

DRAFT - FISCAL AND ECONOMIC IMPACTS OF PROPOSED HIDEOUT ANNEXATION – RICHARDSON FLAT

BACKGROUND

This analysis considers both fiscal and economic impacts to the Town of Hideout from a proposed development at Richardson Flat. Fiscal impacts include increased property, sales, municipal energy and Class B/C road funds to the Town while economic impacts include increased jobs created and wages paid.

Proposed Development

This fiscal and economic impacts analysis is based on the following proposed development of 600 residential units and 95,000 square feet of retail development.

TABLE 1: PROPOSED DEVELOPMENT

	Units
Residential	
Affordable – Cottages	40
Affordable – Apartments	50
Affordable - Town Center	30
Single Family/Smaller Lots	65
Single-Family/Larger Lots	175
Twin Homes	40
Cottage Lots	55
Apartments	50
Town Center Condos	95
TOTAL Residential	600
Retail	95,000

EXECUTIVE SUMMARY

The proposed development results in positive net revenues to the Town’s General Fund, as well as the creation of new jobs within Hideout.

Net Revenues to General Fund

Net revenues to Hideout’s General Fund from the proposed development are projected to reach over \$7 million over 20 years

TABLE 2: SUMMARY OF GENERAL FUND NET REVENUES OVER 20 YEARS

	20-Year Total
Revenues	\$15,114,153

	20-Year Total
Expenses	(\$7,991,187)
Net Revenues	\$7,122,967

In addition, an estimated 239 jobs will be created within Hideout from the proposed commercial development.

Other economic benefits include developer contributions for a town hall, school property and fire station site. The total value of these contributions is estimated at nearly \$8.5 million.

TABLE 3: SUMMARY OF OTHER CONTRIBUTIONS BY DEVELOPER

Contributions	Amount
Town Hall - 12,000 sf	\$3,600,000
School Property	\$4,200,000
Fire Station Site	\$696,960
TOTAL	\$8,496,960

Total General Fund and other developer contributions have a net fiscal benefit to the Town of over \$15.6 million over 20 Years

TABLE 4: SUMMARY OF NET BENEFITS OVER 20 YEARS

	20-Year Total
General Fund Net Benefits	\$7,122,967
Developer Contribution	\$8,496,960
TOTAL Net Benefit	\$15,619,927

Other taxing entities will also receive significant economic benefit through increased property tax revenues from the proposed development. The School District will receive the major benefit through incremental tax revenues estimated at over \$50 million over 20 years. Further, approximately 250 units (or 42 percent) of the total 600 residential units are anticipated to be second homes, thereby adding no school children for the School District to educate.

TABLE 5: SUMMARY OF PROPERTY TAX BENEFITS TO OTHER TAXING ENTITIES OVER 20 YEARS

Incremental Tax Revenues to Other Taxing Entities	20-Year Total
Wasatch County	\$12,851,809
Wasatch County School District	\$50,681,683
Hideout	\$5,150,239
Wasatch County Fire Protection SSD	\$4,222,482
Wasatch County SSD No 21	\$1,629,521
CUWCD	\$2,378,863
TOTAL – 20 Years	\$76,914,599

This project is requesting no tax incentives or public assistance with the development. Based on the incremental revenues calculated, there appears to be no risk to the taxpayers from this project.

This project is also advantageous to Hideout because it strengthens the sustainability of the City's General Fund. If the Town were to experience no growth, it would see negative net revenues averaging \$250,000 over the next 5 years. Building permits account for more than half of the Town's budget and are an important source of revenue to the Town. Further, there are economies of scale from development that build on the fixed costs (such as administrative, HR, etc.) already in place in the Town.

DEVELOPMENT ASSUMPTIONS

The proposed development includes 120 units of affordable housing.

TABLE 6: AFFORDABLE HOUSING ABSORPTION SCHEDULE

Year	Housing Type	# of Units	Sales Price	Market Value
2023	Cottages	7	\$450,000	\$3,150,000
2023	Apartments	50	\$250,000	\$12,500,000
2024	Cottage Lots	11	\$450,000	\$4,950,000
2024	Town Center Condos	8	\$400,000	\$3,200,000
2025	Town Center Condos	7	\$410,000	\$2,870,000
2025	Cottage Lots	5	\$450,000	\$2,250,000
2027	Town Center Condos	8	\$425,000	\$3,400,000
2027	Cottage Lots	5	\$450,000	\$2,250,000
2028	Cottage Lots	2	\$450,000	\$900,000
2028	Town Center Condos	7	\$440,000	\$3,080,000
2029	Cottage Lots	10	\$450,000	\$4,500,000
	TOTAL	120		\$43,050,000

The proposed development also includes another 480 units, many of which are projected to be second homes.

TABLE 7: HOUSING ABSORPTION SCHEDULE

Year	Housing Type	# of Homes	Sales Price	% of Second Homes	Market Value Total
2022	Single Family/Smaller Lots	12	\$950,000	60.00%	\$11,400,000
2023	Single Family/Smaller Lots	38	\$978,500	55.00%	\$37,183,000
2023	Twin Homes	24	\$750,000	40.00%	\$18,000,000
2023	Cottage Lots	10	\$650,000	60.00%	\$6,500,000
2023	Apartments	50	\$350,000	100.00%	\$17,500,000
2024	Single Family/Larger Lots	16	\$1,250,000	50.00%	\$20,000,000
2024	Cottage Lots	13	\$670,000	60.00%	\$8,710,000
2024	Town Center Condos	24	\$520,000	25.00%	\$12,480,000
2025	Single Family/Larger Lots	32	\$1,250,000	50.00%	\$40,000,000

Year	Housing Type	# of Homes	Sales Price	% of Second Homes	Market Value Total
2025	Cottage Lots	7	\$690,100	40.00%	\$4,830,700
2025	Town Center Condos	24	\$550,000	25.00%	\$13,200,000
2026	Single Family/Larger Lots	42	\$1,275,000	60.00%	\$53,550,000
2027	Town Center Condos	24	\$565,000	25.00%	\$13,560,000
2027	Single Family/Larger Lots	9	\$1,275,000	60.00%	\$11,475,000
2027	Single Family/Smaller Lots	15	\$1,050,000	55.00%	\$15,750,000
2027	Cottage Lots	10	\$785,000	40.00%	\$7,850,000
2027	Twin Homes	4	\$760,000	40.00%	\$3,040,000
2028	Twin Homes	12	\$780,000	40.00%	\$9,360,000
2028	Town Center Condos	23	\$575,000	25.00%	\$13,225,000
2028	Cottage Lots	2	\$715,000	40.00%	\$1,430,000
2028	Single Family	45	\$1,100,000	55.00%	\$49,500,000
2029	Cottages	13	\$815,000	40.00%	\$10,595,000
2029	Single Family	31	\$1,150,000	55.00%	\$35,650,000
		480			\$414,788,700

FISCAL IMPACTS - REVENUES

This section discusses the increased revenues generated by the proposed development that will flow to the Town of Hideout's General Fund if annexation occurs.

Property Tax Revenues

Property tax revenues are calculated based on Hideout's tax rate of 0.000866. With taxable value of over \$473 million for the proposed development,¹ this results in over \$5 million in property tax revenues to Hideout over a 20-year period.

TABLE 8: PROJECTED 20-YEAR PROPERTY TAX REVENUES

	20-Year Total
Property Tax Revenues	\$5,150,239

Additional tax revenues will be generated for Wasatch County, Wasatch County School District, Wasatch County Fire Prevention Special Service District, Wasatch County Special Service District #21, and Central Utah Water Conservancy District by multiplying the assessed values shown previously by the tax rate of each taxing entity.

Sales Tax Revenues

¹ 2020 market values have been increased by 3% per year until the year of construction. Then, due to truth-in-taxation requirements, property values are held constant for purposes of analysis. Primary residential development is taxed at 45% of market value in order to calculate taxable value.

Sales tax revenues are based both on population distribution and point-of-sale distribution. The population distribution in Utah has recently reached about \$100 per capita per year and applies only to the population associated with primary residential development. The population has been calculated based on the number of units projected and an average household size of 3.0 persons.

Point-of-sale impacts are based on average sales of \$400 per square foot. The City will receive one-half of one percent of gross retail sales based on the local option sales tax.

TABLE 9: PROJECTED SALES TAX REVENUES TO HIDEOUT

	20-Year Revenues
Population Distribution	\$2,831,985
Point of Sale Distribution	\$4,418,569

Municipal Energy Revenues

Utah Code allows cities to collect municipal energy tax revenues of up to 6 percent on the taxable portions of electric and gas sales. Hideout has enacted the municipal energy tax at a rate of 6 percent.

Average residential monthly electric expenses in Utah are \$79.00.² Average natural gas bills are \$345.03.³ Based on the number of households and retail square feet anticipated to be developed, revenues will reach over \$1.36 million over 20 years. Average commercial expenses are \$2.10 per building square foot.⁴

TABLE 10: PROJECTED MUNICIPAL ENERGY TAX REVENUES

Municipal Energy Tax Revenues	
Residential Development	\$1,085,288
Commercial Development	\$278,370

Class B/C Road Fund Revenues

Class B/C road funds are distributed on both population and weighted road miles.

TABLE 11: CLASS B/C ROAD FUND DISTRIBUTION

² <https://www.electricitylocal.com/states/utah/>

³ <https://www.google.com/search?q=average+residential+gas+bill+in+Utah+per+month&oq=average+residential+gas+bill+in+Utah+per+month&aqs=chrome..69i57.6761j0j7&sourceid=chrome&ie=UTF-8>

⁴ https://www.google.com/search?q=average+commercial+gas+bill+per+square+foot&rlz=1C1GCEB_enUS886US886&oq=average+commercial+gas+bill+per+square+foot&aqs=chrome..69i57j33i3.7275j0j7&sourceid=chrome&ie=UTF-8

Road Mile Distribution	Population	Weighted Mileage	Amount Distributed	Population Distribution	Weighted Mile Distribution	Per Capita Distribution	Per Weighted Mile Distribution
Sept-Oct 2020	3,161,105	122,143.36	\$35,596,157	\$17,798,078	\$17,798,078	\$5.63	\$145.71
Nov-Dec 2020	3,161,105	121,433.26	\$29,939,103	\$14,969,551	\$14,969,551	\$4.74	\$123.27
Jan-Feb 2020	3,161,105	122,580.00	\$26,260,559	\$13,130,280	\$13,130,280	\$4.15	\$107.12
Mar-Apr 2020	3,161,105	122,741.35	\$32,237,217	\$16,118,609	\$16,118,609	\$5.10	\$131.32
May-June 2020	3,205,958	122,841.88	\$1,452,187	\$15,726,094	\$15,726,094	\$4.91	\$128.02
Jul-Aug 2021	3,205,958	122,895.96	\$26,111,685	\$13,055,842	\$13,055,842	\$4.07	\$106.23
TOTAL						\$28.60	\$741.68

*Source: UDOT; ZPFI

The proposed development anticipates the addition of 4.31 road miles over 5 years of development. All of these roads will be paved, thereby equating to 21.55 weighted road miles.⁵

Hideout should receive over \$1.2 million over 20 years from the additional road funds.

TABLE 12: PROJECTED CLASS B/C ROAD FUND REVENUES

Class B C Road Funds	20-Year Total
Population Distribution	\$404,258
Weighted Road Mile Distribution	\$809,842

Other Revenues

Other revenues will be minor and will be for fines & forfeitures and licenses (i.e., business licenses). The Town currently receives only \$200 per year in business license fee revenues and \$1,000 in fines & forfeitures.

Summary of Fiscal Impacts

Estimated 20-year revenues to the General Fund are projected to be over \$15.1 million. A detailed, year-by-year estimate of revenues and expenses is provided in Appendix A.

TABLE 13: SUMMARY OF GENERAL FUND REVENUES

REVENUES	20-Year Total
Property Tax Revenues	\$5,150,239
Sales Tax Revenues	
Population Distribution	\$2,831,985
Point-of-Sale	\$4,418,569
Municipal Energy	

⁵ UDOT calculates weighted road miles based on the following formula: 5 weighted miles per 1 paved mile; 2 weighted miles per 1 gravel mile; and 1 weighted mile per 1 dirt mile.

REVENUES	20-Year Total
Residential	\$1,085,288
Commercial	\$278,370
Class B/C Road Funds	
Weighted Road Mile Distribution	\$404,258
Population Distribution	\$809,842
Business Licenses	\$88,549
Fines & Forfeitures	\$47,054
TOTAL Revenues	\$15,114,153

FISCAL IMPACTS - EXPENSES

Although the proposed development will create additional revenues for Hideout, it will place some additional demands on services. In order to estimate the potential costs associated with these services, per capita and per employee costs for current services (based on the Town's 2020 budget) have been calculated. This cost has then been applied to future growth from the proposed development.

One further adjustment to cost projections has been made. A distinction needs to be drawn between fixed and variable costs. Fixed costs are those which do not change with growth. For example, the cost for the Town Council remains the same, whether or not annexation occurs. On the other hand, departments such as police and fire will see increased demand for patrol and responding to calls for service. Specifically, while public safety will have an estimated 10 percent of fixed costs (i.e., administration), most of its costs are variable through the need to provide additional patrol time and respond for more calls for service.

TABLE 14: GENERAL FUND BUDGET AND COST ALLOCATION

Expenses	Budget 2020	Per Capita/Employee	% Variable
Administrative	\$215,800	\$213.66	10%
Professional Services	\$170,500	\$168.81	50%
Public Safety	\$70,000	\$69.31	90%
Streets	\$219,500	\$4,038.64	0%
Parks	\$5,000	\$4.95	0%

Using the assumptions shown in the preceding table, the proposed annexation will cost the Town nearly \$8 million for increased demand on services over the next 20 years.

TABLE 15: SUMMARY OF GENERAL FUND EXPENSES FROM PROPOSED DEVELOPMENT

	Amount
Administrative	(\$1,015,426)
Professional Services	(\$4,011,357)

Public Safety	(\$2,964,404)
Streets	\$0
Parks	\$0
TOTAL	(\$7,991,187)

SUMMARY OF GENERAL FUND FISCAL IMPACTS

Net revenues to Hideout from the proposed development are projected to reach over \$7 million over 20 years.

TABLE 16: SUMMARY OF GENERAL FUND NET REVENUES

	20-Year Total
Revenues	\$15,114,153
Expenses	(\$7,991,187)
Net Revenues	\$7,122,967

ONE-TIME DEVELOPMENT-RELATED FEES

The proposed development will generate significant one-time planning and development fees, including building permits and impact fees. No revenue from these fees has been included in the analysis, nor have the related expenses been included. In theory, these revenues and expenses are considered to be offsetting.

ECONOMIC IMPACTS

Job Creation

With 95,000 retail square feet planned, and an average of 400 square feet per employee, this development will create the need for approximately 239 employees.

Wages Paid

Retail wages in Utah averaged \$3,315 per month in 2019.⁶ With an estimated 239 retail jobs created, an additional \$9.5 million in wages annually should be paid to these retail employees in Hideout.

One-Time Construction Impacts

With total hard costs of roughly \$343 million,⁷ there will be additional impacts in supplies purchased locally, as well as wages paid. A general rule of thumb is 40 percent for construction supplies and 40

⁶ <https://jobs.utah.gov/jsp/utalmis/#/industry/list>

⁷ Calculated as 75% of total costs

percent for labor costs. Using this assumption, there would be one-time construction wages paid of roughly \$137.2 million. In addition, there would be a one-time purchase of construction supplies of approximately \$137.2 million.

General Fund Sustainability

Growth is good for Hideout's General Fund budget. With fixed costs in place, new growth does not add proportionately to costs, while still providing significant property and sales tax revenues. This is because fixed costs are already in place for several areas, such as administrative costs, professional services, etc. On the other hand, growth does add to the costs of public safety as there are more calls for service and more locations to patrol. The table below shows that while the average per capita cost in Hideout is currently \$940, new growth will only add about \$242 per capita. This is because there are economies of scale once fixed costs are in place.

TABLE 17: PER CAPITA COSTS ATTRIBUTABLE TO GROWTH

Expenses	Budget 2020	Per Capita	% Variable	Cost per Capita New Development
Administrative	\$215,800	\$247.76	10%	\$24.78
Professional Services	\$320,500	\$367.97	50%	\$183.98
Public Safety	\$32,100	\$36.85	90%	\$33.17
Streets	\$219,500	\$252.01	0%	\$0.00
Parks	\$5,000	\$5.74	0%	\$0.00
Debt Service	\$25,525	\$29.31		\$0.00
TOTAL		\$940		\$242

Budgeted expenses in the Town's General Fund budget have grown from \$488,125 in 2019 to \$818,425 in 2020 – an increase of 68 percent. However, over the same time period, sales tax revenues in the Town have not increased. This puts a burden on property tax revenues to make up the gap. Without new growth (and increased taxable value), this places pressure on the Town to raise property tax rates, add additional fees for services, or reduce current service levels. Facing just such pressure, the Town enacted a significant property tax increase in 2019 as shown in the table below.

The following table shows how the Town's costs per capita have increased from \$490 per person in 2019 to \$940 in 2020. As stated, this required the Town to make a significant property tax increase in 2019.

TABLE 18: GENERAL FUND ANALYSIS

Hideout Historic	Mill Rate	Taxable Value	Property Tax Revenues	General Fund Expenses	Population	Cost per Capita
2020	0.000866			\$818,425	871	\$940
2019	0.000867	\$181,569,850	\$157,421	\$488,125	996	\$490
2018	0.000437	\$151,356,359	\$66,143	\$421,622	1,123	\$375
2017	0.000449	\$127,972,435	\$57,460	\$296,400	833	\$356
2016	0.000497	\$92,568,079	\$46,006	\$276,675	847	\$327
2015	0.000721	\$59,979,489	\$43,245	\$219,000	691	\$317

So, the question arises, just how sustainable is Hideout Town's General Fund without new growth? The table below analyzes projected revenues assuming no new growth in the Town. In this hypothetical

scenario, property taxes would remain constant.⁸ Sales taxes could potentially increase a little due to inflationary factors, similar to revenues from municipal energy taxes, class C road funds and fines & forfeitures. Revenues from building permits would drop to \$0. This would be especially hard on the Town as building permits currently contribute more than half of the City's revenues, yet do not account for 50 percent of Town costs.

TABLE 19: REVENUE PROJECTIONS

Revenues	Budget 2020	Year 1	Year 2	Year 3	Year 4	Year 5	AAGR*
Property Taxes	\$122,525	\$122,525	\$122,525	\$122,525	\$122,525	\$122,525	
Fee-in-Lieu	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
Sales Tax	\$96,000	\$97,920	\$99,878	\$101,876	\$103,913	\$105,992	2%
Municipal Energy	\$40,500	\$41,715	\$42,966	\$44,255	\$45,583	\$46,951	3%
Building Permits	\$430,200	\$0	\$0	\$0	\$0	\$0	
Business Licenses	\$200	\$204	\$208	\$212	\$216	\$221	2%
Class C Roads	\$72,500	\$74,675	\$76,169	\$77,692	\$79,246	\$80,831	3%
Fines & Forfeitures	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%
Other	\$54,500	\$54,500	\$54,500	\$54,500	\$54,500	\$54,500	
TOTAL	\$818,425	\$393,559	\$398,287	\$403,122	\$408,066	\$413,123	

*AAGR = Average Annual Growth Rate

While revenues would decrease significantly, expenses would only decrease somewhat. Professional services could potentially cut costs by about \$200,000 due to reduced building inspection costs. However, other categories would see inflationary cost increases. This would result in negative net revenues to the Town in the future, averaging about \$250,000 per year over the next 5 years.

TABLE 20: EXPENSE PROJECTIONS

Expenses	Budget 2020	Year 1	Year 2	Year 3	Year 4	Year 5	AAGR
Administrative	\$215,800	\$220,116	\$224,518	\$229,009	\$233,589	\$238,261	2%
Professional Services	\$320,500	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	3%
Public Safety	\$32,100	\$33,705	\$35,390	\$37,160	\$39,018	\$40,969	5%
Streets	\$219,500	\$230,475	\$241,999	\$254,099	\$266,804	\$280,144	5%
Parks	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	2%
Debt Service	\$25,525	\$25,525	\$25,525	\$25,525	\$25,525	\$25,525	
TOTAL	\$818,425	\$614,921	\$635,634	\$657,188	\$679,620	\$702,969	
Net Revenues	\$0	(\$221,362)	(\$237,347)	(\$254,066)	(\$271,554)	(\$289,846)	

Therefore, from a fiscal sustainability standpoint, it is to Hideout's advantage to grow.

⁸Although property values would appreciate over time, truth-in-taxation would require a lowering of the tax rate so that additional revenues are not generated unless a property tax increase is enacted and a public hearing for such is held.