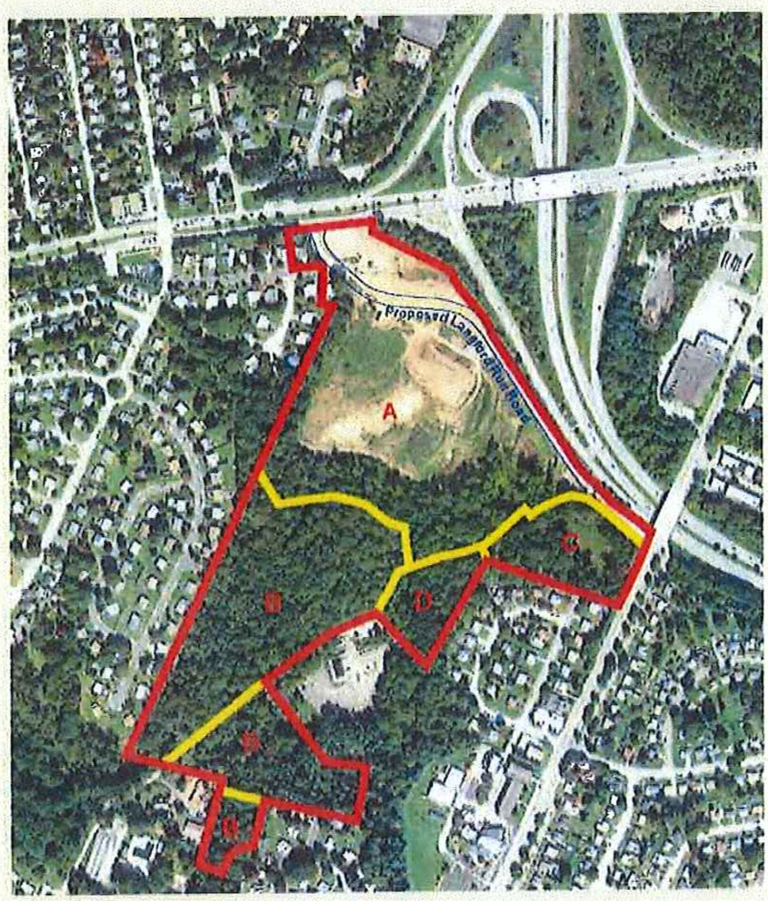
Fiscal Impact Analysis

Marple Associates' Langford Run Road Mixed-Use Development
Marple Township – Delaware County, PA



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INTRODUCTION AND REPORT OVERVIEW

Marple Associates is proposing to develop a mixed use retail and residential development including such uses as a supermarket, fitness center, professional offices, hotel, and 147 townhomes in Marple Township, Delaware County. While the townhomes and hotel, if located where proposed, meet current zoning requirements, the area of the other proposed commercial uses requires rezoning. This report is being submitted at the request of the Township as part of the proposed rezoning.

The objective of this report is to quantify and assess the fiscal impact of the entire proposed development, of which the proposed rezoning is a part, on Marple Township and the Marple Newtown School District. Results of the analysis can be used to advise the Township and the School District in regard to how the new mixed-use development will impact their operations.

FISCAL IMPACT ANALYSIS

A fiscal impact analysis is a tool that compares local government and school district costs against local government and school district revenues associated with development projects. The fiscal impact analysis focuses on projections of future revenues, costs, employment, population levels, and numbers of public school-age children as a result of the new development. Fiscal impact reports are used as one tool by which a community can understand and evaluate the impact of a particular development in regard to the costs and revenues to the Township and the school district.

PROJECT VALUATION AND DEMOGRAPHICS

For the purposes of this analysis, it is assumed that the proposed development will include the following mix of uses: a supermarket, a fitness center, a movie theater, general retail, professional offices, convenience retail with fuel pumps, a fast-casual restaurant, a hotel, and 147 townhouse units. These, however, may not be the final tenants at completion. The development program, with estimated values, is summarized in Table 1 Development Program and Project Valuation.

Table 1. Development Program and Project Valuation

Use		Area (SF)/ # Units	Mean Estimated Value (per unit)	Total Estimated Value
Supermarket		79,730	$142+69 per sf	$16,807,518
Supermarket expansion		12,563	$142+69 per sf	$2,648,349
Retail, Fitness		31,200	$210+69 per sf	$8,698,730
Retail, Theater		54,000	$206+69 per sf	$14,839,494
Retail, General		19,800	$175+69 per sf	$4,827,348
Pad Retail		3,500	$175+69 per sf	$853,319
Convenience Store		4,730	$195+69 per sf	$1,247,800
Gas		4,150	$195+69 per sf	$1,094,793
Fast Casual Restaurant		4,150	$253+69 per sf	$1,335,493
Office, Professional		9,000	$210+69 per sf	$2,509,249
Hotel - 108 Rms + Restaurant		55,000	$235+69 per sf	$16,709,299
Townhouses	Two-bedroom	74 units	$450,000/unit	$32,850,000
	Three-bedroom	73 units	$450,000/unit	$32,850,000
TOTAL		**147 Townhouse Units 277,823 sq. ft. Retail/Office/Hotel**		**$137,721,390**

The valuation of the individual townhomes will be based on the total square footage and configuration of the unit. However, for the purpose of valuation of the overall project for this fiscal impact analysis, an average estimated value of $450,000 was used as shown in Table 1. The estimated square footage values for the commercial uses were determined by the actual per square foot construction cost for the particular use plus a portion of other non-construction related development costs. Other development costs include site improvements, architectural, engineering and other professional services, and a 10% contingency. For the purpose of the analysis, these costs were assumed to be evenly spread over all the uses. To account for these costs, commercial uses were adjusted upward by $69 per square foot.

Based on the per square foot and unit values noted in Table 1, the total project valuation is estimated to be $137,721,390. The common level ratio currently in Delaware County is 67.8, so the assessed value for the project is **$93,375,102.55** ($137,721,390 x .678).

Table 2, Projected Development Demographics, shows the projected demographics of the proposed development. The table includes a projection of the total resident population, the number of school age children, and the number of full time equivalent (FTE) employees expected to work in the new development. School age population includes children in kindergarten through twelfth grade.

Table 2. Projected Development Demographics

Product		Area/ # Units	Total Resident Population	Total School Age Children	Total Employees (FTE)[1]
Supermarket		79,730 sf	NA	NA	199
Expansion		12,563 sf	NA	NA	31
Health & Fitness		31,200 sf	NA	NA	63
Movie Theater		54,000 sf	NA	NA	108
Retail, General		23,300 sf	NA	NA	52
Convenience Retail		4,730 sf	NA	NA	16
Gas Station		4,156 sf	NA	NA	6
Restaurant, Fast Casual		4,150 sf	NA	NA	29
Office, Professional		9,000 sf	NA	NA	27
Hotel		55,000 sf	NA	NA	121
Townhouses	Two-bedroom	73 units	130	5	NA
	Three-bedroom	74 units	162	13	NA
TOTAL			**292**	**18**	**652**

Demographic Multipliers

In order to project the number of residents in the community, demographic multipliers specific to the type of residential unit are multiplied by the number of units. For this analysis, demographic multipliers were selected from a study prepared by Robert Burchell, David Listokin and William Dolphin of the Center for Urban Research at Rutgers University. The study, titled *Residential Demographic Multipliers Estimates of the Occupants of New Housing* was published in June 2006. It calculates demographic multipliers for all classes of residential units in throughout the United States based on 2000 U.S. Census data.

The estimates of total number of employees for each of the commercial and retail uses are based on multipliers generated from the U.S. Bureau of Labor Statistics (BLS). The BLS tracks employment trends as they relate to a number of different types of retail and commercial uses.

[1] The *Preview* model used for this Fiscal Impact Analysis may differ from other economic analysis models, including the IMPLAN model used for the Analysis of Economic Benefits Report. Total number of jobs created may vary +/- 10%.

METHODOLOGY

To perform the fiscal impact analysis, the Urban Land Institute's Development Impact Assessment Handbook, and the accompanying *Preview* computer program were utilized. The *Preview* computer program was developed by Robert Burchell, David Listokin and William Dolphin of Rutgers University and published by the Urban Land Institute in its Development Impact Assessment Handbook. The *Preview* program uses the per capita multiplier method to assign costs and revenues to proposed developments. This method, considered the industry standard for fiscal impact analysis, projects costs and revenues based on current municipal and school district budgets and tax levels to new developments using projections of new residents and new employees and the development's property values.

The "per capita multiplier method" is applied to assign costs to the proposed development. In order to estimate the employment and residential and cost impacts to Marple Township, this method establishes an employment cost ratio and a residential cost ratio based upon the present Township budget and current demographic profile of the Township. Using these ratios, the expected annual service cost for all new employees and residents can be determined. The per capita multiplier method is considered the industry standard for fiscal impact analysis.

Revenues and costs generated from the project are estimated based on the current municipal budget for the Township of Marple, the current school district budget for the Marple Newtown School District, and current tax levels applied to the new development. Costs to the Township are estimated based on projections of new employees and new residents. Costs to the School District are estimated based on projections of new school-age children. Revenues to both the Township and the School District are generated based on the development's property value and existing sources of tax revenue.

The fiscal projections presented in this analysis are at project completion, and under normal operating circumstances. Incremental increases in service costs and revenue receipts can be expected generally to track the pace of occupancy and project completion. Revenues and expenditures are expressed in 2015 dollars, with no adjustment being made for the impact of inflation, appreciation, depreciation or changes in local property values. It is assumed that as costs rise due to inflation and operating costs increase, corresponding enhancements in revenues will occur through either higher taxes, or reductions in other areas of services.

In calculating various revenue and expense projections, this report utilized data current to the date of the report. The following documents were used in the preparation of the report: the Township of Marple 2015 Adopted Budget and the Final General Fund Budget for the Marple Newtown School District for the Fiscal Year 7/1/2014-6/30/2015.

MARPLE TOWNSHIP FISCAL IMPACTS

Marple Township Revenue Sources

The Township of Marple generates taxes predominantly from three sources: 1) Real Estate Property Taxes, 2) Local Enabling Taxes, and 3) Other Non-Property Tax Revenue sources such as licenses, permits, fines and fees. Information about the more significant sources and current taxes rates are indicated below:

1) Real Estate Property Taxes

Real estate property taxes are collected by the Township for the purpose of providing local government services to all Township residents. The millage rate for Marple Township in the 2015 Budget is .00441 mils.

2) Local Enabling Taxes

In addition to the real estate taxes, the Township collects Local Enabling taxes including a real estate transfer tax, a mercantile tax, a local services tax, an amusement tax, and a business privilege tax. Together, the local enabling taxes account for over 19% of the General Fund.

3) Other Non-Property Tax Revenue

Non-property tax revenues include sources such as licenses and permits for business and non-business uses, fines and forfeitures, rents and royalties, building permits, intergovernmental revenues, investment earnings, and miscellaneous revenues.

In its 2015 Budget, the Township of Marple reports total general fund projected revenue of over $14.5 million from all sources. The Township receives a sizeable portion of its revenue, nearly 55% of General Fund Operating Revenues, from real property taxes. The Township receives over 19%, from local enabling taxes. Other significant sources of revenue for the Township include licenses and permits, cable TV income, operating transfers and intergovernmental grants. Additional minor sources of revenue include fines and forfeits and reimbursements.

Recurring Revenues to Marple Township

Based on the proposed development program and projected community demographics (noted in Tables 1 and 2), and using current Township budget and tax information, <u>the *Preview* program projects that development of the new mixed-use development with a mix of retail and residential uses, will bring the Township revenues of approximately $545,644 per year.</u> These revenues include $411,784 in real estate tax revenues, $124,366 in non-property tax revenues including local enabling taxes, licenses, permits, fines and fees, and $9,494 in intergovernmental revenues. Each of these revenue sources and the basis for the estimate is explained below.

Real Estate Tax Revenues

Real estate tax revenues are projected by applying the current Township tax or millage rate to the project's assessed value. In 2015, Marple Township's General Fund Millage Rate was reported to be .00441 mils, which is equivalent to $4.41 per $1,000 of assessed value. The general fund includes appropriations for a range of government functions including general government operations, police service, the fire and ambulance department, general code enforcement and emergency management, highway, streets, parks, library and more. The estimated property value for the new development is $137,721,390. The assessed value for this property, applying the common level ratio of 67.8%, is $93,375,103 ($137,721,390 x .678). Therefore the real estate property tax revenues from the project can be projected to be $411,784 annually ($93,375,103/ $1,000 x $4.41).

Non-Property Tax Revenues

Non-property tax revenues include sources such as local enabling taxes including real estate transfer, mercantile, local services and business privilege taxes, as well as permits, licenses, fees, fines, investment earnings, and miscellaneous revenues. Such non-property tax revenues are classified as being (a) directly related to property value, (those that increase with new development); or (b) directly related to population (those that increase or decrease with population fluctuations).

The largest components of non-property taxes in the Marple Township budget associated with property are licenses and permits (5.34% of the budget) and cable TV income (3.68% of the budget). Those non-tax components associated with population include the Act 511 or Local Services Tax (19.85% of the budget), reimbursements (1.78% of the budget), fines and forfeits ((0.57% of the budget), and operating transfers. With the additional resident population and the additional employees in the proposed development, the model assumes that income from the local services tax, licenses and permits, cable TV subscriptions, and fines will increase with the added population.

To project future revenues from those non-property tax sources associated with property, a proportional valuation method is utilized, whereby the ratio of the project's assessed value to total assessed value in the Township is applied to current earnings. According to Delaware County Board of Assessment records, total assessed value in Marple Township for taxable property was nearly $1.93 billion. With an estimated assessed value of over $93 million, the proposed development represents approximately 4.84% of the total value of taxable property in the Township. Applying this ratio to various revenue sources in the 2015 budget including fines, interest, building fees, permits, rents and miscellaneous revenue sources, it is possible to make an estimate of future revenue from these sources. In the 2015 budget, the non-property tax sources associated with property are estimated to generate approximately $1,443,240. Therefore, to oversimplify, the estimated non-tax income generated by the new development equals $69,853 ($1,443,240 x .0484).

Non-tax revenue sources that are expected to increase with population are certain fines, fees, licenses, permits and local service taxes. Predicting future revenues from non-property tax sources that generally increase as population increases can be done by establishing a current per capita rate at which these sources operate and applying that rate to the new residents and employees predicted to live and work in the new development. According to the model and the 2015 Township budget, the revenue from these sources is approximately $186.69 per capita. This equates to an estimated $54,513 generated by the new development (186.69 x 292).

Summarized in Table 3, Non-Property Tax Sources, we estimate that the future revenue projection of these combined sources is $124,366.

Table 3. Non-property Tax Sources

Source	Estimated Annual Revenue
Revenue associated with Property	$ 69,853
Revenue associated with Population	$ 54,513
TOTAL	**$124,366**

Intergovernmental Revenues

The revenues from intergovernmental sources, estimated at $9,494 by the *Preview* program, represent revenues from state shared revenue, county and other grants. Typically, increases in intergovernmental revenues track increases in population, although not necessarily in a linear pattern.

The total estimated revenues to the Township upon complete build-out and occupancy are summarized in Table 4.

Table 4. Major Sources of Township Revenue

Source	Estimated Annual Revenue
Real Estate Tax	$ 411,784
Non-Property Tax Revenues	$ 124,366
Intergovernmental Transfers	$ 9,494
TOTAL	**$ 545,644**

Recurring Costs to Marple Township

Costs for any new development project include the additional time and equipment needed to provide the same level of services to residents and new businesses, as is presently provided to existing property owners and businesses. For instance, police, fire, and administrative services are used by (or are at least provided for) every property owner in the Township. To estimate the costs of these services to the new community, this analysis considers the costs of servicing the additional residents and employees in the project on a proportional basis compared to existing residents and employees.

The proposed development will result in the addition of 292 new residents and 652 new employees at completion and full occupancy. To determine the service costs generated from the new employees and residents, this analysis establishes a residential cost ratio and an employee cost ratio based on the present Township budget. These costs are determined based on per capita expenditures under the current Township budget, and take into account the structure of the existing tax base. This analysis assumes that new employees and residents will utilize municipal services at the same rate as the existing population of residents and employees in the Township.

Given these assumptions, the *Preview* program estimates that per capita service costs to residents is approximately $563.50 per year and service costs to employees is $146.09 per year. With 292 new residents and 652 new employees, the new service costs to residents and employees will be $164,542 and $95,250 respectively, as summarized in Table 5, Township Costs.

Table 5. Township Costs

Source	Estimated Costs
Resident Service Costs	$ 164,547
Employee Service Costs	$ 95,250
TOTAL	**$ 259,797**

FISCAL IMPACT SUMMARY – MARPLE TOWNSHIP

The new development will bring a fiscal surplus to Marple Township on an annual basis at project completion. <u>The net fiscal impact to Marple Township is estimated to generate a surplus of $ 285,847 per year.</u> The recurrent fiscal impacts to Marple Township once the development is complete are summarized in Table 6 "Marple Township Fiscal Impact Summary."

Table 6. Marple Township Fiscal Impact Summary

	Costs	Revenues	Net Fiscal Impact
Marple Township	$ 259,797	$ 545,644	$ 285,847

Township Capacity to Provide Additional Services

The Township Manager, Mr. Anthony Hammaday, was interviewed on Monday, December 8, 2014 to get additional information on the current capacity of the Township to service the additional demand on Township services created by the proposed development. While the additional (or "marginal") revenue expected from the project will exceed the additional (or "marginal") expected costs, the methodology assumes that the Township has existing capacity in buildings and facilities to house additional staff and provide the services.

The Township Manager indicated that the greatest expected demand on additional services will be in the provision of additional police services. He noted that the existing police station is at capacity and currently there is an effort underway to investigate opportunities for a new station. This project, along with other new development proposed in the Township, will likely hasten the police station expansion efforts. Mr. Hammaday further noted that demand for police services at the proposed center will likely be offset by the property owners hiring extra duty details and paying privately for the additional services desired, as this has become a common practice with large retail centers in the Township. The private payment of services will reduce the fiscal burden on the Township.

Other Township services that might be impacted, such as parks, recreational services and the library, are not at capacity and can likely absorb the additional demand. Park space is presently underutilized, although the Township little league programs are close to capacity. The library, a heavily used resource in the Township, currently shares the Township Municipal building and would be part of any evaluation of building space.

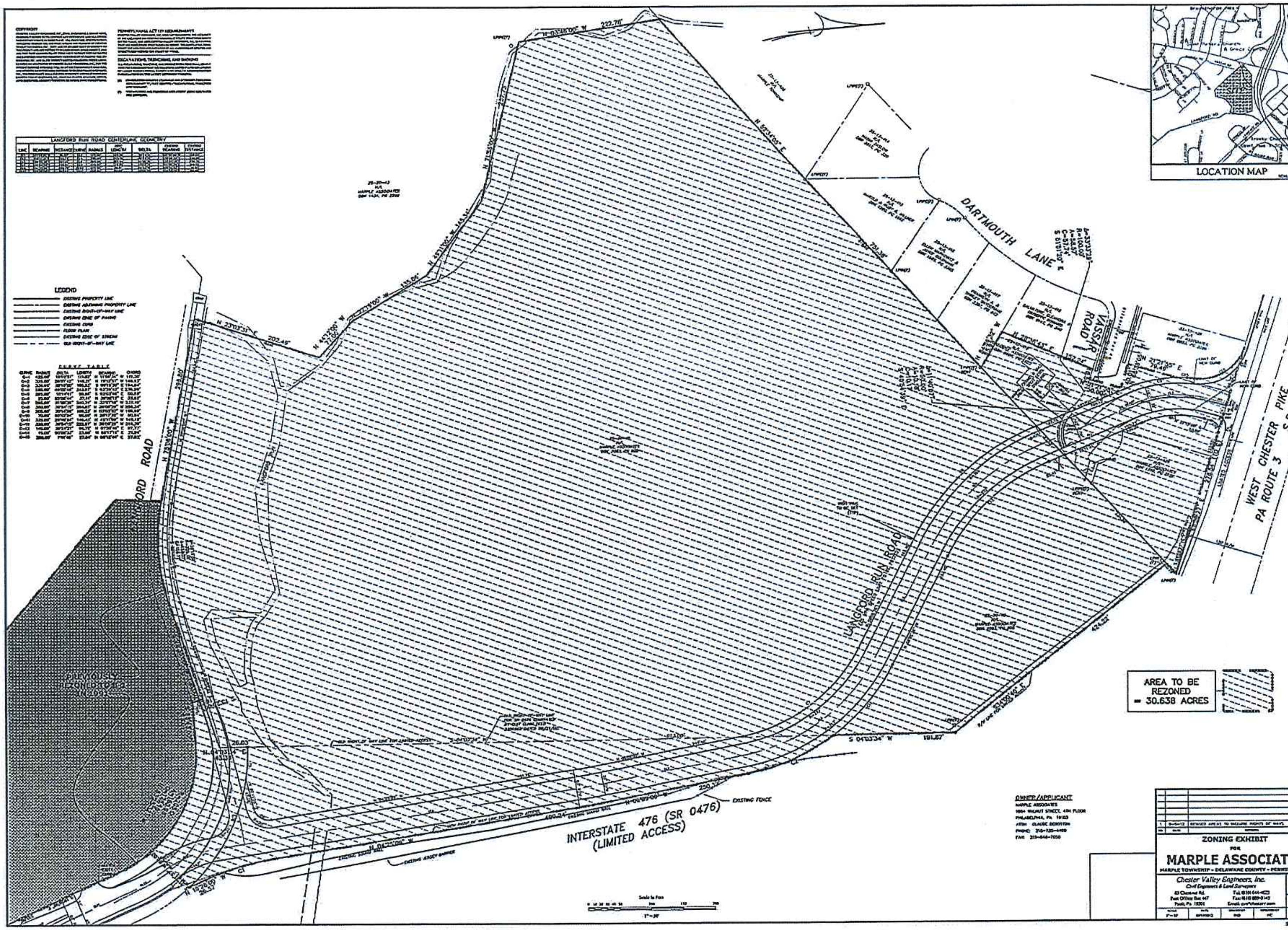
The Township Manager indicated that an additional building inspector will likely need to be hired to service all the new development proposed in the Township including the proposed retail center that is the subject of this analysis. There are presently a number of projects in various stages of approval in the township. If they are all approved, there will be a substantial increase in commercial and residential uses. Collectively, these uses will likely trigger the need for expansion of building space and other resources to continue to provide the same level of service.

INDIRECT REVENUES TO THE TOWNSHIP DURING CONSTRUCTION

The fiscal impact summary in Table 6 does not account for the economic benefits to the Township realized during the construction of the new development. During the period of construction, there will be indirect revenues to Marple Township from the construction workers and other employment that is generated from the construction of the projects.

The *Preview* programs estimates that nearly 1,200 on-site, off-site and indirect new jobs will be created from the construction of the new development, generating over $28 million in disposable income.[2] To the extent that workers eat, shop and live locally, Marple Township will realize additional benefits from this income. Since this is a temporary source of income, it is not included in the overall fiscal impact analysis.

[2] Note: The *Preview* model used for the Fiscal Impact Analysis differs from the IMPLAN model used for the Analysis of Economic Benefits Report, dated September 2014. Specifically, the *Preview* model does not measure induced effects and computes disposable income versus labor income.


LOCATION MAP
DARTMOUTH LANE
VASSAR ROAD
WEST CHESTER PIKE
PA ROUTE 3 S.R. 0003
LANGFORD RUN ROAD
INTERSTATE 476 (SR 0476)
(LIMITED ACCESS)
EXISTING FENCE
AREA TO BE
REZONED
= 30.638 ACRES
OWNER/APPLICANT
ZONING EXHIBIT
FOR
MARPLE ASSOCIATES
MARPLE TOWNSHIP - DELAWARE COUNTY - PENNSYLVANIA
Chester Valley Engineers, Inc.
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