

Fiscal Impact of Development in Litchfield Park

Data & Analysis
May 2014



THE CITY OF
Litchfield Park

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Purpose of the report/analysis...

- Basic overview and analysis of key factors of development's impact on the City's budget
- A useful tool in evaluation of proposed residential or commercial development
- Creation of calculations that can easily be adjusted/modified, on an ongoing basis, based on new information

Fiscal Impact of Development

Key Factors

- Revenues – Commercial vs Residential
- Costs – Commercial vs Residential
- Balance – Using available data to help create balanced development meeting the needs of the City and Community

Fiscal Impact of Development (Cont'd)

The sentiment of many municipalities is captured in this recent quote from the Wall Street Journal —

- ***“Queen Creek and municipalities in many Western states – including Arizona, Colorado, Oklahoma, and New Mexico – try to keep property taxes low by using sales tax revenue to provide much of their municipal budget for city services. Homes, by contrast, generate costs by way of the services that must be provided to them, such as police protection and road maintenance. If a city dependent on sales tax allows too much residential development at the expense of commercial development, it risks running up its costs and restricting its revenue.”***

***- “Towns Taxed by Shift to More Homes, Fewer Stores”
Wall Street Journal , April 2014***

Residential Development & MAG Fiscal Balance Report

- *Retail development has the largest positive impact, significantly greater than any other type of development*
- *Local governments have a fairly limited range of revenue types that can be generated locally*
- *The impacts (of residential development) become more negative as density increases for single family construction*
- *Residential development is the only type of development that creates a consistently negative impact*
- *Cities should seek a balanced mix of land uses for both community & fiscal sustainability reasons*

MAG Fiscal Balance Report (cont'd)

**FIGURE 4-6
NET IMPACTS PER ACRE OF DEVELOPMENT BY CITY AND LAND USE TYPE
AND REVENUE TO EXPENDITURE RATIOS**

		Industrial		Office		Retail
Litchfield Park	Revenues	\$2,789		\$17,360		\$53,376
	Expenditures	\$3,233	0.86	\$16,165	1.07	\$4,311

**FIGURE 4-6 (continued)
NET IMPACTS PER ACRE OF DEVELOPMENT BY CITY AND LAND USE TYPE
AND REVENUE TO EXPENDITURE RATIOS**

		Rural SF		Medium Lot SF		Very Small SF		High Density MF		Very High Density MF	
Litchfield Park	Revenues	\$168	0.56	\$2,565	0.56	\$4,866	0.56	\$8,619	0.78	\$25,038	0.78
	Expenditures	\$301		\$4,606		\$8,738		\$11,076		\$32,175	

MAG Fiscal Balance Report (cont'd)

- ***“Fiscal impact analysis is a powerful tool for examining costs & benefits of various land uses...However, fiscal impacts are only one of several important factors for determining appropriate land use...It is sometimes sensible to encourage certain types of development that do not have a fiscal net benefit, if the costs are outweighed by other qualitative benefits such as improved quality of life or greater economic diversity. Nevertheless, fiscal impact tools can be used as part of a larger strategy to create land use plans that incorporate the appropriate mix of uses necessary to achieve fiscal sustainability or, at minimum, fiscal neutrality.”***

- MAG Fiscal Balance Report – March 2014

Key Figures Derived from City and MAG Data

Key Calculations Table (All figures are annual)¹

1) Average Net Revenue (Cost) per Additional Resident	\$ (156)	The Net Revenue (Cost) calculations include all revenues, including City Sales Taxes & State Shared Revenues; and all expenses.
2) City Calculation - Average Net Revenue (Cost) per Additional Residential Unit	\$ (390)	
3) MAG Report Calculation - Average Net Revenue (Cost) per Additional Residential Unit	\$ (352)	
4) Net Revenue (Cost) per Acre of Commercial Development (from the MAG Report)	Industrial \$ (444) Office \$ 1,195 Retail \$ 49,065	
5) Net Revenue (Cost) per Square Foot of Commercial Development (from the MAG Report)	Industrial \$ (0.01) Office \$ 0.03 Retail \$ 1.13	
6) Sales Tax Revenue per Building Square Foot of Commercial Development (from City records)	Anchored \$ 6.63 Non-Anchored \$ 3.95 Non-Retail \$ 0.57 (lease tax)	
Notes:		
<ul style="list-style-type: none"> ● Items 1 & 2 are based on the Litchfield Park FY 2014 Budget and per capita calculations. Item 2 assumes 2.5 persons per residential unit at \$156 each. ● Items 3, 4 & 5 are based on data from the MAG Fiscal Balance Report. ● Item 6 is based on actual sales tax revenues from the Wigwam Creek Shopping Center for calendar year 2013. 		

¹The City calculation of Cost per Additional Residential Unit differs from the MAG Report due to the assumptions that are used in the MAG Report. The MAG Report uses an “average” revenue and expenditure rate based on the average of the nine (9) cities within its “Small” cities category. The City’s calculation uses the actual FY 2014 Budget figures for Litchfield Park. Both the City and the MAG Report Cost per Additional Residential Unit calculations are within a reasonable cost margin and are within the same range.

WIGWAM CREEK CENTER - REVENUE

ANALYSIS

City of Litchfield Park
 Wigwam Creek Center @ Dysart & Indian School
 Tax Revenues for Calendar Year 2013

A*		B*		C*	
Wigwam Creek Center		East & West Arms (excludes Albertson's & pads)		East & West Arms (commercial lease only)	
Period	Tax Revenue	Period	Tax Revenue	Period	Tax Revenue
January-13	\$ 60,271.18	January-13	\$ 9,089.69	January-13	\$ 1,300.77
February-13	64,490.22	February-13	9,797.85	February-13	1,491.67
March-13	60,740.65	March-13	10,382.05	March-13	1,672.27
April-13	65,413.85	April-13	12,158.43	April-13	1,692.02
May-13	74,307.11	May-13	12,896.46	May-13	2,349.49
June-13	73,310.58	June-13	13,314.24	June-13	1,390.45
July-13	62,556.76	July-13	12,826.82	July-13	1,516.16
August-13	68,205.27	August-13	11,268.39	August-13	1,738.89
September-13	62,726.18	September-13	11,853.88	September-13	1,890.34
October-13	61,566.35	October-13	11,470.78	October-13	1,531.32
November-13	75,477.88	November-13	10,545.52	November-13	1,533.67
December-13	64,996.23	December-13	7,810.21	December-13	1,082.72
Total Tax Revenue	\$ 794,062.26	Total Tax Revenue	\$ 133,414.32	Total Tax Revenue	\$ 19,189.77
Square Feet	119,721	Square Feet	33,792	Square Feet	33,792
Revenue per sq. ft.	\$ 6.63	Revenue per sq. ft.	\$ 3.95	Revenue per sq. ft.	\$ 0.57

A* - Includes Albertson's, east & west arms, and all pads including O'Reilly Auto and Goodyear Tire.

B* - Excludes Albertson's and pads. For comparison if the parcel is developed into a mixed use center like the east & west arms (without a major anchor nor multiple pads).

C* - This is leasing tax revenue only & only for the east & west arms. For comparison if the parcel is strictly office space.

LP COMMERCIAL PARCEL DATA - VACANT PARCELS

City Center East (east of Litchfield Rd)

Parcel	Zoning	Parcel Sq. Ft.	Parcel Acres	
1) 501-68-975	NC	81,291	1.9	
2) 501-68-113A	NC	93,764	2.2	
3) 501-68-012S	NC	360,678	8.3	
4) 501-68-974	NC	190,405	4.4	
5) 501-68-414D	NC	239,194	5.5	
	Subtotal	965,332	22.2	
6) City Hall		159,778	3.7	Not Vacant
7) Downtown Shops		106,461	2.4	Not Vacant
8) Church		141,570	3.3	Not Vacant
9) Centurylink		16,988	0.4	Not Vacant
10) Rec Center/Library		138,521	3.2	Not Vacant
11) Ellsworth/Warren		68,607	1.6	Not Vacant
	Subtotal	631,925	14.5	
	Grand Total	1,597,257	36.7	

City Center West (west of Litchfield Rd)

Parcel	Zoning	Parcel Sq. Ft.	Parcel Acres
1) 501-68-763	NC	169,377	3.9
2) 501-68-760C	NC	21,186	0.5
3) 501-68-761	NC	15,134	0.3
4) 501-68-764A	NC	657,863	15.1
	Total	863,560	19.8

Camelback & Litchfield (NE Corner)

Parcel	Zoning	Parcel Sq. Ft.	Parcel Acres
1) 501-62-008C	CS	3,058,120	70.2
2) 501-62-011F	CS	130,602	3.0
	Total	3,188,722	73.2

Camelback & Dysart (SE Corner)

Parcel	Zoning	Parcel Sq. Ft.	Parcel Acres
1) 508-07-020	CS	304,071	7.0
2) 508-07-032	CS	558,773	12.8
	Total	862,844	19.8

Total Vacant Parcels **5,880,458** **135.0** **Acres**

LP COMMERCIAL PARCEL DATA – DEVELOPED PARCELS

City of Litchfield Park Developed/Partially Developed Commercial Parcel Data

Existing Developed Commercial Locations

- Wigwam Creek Shopping Center (Albertsons Center)
- Plaza in the Park (CVS Center)
- Ellsworth/Warren Property (Dental & Professional offices by Library)
- Historic Downtown

Developed Commercial Locations (fully or partially developed, includes City Hall)

<u>Parcel</u>	<u>Parcel Sq. Ft.</u>	<u>Parcel Acres</u>	<u>Office Sq. Ft.</u>
1) Wigwam Creek Shopping Center (Albertsons Center)	758,496	17.4	119,721
2) Plaza in the Park (CVS Center)	297,147	6.8	55,849
3) Ellsworth/Warren Property (Dental & Professional offices by Library)	68,607	1.6	6,396
4) Historic Downtown Shops	106,461	2.4	29,510
5) City Hall Parcel	159,778	3.7	4,506
Total	1,390,489	31.9	215,982

HOTEL RATES, IN-SEASON AVERAGE

Hotel Room Rates & In-Season Average

Hotel	City	Room Type	Posted Rates				Average	# of Rooms
			Jan 2014	Feb 2014	March 2014	April 2014	Jan - March	
1. Wigwam	Litchfield Park	Adobe Traditional/King	\$ 259.00	\$ 279.00	\$ 419.00	\$ 329.00	\$ 319.00	331
2. Renaissance Hotel	Glendale	Guest Room/King	\$ 189.00	\$ 219.00	\$ 219.00	\$ 199.00	\$ 209.00	320
3. Gainey Suites Hotel	Scottsdale	Studio Suite/King/Sleeper Sofa	\$ 269.00	\$ 269.00	\$ 279.00	\$ 199.00	\$ 272.33	162
4. Hilton Garden Inn	Avondale	Guest Room/King	\$ 209.00	\$ 229.00	\$ 289.00	\$ 189.00	\$ 242.33	123
5. Hermosa Inn	Paradise Valley	Rancho Guest Room	\$ 289.00	\$ 315.00	\$ 589.00	\$ 319.00	\$ 378.00	34

Average - Select Full Service Hotels (Hotels 1 thru 5) **\$ 273.86**

Average - West Valley Full Service Hotels (Hotels 1, 2, & 4) **\$ 256.78**

HOTEL DEVELOPMENT – REVENUE SCENARIOS

Hotel Revenue Scenarios

This calculation estimates the potential room revenue from additional hotel rooms within the City

Average Daily Rate - In Season \$ 255 (input)

# of Rooms	Average Occupancy %	Estimated Daily Gross	Estimated Annual Gross	Estimated Annual Room Revenue (2.8% sales tax & 1% bed tax)
50	60%	\$ 7,650	\$ 2,792,250	\$ 106,106
75	60%	\$ 11,475	\$ 4,188,375	\$ 159,158
100	60%	\$ 15,300	\$ 5,584,500	\$ 212,211
150	60%	\$ 22,950	\$ 8,376,750	\$ 318,317
190	60%	\$ 29,070	\$ 10,610,550	\$ 403,201
200	60%	\$ 30,600	\$ 11,169,000	\$ 424,422

- The Average Daily Rate used is based on existing rates for full service hotels in the West Valley (Glendale, Avondale, Litchfield Park)
- Estimated Annual Room Revenue is based on the City tax rates of 2.8% sales tax and 1% bed tax (total of 3.8% City tax).
- The Average Occupancy % is based on the annual average occupancy for full service hotels from the 2013 Metro Phoenix Hotel Market Report, CBRE, Inc.

COMMERCIAL DEVELOPMENT REVENUE SCENARIOS

These scenarios estimate the annual sales tax revenue from vacant commercial parcels based on the possible types of development (Anchored Retail, Non-anchored Retail, or Non-retail offices). These estimates assume commercial development only because the parcels are all currently zoned as commercial. Consideration for zoning changes (i.e., from commercial to open space or residential) is not included in the calculations, however, they can be modified to fit any possible scenario.

City Center East (22.2 acres east of Litchfield Rd)

Development Type	Parcel Acres	Estimated Annual Sales Tax	
1) Anchored Retail Center with Retail Pads	22	\$ 962,091	Anchored Retail
2) Non-anchored Retail Center	22	\$ 572,691	Non-anchored Retail
3) Non-retail Professional Center	22	\$ 82,374	Non-retail (office lease revenue)

City Center West (19.8 acres west of Litchfield Rd)

Development Type	Parcel Acres	Estimated Annual Sales Tax	
1) Anchored Retail Center with Retail Pads	20	\$ 858,082	Anchored Retail
2) Non-anchored Retail Center	20	\$ 510,779	Non-anchored Retail
3) Non-retail Professional Center	20	\$ 73,468	Non-retail (office lease revenue)

COMMERCIAL DEVELOPMENT REVENUE SCENARIOS

(cont'd)

Camelback & Litchfield (73.2 acres on NE Corner)

Development Type	Parcel Acres	Estimated Annual Sales Tax	
1) Anchored Retail Center with Retail Pads	73	\$	3,172,301 Anchored Retail
2) Non-anchored Retail Center	73	\$	1,888,334 Non-anchored Retail
3) Non-retail Professional Center	73	\$	271,610 Non-retail (office lease revenue)

Camelback & Dysart (19.8 acres on SE Corner)

Development Type	Parcel Acres	Estimated Annual Sales Tax	
1) Anchored Retail Center with Retail Pads	20	\$	858,082 Anchored Retail
2) Non-anchored Retail Center	20	\$	510,779 Non-anchored Retail
3) Non-retail Professional Center	20	\$	73,468 Non-retail (office lease revenue)

Estimated Annual Revenue Grand Totals

Anchored Retail Total	\$ 5,850,556
Non-anchored Retail Total	\$ 3,482,583
Non-retail (offices) Total	\$ 500,920

RESIDENTIAL DEVELOPMENT – POPULATION INCREASE IMPACTS

Impact of Residential Development Population Increases

Current Population = 5,476
 Estimated Pop. Increase = 1,000 (Input)

Condo/Residential Development Population Increase Estimate		
Persons per Household	Units	Population Increase
2.5	200	500
2.5	250	625
2.5	300	750
2.5	350	875
2.5	400	1,000

1*

Gross Per Capita Fiscal Impact of Population Increases (based on the FY 2014 Budget)				
	FY 2014 Budget	Per Capita	Impact of Population Increase	
			Population Increase	\$ Impact
Total Revenues	\$ 6,723,832	\$ 1,227.87	1,000	\$ 1,227,873
Total Expenses	\$ 7,578,575	\$ 1,383.96	1,000	\$ 1,383,962
			Net Annual Impact	\$ (156,089)

* Assumes that population growth impacts essentially all revenues and expenditures. Total Expenses excludes CIP Contingency and Special Districts

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Revenues			Impact of Population Increase	
	FY 2014 Budget	Per Capita	Population Increase	\$ Impact
Shared Revenues	\$ 1,575,748	\$ 287.8	1,000	\$ 287,755
Utility Franchise Revenues	\$ 211,000	\$ 38.5	1,000	\$ 38,532
Recreation Program Fees	\$ 458,180	\$ 83.7	1,000	\$ 83,671
Estimated Revenue Impact	\$ 1,786,748	\$ 326		\$ 409,958
Expenses			Impact of Population Increase	
	FY 2014 Budget	Per Capita	Population Increase	\$ Impact
Police	\$ 539,711	\$ 98.56	1,000	\$ 98,559
Fire	\$ 532,241	\$ 97.20	1,000	\$ 97,195
Animal Control	\$ 2,205	\$ 0.40	1,000	\$ 403
Code Enforcement	\$ 56,578	\$ 10.33	1,000	\$ 10,332
Building Safety	\$ 163,962	\$ 29.94	1,000	\$ 29,942
Parks/ROW Maintenance & Repair	\$ 845,919	\$ 154.48	1,000	\$ 154,478
Roads Maintenance & Repair	\$ 703,500	\$ 128.47	1,000	\$ 128,470
Estimated Expense Impact	\$ 2,844,116	\$ 519		\$ 519,378
			Net Annual Impact	\$ (109,421)

** Assumes that population growth impacts a select set of revenues and expenditures.

TAX REVENUE ESTIMATOR

Annual Tax Revenue Estimator (based on analysis of the Wigwam Creek Shopping Center)

Anchored¹ (input estimated square footage)

Input Square Feet sq. ft.
Revenue per sq. ft. \$ 6.63

Annual Estimated Revenue \$ 331,630

Non-anchored² (input estimated square footage)

Input Square Feet sq. ft.
Revenue per sq. ft. \$ 3.95

Annual Estimated Revenue \$ 197,405

Non-retail³ (input estimated square footage)

Input Square Feet sq. ft.
Revenue per sq. ft. \$ 0.57

Annual Estimated Revenue \$ 28,394

1. Anchored - this category assumes that a major anchor (e.g., a grocer) and retail/restaurant pads are part of the development.

2. Non-anchored - this category assumes that no major anchor nor retail pads are included. A non-anchored office park or strip mall with a mix of retail/restaurant and office.

3. Non-retail - this category assumes no retail. This would be an office park with non-retail offices (e.g., dental, medical, professional offices).

Additional Information...

- The Fiscal Impact of Development in Litchfield Park report is available online on the City's website.
- The MAG Fiscal Balance Report is available online on the City's website and the Maricopa Association of Governments website.

Questions?