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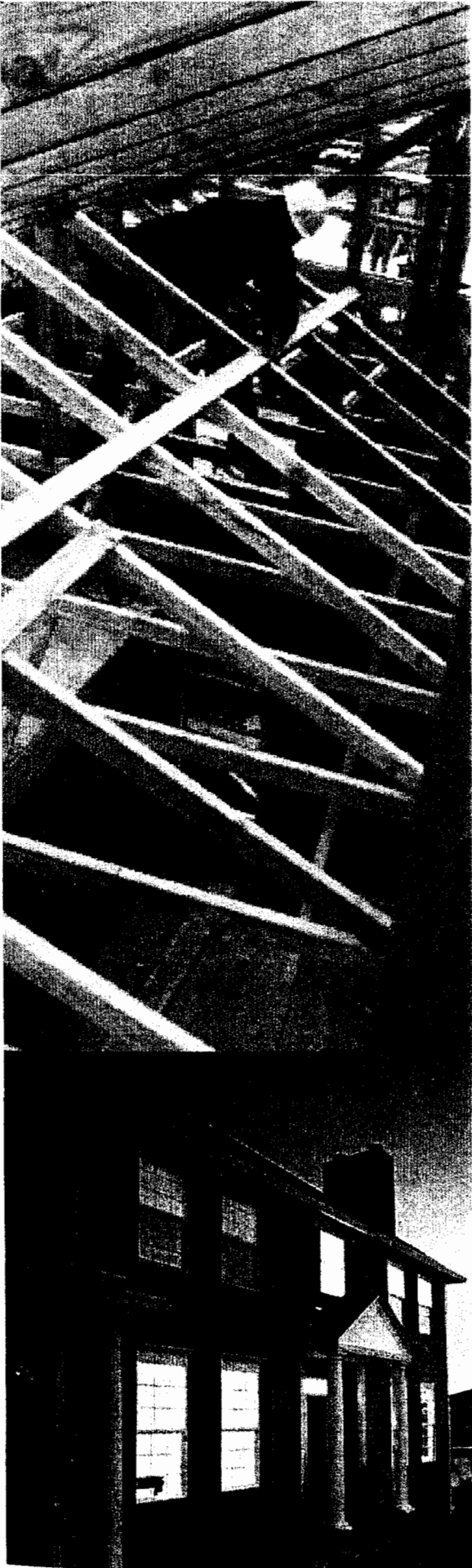
Urban Choice Coalition

The Fiscal Impact of Residential Growth

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EXECUTIVE SUMMARY

This report presents the results of a fiscal impact analysis conducted by Impact DataSource. The study examined the impact of the five new residential subdivisions in the St. Louis area during their development and construction as well as on-going annual impacts from their new residences.

Summary of Study's Findings

On-going annual public revenues, using tax rates and budget information primarily for 2002, generated by households in the five subdivisions exceeded the estimated added annual costs for each of the 30 local taxing districts in which the subdivisions are located.

Subdivisions Included in the Study

The following five residential subdivisions with 4,305 residences were included in the study:

Table 1

Subdivisions Included in this Study		
Name of Subdivision	County	Number of Residences
Winghaven	St. Charles	1,875
Villages of Dardenne	St. Charles	1,479
Winter Valley	Jefferson	514
Chesterfield Farms	St. Louis	359
Summit Ridge	St. Louis	78

Positive Economic Impacts Provided by the Subdivisions

The new subdivisions and new homes provide a significant positive impact on the economy of the St. Louis area. These impacts occurred during development and construction of the subdivision. In addition, households in the subdivision provide on-going economic benefits.

Some of the one-time economic impacts of the subdivisions, as they are developed and homes are built, are shown on the following page

Table 2

Some One-Time Economic Impacts of the Subdivisions	
Revenues for developers, builders and other businesses	\$901,194,641
Number direct and indirect construction jobs created and supported during development and construction	2,052
Direct and indirect construction salaries paid	\$344,058,066
Taxable spending	\$289,184,282
Market value of property added to local tax	\$930,851,000

Some on-going annual economic impacts provided by residents of the subdivisions are shown below.

Table 3

Some Annual On-Going Economic Impacts of the Subdivisions	
Annual personal income of residents of the subdivisions	\$292,267,500
Number of jobs supported in the area by the spending of residents of the subdivisions	2,936
Annual salaries of workers supported by the spending of subdivision residents	\$62,660,592
Annual taxable spending in counties where the subdivisions are located	\$95,391,372

Positive Fiscal Impact of the Subdivisions

The positive economic impacts of the development and construction of the subdivisions and spending of their residents support revenues and costs for local taxing districts. These fiscal impacts are also one-time -- during development and construction of the subdivisions -- and on-going.

The one-time additional revenues for local taxing districts and utilities during the development and construction of the subdivisions were \$12.8 million, as shown on the following page.

Table 4

One-Time Additional Revenues for Local Taxing Districts and Utilities	
Revenues for cities:	
Sales tax collections	\$201,378
Zoning and development fees, and building permits	\$3,613,450
Total city revenues	\$3,814,828
Revenues for counties:	
Sales tax collections	\$4,701,703
Building permits, fees, and assessments	\$511,600
Total county revenues	\$5,213,303
Fees collected by fire districts	\$337,445
Sewer and water tap fees and other payments utilities	\$3,265,900
Total	\$12,910,692

The on-going annual costs and benefits for local taxing districts from each of the five subdivisions are shown below.

Table 5

Annual On-Going Costs and Benefits for Local Taxing Districts			
Subdivision	Costs	Benefits	Excess Revenues
Winghaven	\$6,315,918	\$12,759,755	\$6,443,837
Villages of Dardenne	\$10,228,370	\$12,973,215	\$2,744,844
Winter Valley	\$2,412,253	\$4,162,832	\$1,750,578
Chesterfield Farms	\$2,857,922	\$4,992,829	\$2,134,906
Summit Ridge	\$336,200	\$1,249,628	\$913,427
Total	\$22,150,664	\$36,138,258	\$13,987,593

These costs and benefits are for one year -- upon the build out of each subdivision -- and were calculated using tax rates and budget information mostly for 2002 for cities and counties, fiscal year ending June 30,2003, for some taxing districts and school year 2002-2003 for school districts.

As shown above, using tax rates and budget information mostly for 2002-2003, annual revenues from the five subdivisions for local taxing districts exceeded the costs of providing services to the subdivisions by \$13.9 million. Similar excess annual revenues

from the subdivisions would be expected to continue into future years as long as the residential and nonresidential mix and the mix of revenues and expenditures for a taxing district remain about the same.

What are the excess revenues per residence? As shown in the table below, average annual excess revenues from new residences in the five subdivisions are about \$3,249.

Table 5A

Annual Excess Revenues Per Residence for Local Taxing Districts			
Subdivision	Total Excess Revenues	Number of Residences	Annual Excess Revenues Per Residence
Winghaven	\$6,443,837	1,875	\$3,437
Villages of Dardenne	\$2,744,844	1,479	\$1,856
Winter Valley	\$1,750,578	514	\$3,406
Chesterfield Farms	\$2,134,906	359	\$5,947
Summit Ridge	\$913,427	78	\$11,711
Total	\$13,987,593	4,305	\$3,249

Funding for Infrastructure and Public Improvements for New Subdivisions

Most local Missouri governments have adopted policies and ordinances that shift almost all of the cost of new residential development and related infrastructure to the developer, builder and ultimately to the new homeowner.

Streets, sidewalks, drainage improvements, infrastructure and off-site improvements developed and paid for by developers in the subdivisions were dedicated to local governments and utilities.

As shown on the following page, the developers spent \$96.7 million to develop the five subdivisions and \$45.9 million of this amount was for infrastructure dedicated to local governments and utilities.

Table 6

Development Costs and Infrastructure Dedicated to Local Governments and Utilities		
Subdivision	Development Costs	Costs of Dedicated Infrastructure
Winghaven	\$36,000,000	\$17,000,000
Villages of Dardenne	\$35,500,000	\$20,706,000
Winter Valley	\$7,785,000	\$3,210,438
Chesterfield Farms	\$7,500,000	\$4,000,000
Summit Ridge	\$10,011,105	\$1,000,000
Total	\$96,796,105	\$45,916,438

Local governments may incur costs for parks and recreation facilities, fire stations and police substations, as necessary. However, generally, local governments do not develop neighborhood parks, recreation facilities, fire stations and police substations for a specific subdivision, but these facilities are built to serve a broader benefit area. Similarly, schools are generally not built to serve a specific subdivision but a broader school attendance area.

In addition, impact fees from developers or builders may be collected by some taxing districts to finance public infrastructure that may be required for new subdivisions.

Further, bonds repaid with property taxes collected from property owners, including residents of the new subdivisions, typically finance the construction of public facilities, such as fire stations and schools. In addition, the additional tax revenues generated by these five subdivisions substantially increased the bonding capacity of local taxing districts.

Impact of New Subdivisions on Schools

Funding for the operations of Missouri public schools, costs of teacher salaries, debt service costs and payments of capital projects is from local property taxes and other local funds, along with state and federal funds. The amount of state funds is determined by the Missouri school foundation formula.

The formula creates a guaranteed amount of assessed valuation per eligible pupil, called a guaranteed tax base, and, in turn, a guaranteed level of funding per student across the state regardless of where the student lives or the total assessed valuation of real and personal property in that district. Generally, a school district with above average assessed value or taxable property in the district per student compared to state averages would receive less state funds than a district with below average assessed value or less property on the tax rolls.

School districts generally receive state funds, under the basic school funding formula, for school operations and teacher salaries. Local property taxes are also levied to fund school operations and teacher salaries but also for debt service and capital projects.

Additional classrooms and other school facilities are generally paid for with local property taxes collected for capital projects or through general obligation bonds repaid with local property taxes collected for debt service. Therefore, property taxes collected on new property added to school district tax rolls by new subdivisions pay for new classrooms and other instructional facilities necessary for new students from the subdivisions.

A study by James R. Moody & Associates, "Communities with Rapidly Expanding Residential Housing and Their Impact on Local School Districts, A Study of the Fort Zumwalt, Francis Howell, and Rockwood School District and The Impact of Rapid Growth on Those Districts", dated August 1998, concluded that new growth in the tax base in growing areas, such as in the St. Louis area, was adequate for the school districts to meet their capital needs.

New students, the Moody study concluded, are not a financial drain on districts in expanding communities. However, since the Missouri school foundation formula deducts local property taxes for a school district's total entitlement for operations to determine the level of state funds received, unless a school district's operating tax levy increases, wealthier school districts will receive the same amount of total state aid under the formula for a new student as for existing students.

Bonding Capacity Supported by the Subdivisions

Taxes collected from a debt service levy or contributions to a debt service fund of a taxing jurisdiction may pay the principal and interest on bonded indebtedness. The households in the new subdivision included in this study created revenues or potential revenues for debt service funds in each taxing jurisdiction. These revenues can be used to pay the principal and interest on additional bonds. The bonds could be used to finance capital improvements in the community, such as street improvements, parks, police and fire stations, new schools, etc.

The bonding capacity supported by all five subdivisions for those taxing districts with a separate debt service levy is shown below.

Table 7

Increase in Bonding Capacity by the Five Subdivisions for Local Taxing Districts with Debt Service Levies		
Subdivision	Amount of Increase in Bonding Capacity	Increase in Bonding Capacity by Each Residence
Winghaven	\$16,350,804	\$15,106
Villages of Dardenne	\$10,904,083	\$7,373
Winter Valley	\$1,034,166	\$2,012
Chesterfield Farms	\$2,739,620	\$7,631
Summit Ridge	\$675,821	\$8,664
Total	\$31,704,494	\$7,365