth by annexation area to the year 2030 as provided by the client.

Net Impacts

The chart below summarizes the annual net fiscal impacts (revenues minus expenditures) to Plant City for each of the three annexation areas. The fiscal results are presented for the General Fund, Streets & Stormwater

Annexation Area Growth Projection Summary			
Plant City Fiscal Impact Analysis			
	Northeast	South	West
Total Population	21,996	11,537	10,868
Residential Units	8,922	4,789	4,617
Nonresidential Sq. Ft.	3,087,395	2,388,374	2,611,975
Total Jobs	9,188	7,495	7,013

Fund, Capital Fund, as well as the combined results to the City. The cumulative results for the Streets & Stormwater and Capital Funds assumed the increased rates for transportation

The South area is twice as costly as the West area

impact fees and stormwater rates. Although the three annexation areas generate net surpluses to the General Fund, these net surpluses are not significant enough to offset the deficits to the Streets and Stormwater and Capital Funds, resulting in combined net deficits. One of the reasons for these deficits is the existing defi-

ciency of infrastructure needed to serve current residents in the areas to be annexed.

Conclusions

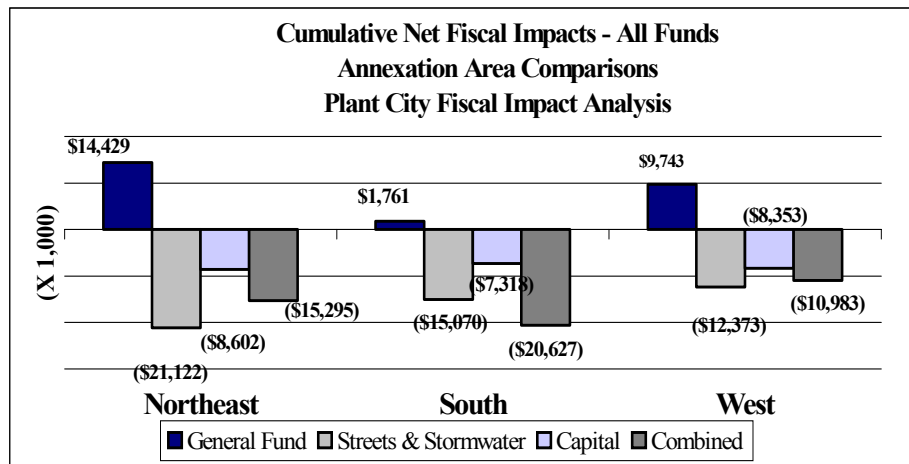
The following major conclusions can be drawn from this analysis:

The primary reason for the overall net deficits for all funds combined is the City's inadequate revenue structure for the Streets & Stormwater and Capital Funds.

The analysis indicates that any of the three annexations the City undertakes will require a subsidy unless: new revenue sources are found, existing rates are increased, or different zoning is put in place.

The West produces the lowest deficits because it has the least residential activity and there is no additional fire station. The South produces the greatest deficits due to more residential than in the West and there is an additional fire station. The Northeast is in the middle because the greater General Fund net revenues help offset greater Capital Fund related deficits.

Several land use issues associated with annexation should be noted in the context of the fiscal impact analysis. A positive reason for annexation is the City's ability to exercise control over land uses in areas that may impact City services. In addition, because of the amount of vacant land in the annexation areas, the City has the opportunity to tailor a land use plan and related zoning that could



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