

preliminary results

# Fiscal Impact Model

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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



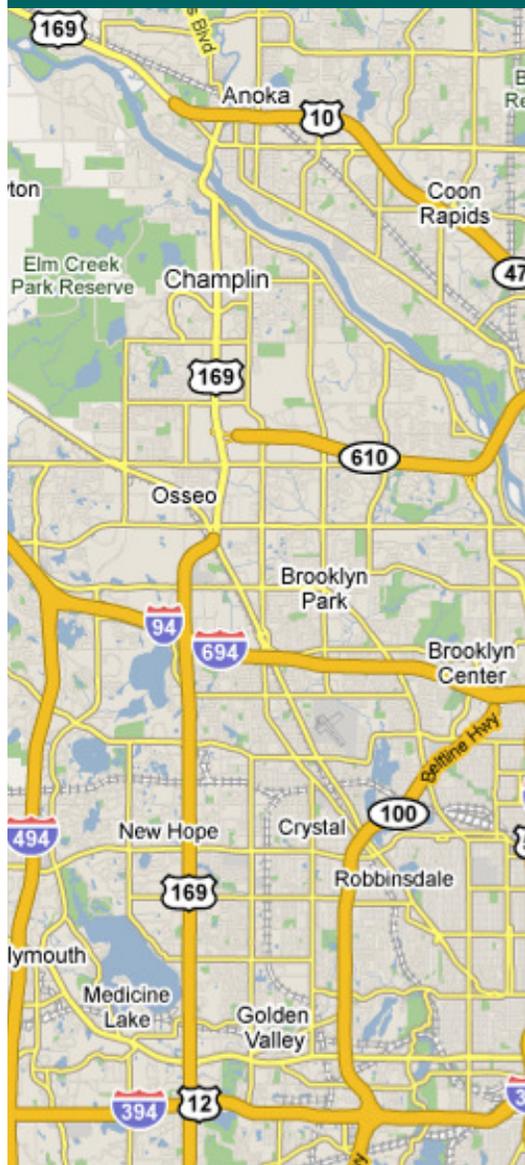
# Fiscal Impact Models

## 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

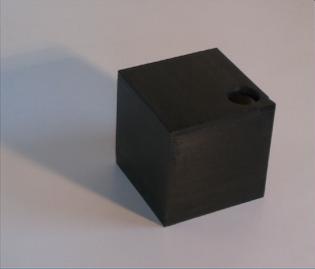


# History of Hennepin Fiscal Impact Model



- 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

<b>SINGLE-FAMILY DEVELOPMENT STYLES</b>		<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
<b>MULTI-FAMILY DEVELOPMENT STYLES</b>		<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
	<b>Baseline Reuse For Industry</b>	<b>Mixed Use Light Industrial Flex Tech</b>	<b>Mixed Use Office &amp; Institutional</b>	<b>Mixed Use Urban Village</b>	<b>Mixed Use High Density Urban Transit Village</b>
<b>Total Market Value</b>	<b>\$132.0</b>	<b>\$203.9</b>	<b>\$319.3</b>	<b>\$292.5</b>	<b>\$265.7</b>
<b>Residential</b>	<b>\$30.0</b>	<b>\$137.0</b>	<b>\$245.5</b>	<b>\$249.9</b>	<b>\$248.7</b>
<b>Commercial</b>	<b>\$101.5</b>	<b>\$66.9</b>	<b>\$64.8</b>	<b>\$42.6</b>	<b>\$17.0</b>

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

*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  
- TN<sub>2</sub> and TN<sub>3</sub> 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

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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?

