

MEMORANDUM

TO: Jason Sullivan, Planning Director
Chatham County, North Carolina

FROM: Carson Bise, President
TischlerBise, Inc.

DATE: June 30, 2021

RE: Review of Vickers Bennett Fiscal Impact Assessment

Introduction

Chatham County, North Carolina (the County) Planning Department engaged TischlerBise, Inc., to conduct a peer review of the “Vickers Bennett Fiscal Impact Assessment” (Report) prepared by Development Planning & Financing Group (DPFG) on behalf of the Vickers Bennett Group (the Applicant). The purpose of the peer review is to assess:

- The reasonableness of the assumptions in the analysis.
- The reasonableness of the fiscal impact methodology employed in the analysis.
- Ensure the project will not have a detrimental impact on levels of service currently provided by Chatham County.

TischlerBise did not develop and run its own fiscal impact analysis. Rather, our review of this Report included verification of significant calculations, testing of consistency among underlying assumptions, data and calculation methods.

According to the Fiscal Impact Assessment prepared by DPFG, at full buildout Vickers Bennett is expected to:

- Increase Chatham County’s real property tax base by \$63.7 million
- Generate annual Chatham County property tax revenue of \$453,000
- Generate total incremental annual Chatham County revenues of \$531,000
- Generate annual net fiscal benefit of \$113,000

According to the Fiscal Impact Assessment prepared by DPFG, Herndon Farms is expected to generate the following one-time revenues:

- Chatham County Educational Facility Impact Fees of \$646,500
- Chatham County Recreation Fees of \$166,680

According to the Fiscal Impact Assessment prepared by DPGF, at full buildout Herndon Farms is expected to generate the following fiscal benefits to the North Chatham Fire District:

- Generate total incremental annual North Chatham Fire District revenues of \$73,000
- Generate annual net fiscal benefit of \$19,000

Qualifications

TischlerBise is a fiscal, economic, and planning consulting firm specializing in fiscal/economic impact analysis, impact fees, market feasibility, infrastructure financing studies, and related revenue strategies. Our firm has been providing consulting services to public agencies for over thirty years. In this time, we have prepared over **900 fiscal/economic impact evaluations and over 1,000 impact fee/infrastructure financing studies** – more than any other firm.

The review for TischlerBise was conducted by Carson Bise, AICP. Mr. Bise has over 30 years of fiscal, economic, and planning experience. He **has conducted fiscal and infrastructure finance evaluations in 39 states**. Mr. Bise has developed and implemented more fiscal impact models than any consultant in the country. The applications which Mr. Bise has developed have been used for evaluating multiple land use scenarios, specific development projects, annexations, urban service provision, tax-increment financing, and concurrency/adequate public facilities monitoring. Mr. Bise is also a leading national figure in the calculation of impact fees, having completed over 350 impact fees. Mr. Bise has also written and lectured extensively on fiscal impact analysis and infrastructure financing. **His most recent publications are *Fiscal Impact Analysis: Methodologies for Planners*, published by the American Planning Association, a chapter on fiscal impact analysis in the book *Planning and Urban Design Standards*, also published by the American Planning Association, and the ICMA IQ Report, *Fiscal Impact Analysis: How Today's Decisions Affect Tomorrow's Budgets***. Mr. Bise was also the principal author of the fiscal impact analysis component for the Atlanta Regional Commission's Smart Growth Toolkit and is featured in the recently released AICP CD-ROM Training Package entitled *The Economics of Density*. Mr. Bise is currently on the Board of Directors of the Growth and Infrastructure Finance Consortium and **Chaired the American Planning Association's Paying for Growth Task Force**. He is an Affiliate of the National Center for Smart Growth Research & Education.

Vickers Bennett Development Project

Vickers Bennett is designed as a master-planned, mixed-use community of approximately 115 acres located on Highway 15-501 between Chapel Hill and Pittsboro in northeast Chatham County. The community will appeal to singles, couples, and young families as those consumers prefer new homes with strong architectural curb appeal and convenient access to work, restaurants, and entertainment. The proposed uses include 195 residential units and 20,000 square feet of commercial space. The developer, Vickers Bennett Group, is in the process of submitting an application for rezoning under the Chatham County ("County") Compact Community Ordinance ("CCO") and requesting approval of a subdivision plat for Vickers Bennett (the "Project").

The project is projected to generate 424 persons and 48 employees. The persons per housing unit assumptions is based on the 2019 American Community Survey 5-Year Estimates data in Chatham County,

published by the US Census Bureau. The employment estimate for the commercial square footage are based on square feet per employee space consumption factors in the Institute of Transportation Engineers (“ITE”) Trip Generation Manual (10th Edition).

TischlerBise is in agreement with DPFG’s methodology for determining persons per housing unit, student generation rates and employment.

Methodology

DPFG’s fiscal impact assessment for Vickers Bennett uses a marginal/average cost hybrid methodology to determine the project’s impact on capital and operating costs. This is a standard approach for project-level fiscal assessments, where a true case-study marginal approach would likely understate the costs associated with the project.

DPFG elected to measure fiscal neutrality over a six-year project buildout period. Chatham County’s FY2021 budget forms the basis for the service levels and revenue/cost assumptions.

TischlerBise is in agreement with DPFG’s methodology and presentation of the annual and cumulative fiscal results.

Key Assumptions

This section addresses key assumptions made in the DPFG analysis.

Inflation

All costs (whether historical or future) were adjusted to reflect year 2021 dollars. Inflation is typically excluded from fiscal impact analyses (constant dollar approach), which enables comparisons across years and across projects.

Property Tax Rates

DPFG utilized current fiscal year (2021) property tax rates to determine annual real property tax over the forecast period for both scenarios.

TischlerBise agrees with DPFG’s key assumptions described above.

Fiscal Impacts – Revenue Projections

This section discusses the estimates of revenue from the DPFG fiscal assessment.

Property Tax Revenue

The projected tax generated by Vickers Bennett at buildout is estimated at \$63.7 million. To estimate property tax revenues, DPFG utilized market value estimates for the commercial and residential properties were obtained from the *Vickers Project Market Analysis (May 2021)* prepared by the Yule Group. This study has been submitted under separate cover.

Market values were converted to taxable values by applying a (1) cost index to adjust values to the most recent County revaluation level (2017) and (2) cost of sales factor. Nonresidential values per square foot were based on taxable values of comparable properties.

TischlerBise agrees with DPFG's taxable value assumptions and property tax estimate.

Motor Vehicle Tax Revenue

Annual motor vehicle tax revenue at buildout is estimated at \$30,000. To estimate motor vehicle tax revenue, DPFG used a per capital approach to establish the vehicle tax base per person.

TischlerBise agrees with DPFG's motor vehicle tax estimate, which is a conservative approach and may understate revenue, as there may be vehicles owned and operated by the commercial activity at Vickers Bennett that would also generate motor vehicle tax revenue.

Sales Tax Revenue

Chatham County receives Article 39 and Article 42 local option sales taxes that are collected by the State of North Carolina and distributed back to the County where the taxes are collected. Article 40 local option sales taxes are collected by the State and distributed to counties based on population. Local option sales taxes are split between Chatham County and its municipalities on a per capita basis. Portions of Article 40 (30 percent) and Article 42 (60 percent) sales tax revenues are restricted for public school capital purposes. In the Vickers Bennett fiscal assessment DPFG assumes the per capita spending of the Vickers Bennett residents will be consistent with that of the existing County population. DPFG estimates \$78,000 in sales tax from all sources at buildout.

TischlerBise agrees with DPFG's sales tax projection methodology and revenue estimate.

School Impact Fee Revenue

The County's School Impact Fee Ordinance imposes a school impact fee of \$3,500 per unit on manufactured homes and single family dwelling units and \$1,100 per unit on multifamily dwelling units. According to DPFG Vickers Bennett will generate \$630,000 in school impact fees on single family dwelling units, and \$16,500 for multi-family dwelling units. The total school impact fee revenue is estimated at \$646,500.

Recreation Impact Fee Revenue

The single family homes in Vickers Bennett are subject to a recreation fee of \$926 per unit. Based on the development program DPFG has estimated total one-time recreation impact fee revenue at \$166,680.

TischlerBise agrees with DPFG's School and Recreation impact fee revenue estimates.

Fiscal Impacts – Expenditure Projections

This section discusses the estimates of expenditures from the DPFG fiscal assessment.

Chatham County Operating Expenditures

The operating cost impacts to Chatham County were developed by DPFG with input from Chatham County budget and finance staff to identify the departments which will be affected by demands for service from Vickers Bennett and to develop estimates of corresponding marginal operating. According to the DPFG Report, County staff reviewed and approved the estimates of net cost per demand unit used in the analysis. Depending on the department, DPFG utilized either a resident population or functional population approach to project Chatham County operating costs, and projected school students to project Chatham County Public School costs. We do find it interesting that none of the County's "overhead"

departments (e.g., finance, human resources, information technology) are included in the analysis. TischlerBise feels there would be an impact to these support functions.

Given the small scale of this project, TischlerBise feels this is an appropriate methodology for measuring costs.

Capital Impacts

Given the relatively small scale of the proposed Vickers Bennett development, TischlerBise would not expect a much, if any, marginal cost increase to the County for Health, Sheriff, Fire, EMS, and other building needs. It appears that capital costs for vehicles is captured in the operating budget impacts.

According to the DPFPG Report, the internal roads in Vickers Bennett will be constructed according to State specifications and dedicated to the State who will then be responsible for ongoing maintenance.

Given the small scale of this project, TischlerBise feels this is an appropriate methodology for measuring costs.

Utilities

According to the DPFPG Report, Vickers Bennett will connect to the County's water system at the developer and end-user's cost. The onsite wastewater treatment center, which will be constructed by the developer, is projected to have a treatment capacity of approximately 35,000 gallons per day. Given the County's water utility operates as an enterprise fund, where rate revenue is meant to cover the cost of utility operations (as is the case with the County's water utility), the Vickers Bennett project shouldn't generate a cost to County taxpayers.

North Chatham Fire District

The proposed Vickers Bennett development will be served by the North Chatham Fire District, which serves the northeastern portion of Chatham County and a small portion of southern Orange County. This District operates out of 7 stations and is staffed by a combination of 56 career staff and 16 volunteer firefighters.

The District is funded primarily through real property tax, which DPFPG projected using the same methodology as used for the Chatham County General Fund. Annual property tax at build out is projected to be \$68,000 for real property and \$5,000 for motor vehicle tax.

According to the DPFPG Report, the North Chatham Fire District performed an internal analysis of demand from the proposed Vickers Bennett project on operating and capital needs. Their analysis concluded the tax revenue generated by the development was sufficient to cover the marginal operating and capital costs.

Conclusions and Recommendations

Through this independent peer review, TischlerBise confirms the reasonableness of DPFPG's analysis and in the project's fiscal neutrality to Chatham County.