

preliminary results

Fiscal Impact Model

October 6, 2008

Robert Luckow
Hennepin County
Community Works

Luis Pereira
Planning & Economic
Development



How is “success” measured ? . . .

- City must balance a range of factors for a “successful” redevelopment
- The effects of new development on the City’s ‘bottom line’ – the “fiscal effects” – are only one measure of success

Measures of “success” at the Ford site. . .

- increased City tax base
- market / financial feasibility, market-based return for the property
- minimal debt, providing for operation / maintenance costs within annual budget constraints
- environmental sustainability and compatibility with community and natural amenities
- integration with the physical neighborhood and fabric of the community
- integration with the existing street and infrastructure system;
- a mix and pattern of land uses that minimizes traffic impacts and encourages walking, biking, and transit use
- consistency with the Comprehensive Plan, specifically policies with respect to land use, transportation, housing and economic development



Analyses . . .

- Fiscal impact analysis tool
- Alternative Urban Areawide Review (AUAR)
 - To define the necessary mitigation steps to be taken with new development
- Additional market studies
 - To assess market conditions as they change
- Environmental contamination/remediation studies
- Sustainable redevelopment options
- Green manufacturing study
- Zoning study / small area planning



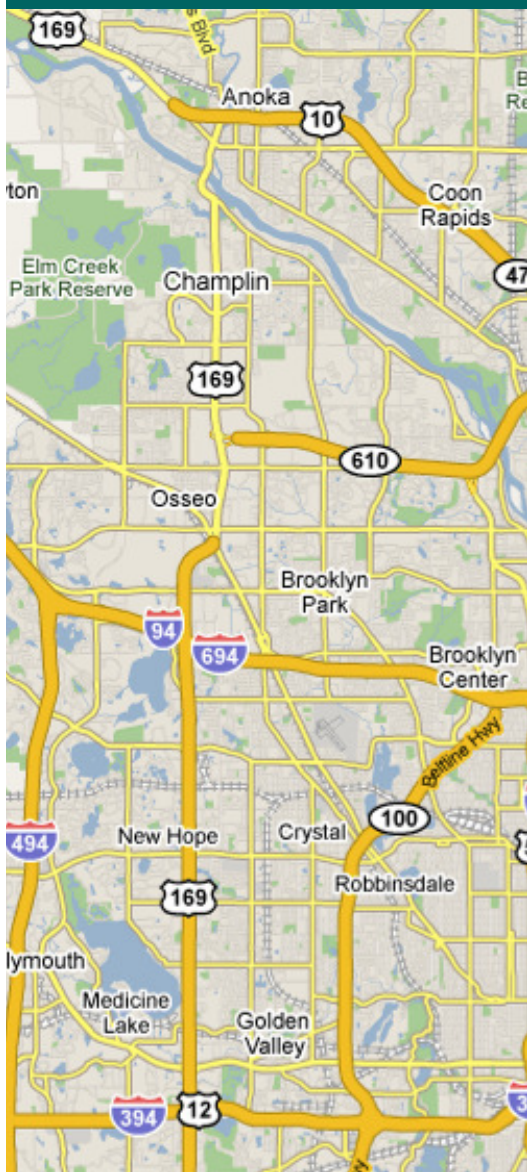
Fiscal Impact Models

Purpose:

Focuses on the impact of development on the government's bottom line - allows comparisons of different development scenarios in terms of fiscal impacts on City government finances

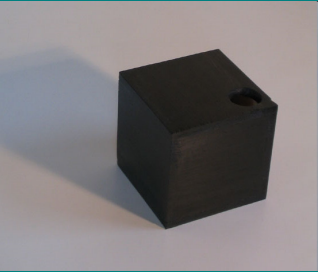


History of Hennepin Fiscal Impact Model



- Hennepin County & the Design Center for American Urban Landscape – Northwest Corridor study
- 2001/2003 – FIMs for six communities along NW Corridor route
- 2005 – model updated for CURA-related work in 11 communities in western Hennepin County
- 2008 – model updated for Ford site / Saint Paul
- *Federal Transit Administration funding to share model with additional cities*

Why this Fiscal Impact Model ?



- Existing fiscal impact analyses:
 - Too simplistic or too complicated
 - Too large of scale (regional impacts)
 - “Black box” methodology
 - Project / location specific
- Most analyses conducted were not appropriate for our needs:
 - Should include residential and non-residential
 - Should include school districts
- “Literature” cites multiple methods for conducting analysis

Why this Fiscal Impact Model ?

- Locally-developed
- Relatively transparent
- Can be “tweaked” for Saint Paul over time
 - City and school district budgets, project market reality, and market values and zoning in the city
- Encourages dialogue
 - City departments, the School District, and Ramsey County
- Can be understood by the public
 - Requires no specialized training in economics, planning, or finance



Metropolitan Design Center



Limits of FIM

- Does not look at the multiple effects created by new development throughout the economy
 - Labor, wages, or ripple effects in the regional economy such as sales tax generation, etc.
- Does not include capital costs
 - Capital costs are site-specific
 - Small infill projects may require no capital investment, while large scale projects may need new roads, sidewalks, sewer lines, etc.

How Does This Work? – Assumptions

1. Any development impacts revenues & expenditures
2. Revenues & expenditures related to the number of:
 - Residents
 - Workers
 - Students
3. Multipliers used to project the number of residents, children, and workers created by new development

How Does This Work? - Multipliers



Each single-family home would generate 2.50 residents (including .90 children)

A 10,000 square feet office building would generate 40 employees



How Does This Work? – Demand for Service



- 2.50 residents would demand \$2,070 of local government services



- 40 employees would demand \$9,520 of local government services

- 0.90 children would demand \$6,760 of school services

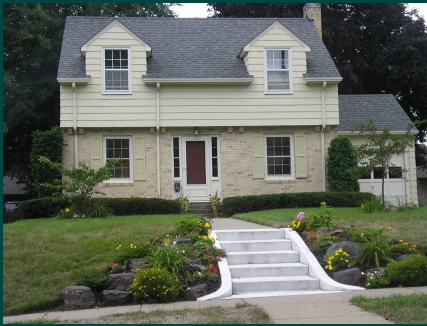


How Does This Work? – Increased Revenue

- Licenses & Permits
- Fees & Service Charges
- Franchise Fees
- Intergovernmental Revenue
- Non-property taxes
- Other

- 2.50 residents would generate \$1,220 of local government revenues
- 40 employees would generate \$4,880 of local government revenues
- 0.90 children would generate \$6,200 of school revenue (mostly from State)

How Does This Work? – Property Taxes



- A \$300,000 home would pay \$2,020 in city/school property taxes



- A \$600,000 commercial building would pay \$5,240 in city/school property taxes

Running the FIM – Land Use

- Single-family homes
- Townhomes
- Duplexes / Triplexes
- Small Flats
- Low-Rise Apts/Condos
- Medium & High Rise Apts/Condos

- Mixed Use
- Commercial
- Office
- Industrial
- Active and Passive Parkland
- Institutional
- Road right-of-way

Running the FIM – Assumptions

- EDAW scenarios are base of Model
- FIM market values are constant across scenarios
- Apartment/condo buildings:
 - 1/3 of units are rental, 2/3 are ownership
- Less children/unit in larger multifamily buildings (smaller units)
- Single family detached homes & townhomes:
 - 1/3 are executive level, 1/3 mid-level, 1/3 starter homes
- “Affordable” rental units can be modeled

Running the FIM – Inputting the Scenarios

- Open space assumption
- Right-of-way (streets) assumption – 17 acres
- Zoning Districts
 - Residential, Traditional Neighborhood, Business, and Industrial
 - Building lot size
 - Density & Floor Area Ratio
 - Surface vs. Structured parking

Running the FIM – Inputting Data

SINGLE-FAMILY DEVELOPMENT STYLES		<i>Total</i>	<i>Number</i>	<i>Local Govt</i>	<i>School</i>	<i>Units</i>	<i>Number</i>
<i>DESCRIPTION</i>		<i>Market Value</i>	<i>of Units</i>	<i>Impact</i>	<i>District Impact</i>	<i>per Acre</i>	<i>of Buildings</i>
13	acres SINGLE DETACHED HOMES Executive Level	\$ 44,571,429	74	\$78,152	\$127,038	5.7	74.29
14	acres SINGLE DETACHED HOMES Mid Level	\$ 24,000,000	80	\$5,134	\$43,525	5.7	80.00
13	acres SINGLE DETACHED HOMES Starter Home	\$ 19,500,000	87	(\$14,195)	\$23,155	6.7	86.67
5	acres SINGLE ATTACHED TOWNHOMES Executive Level	\$ 35,714,286	71	\$51,556	\$88,363	14.3	71.43
5	acres SINGLE ATTACHED TOWNHOMES Mid Level	\$ 21,428,571	71	\$8,133	\$35,623	14.3	71.43
5	acres SINGLE ATTACHED TOWNHOMES Starter Home	\$ 14,285,714	71	(\$13,578)	\$9,253	14.3	71.43
	acres DUPLEX 2-Unit Building	\$ -	0	\$0	\$0	0.0	0.00
	acres TRIPLEX 3-Unit Building	\$ -	0	\$0	\$0	0.0	0.00
MULTI-FAMILY DEVELOPMENT STYLES		<i>Total</i>	<i>Number</i>	<i>Local Govt</i>	<i>School</i>	<i>Units</i>	<i>Number</i>
<i>DESCRIPTION</i>		<i>Market Value</i>	<i>of Units</i>	<i>Impact</i>	<i>District Impact</i>	<i>per Acre</i>	<i>of Buildings</i>
	acres QUADS 4-Unit Building	\$ -	0	\$0	\$0	0.0	0.00
3.5	acres SMALL FLAT - APARTMENTS 2 to 3 stories, generally 5 to 19 units	\$ 8,400,000	84	(\$13,909)	\$15,798	24.0	7.00
6.5	acres SMALL FLAT - CONDOS 2 to 3 stories, generally 5 to 19 units	\$ 35,100,000	156	\$32,343	\$112,911	24.0	13.00

Findings:

Each scenario has a higher market value than existing site

Numbers are in millions of dollars

	1	2	3	4	5
	Baseline Reuse For Industry	Mixed Use Light Industrial Flex Tech	Mixed Use Office & Institutional	Mixed Use Urban Village	Mixed Use High Density Urban Transit Village
Total Market Value	\$132.0	\$203.9	\$319.3	\$292.5	\$265.7
Residential	\$30.0	\$137.0	\$245.5	\$249.9	\$248.7
Commercial	\$101.5	\$66.9	\$64.8	\$42.6	\$17.0

Existing Market Value of property is \$69,000,000

Preliminary findings

Findings:

Property tax potential could double or triple compared to existing site

	1	2	3	4	5
	Baseline Reuse For Industry	Mixed Use Light Industrial Flex Tech	Mixed Use Office & Institutional	Mixed Use Urban Village	Mixed Use High Density Urban Transit Village
Total Local Property Tax	\$2,035,000	\$2,555,000	\$3,785,000	\$3,335,000	\$2,955,000
City	\$560,000	\$725,000	\$1,090,000	\$965,000	\$865,000
School District	\$615,000	\$835,000	\$1,270,000	\$1,140,000	\$1,025,000

Existing Local Taxes Paid: \$1.1 million

Preliminary findings

Findings:

City benefits by additional jobs and housing units

	1	2	3	4	5
	Baseline Reuse For Industry	Mixed Use Light Industrial Flex Tech	Mixed Use Office & Institutional	Mixed Use Urban Village	Mixed Use High Density Urban Transit Village
Jobs created	4,190	3,151	3,769	1,586	1,923
Housing Units	168	635	1,256	951	1,352
New Residents	238	1,046	1,876	1,828	1,923

Preliminary findings

Findings:

The impact on the City's budget would be marginal

	1	2	3	4	5
	Baseline Reuse For Industry	Mixed Use Light Industrial Flex Tech	Mixed Use Office/ Institutional	Mixed Use Urban Village	Mixed Use High Density Urban Transit Village
Revenues	\$1,185,000	\$1,620,000	\$2,465,000	\$2,050,000	\$1,915,000
Expenditures	\$1,190,000	\$1,610,000	\$2,445,000	\$1,885,000	\$1,810,000
Annual Net Fiscal Effect on CITY GOVT	(\$5,000)	\$10,000	\$15,000	\$165,000	\$105,000
Fiscal Impact as % of General Fund Budget	0.00%	0.01%	0.01%	0.09%	0.06%

Preliminary findings

Findings:

The school district would see a greater net benefit from development

	1	2	3	4	5
	Baseline Reuse For Industry	Mixed Use Light Industrial Flex Tech	Mixed Use Office/ Institutional	Mixed Use Urban Village	Mixed Use High Density Urban Transit Village
Number of Additional Children	22	151	211	356	179
Annual Net Fiscal Impact for School District	\$585,000	\$700,000	\$1,075,000	\$805,000	\$855,000

Preliminary findings

Conclusions

Net fiscal effect: small differences between the scenarios (as a portion of the City total budget)

School district benefits a lot

Mixed use looks favorable

Higher revenue scenarios may demand more amenities

Residential net densities are low
- Units/acre: 13 – 36
- TN2 and TN3 densities - generally higher

Commercial floor area ratios are pretty low
- FARs: 0.37 to 0.79

Conclusions

No modeling of sales tax generation or other effects development has in local economy

City spending on services for the new population may be higher or lower than assumed

Based on our best assumptions about the market, and City and school district budgets

Conclusions

No modeling of sales tax generation or other effects development has in local economy

City spending on services for the new population may be higher or lower than assumed

Based on our best assumptions about the market, and City and school district budgets

What about changing market conditions?

The City must balance multiple objectives

Data Sources

- Recent City/HRA project data
- Zoning regulations
- St Paul City Budget - 2008
- St Paul Public School Budget – 2008
- Port Authority
- Ramsey County
- Metropolitan Council
- Minnesota State Auditor
- Minnesota Dept of Education
- US Census Bureau & IPUMs data
- Urban Land Institute

Next Steps

- Staff training
- Questions & comments?

