September 25, 2013

Mr. Ric Newman
P.O. Box 164
Wolcott, Colorado 81655

**Re: Haymeadow Fiscal Impact Analysis**

Dear Mr. Newman,

This analysis quantifies how the annexation and development of the proposed 787-unit Haymeadow project will affect town of Eagle's revenues and service delivery costs. This study documents the net fiscal impact of project development at build out and periodically during the project's 15-year development period.

## Background and Process

The town of Eagle is located in Eagle County, Colorado, approximately 35 miles west of Vail and 15 miles east of Glenwood Springs along I-70. The town is the county seat of Eagle County and supports approximately 2,400 resident households. Eagle had experienced steady expansion in recent years until growth slowed in 2008, concurrent with the national and regional economic downturn.

This analysis is based on an Eagle-specific fiscal impact model, which translates expectations regarding project development and annexation into effects on town revenues and service delivery costs. In essence, the BBC impact model defines the Haymeadow project in terms of annual new residential units and new population, and then applies town revenue and cost multipliers to these development projections to forecast annual new costs and project-related revenues.

In order to document the town's expenditure trends, quantify town service delivery and revenue systems, and calibrate the model, BBC collected municipal budget and demographic information from the town and tax rate information from the Eagle County Assessor's Office and the State of Colorado Department of Revenue. The property owner and developer provided project detail.

## Conclusions

In the early years of development, when building permit and construction related fees are present, the Haymeadow project will be a fiscal benefit to the town. Over time, revenues from new construction stabilize and ongoing service costs rise. Under the town's current financial structure, Haymeadow project is positive for the first eight years of development but turns slightly negative about year nine. At build out, when construction associated revenues are over, the project will produce a net annual deficit of about $93,000. Cumulatively, over the 15-year build out, and without supplemental revenues, the project is essentially a break-even proposition for the community, with positive effects from the early years slightly exceeding negative impacts from later years .

The most critical component of a residential project's success is the generation of local retail sales. These projections assume current taxation levels and no significant change in the local retail environment. The town will continue to struggle to maintain high service levels until it can capture a larger share of resident retail dollars or import sales from other area residents. The fiscal impact of Haymeadow is not so much a reflection of the project's unique characteristics, as it is a reflection of the size the Eagle retail offerings and continued leakage of resident sales to other communities.

In order to ensure positive fiscal effects throughout the development as well as after the project is completed, the Haymeadow development team has agreed to impose a ¼ percent Real Estate Transfer Assessment (a transaction charge on the sale and resale of all real estate based on property value). The incorporation of a ¼ percent transfer assessment will ensure a fiscally positive project in every year of development and thereafter.

Other effects of the project include:

- In addition to general fund receipts, use tax revenues and street impact fees will provide an additional $8.2 million to the town's capital improvement fund during the development period.
- Assuming a 15-year build out, the project's development will support over 300 jobs each year for local contractors and construction trades as well as a host of professional services ranging surveyors to attorneys. These wages and salaries can circulate throughout the local economy further stimulating local retail and services.

It should be noted that the Haymeadow project, and Eagle residential growth in general, has the potential to be substantially more beneficial than indicated by this modeling effort.

Eagle has a small retail base, which limits the town's sales tax generation. A large share of locally generated sales taxes is lost to other jurisdictions. Eagle's long term fiscal success requires additional retail offerings but retail needs "roof tops" to be successful. Haymeadow presents the residential critical mass that might allow Eagle to better attract and support additional retailing outlets.

## Project Development

The proposed Haymeadow site is adjacent to the present town boundaries, approximately two miles southeast of the town center. Situated on approximately 660 acres, the project anticipates 442 single family residential units and 345 multifamily units (787 total units). It is assumed that the property would be annexed into the town concurrent with the beginning of site development (Year Zero).

This project will comply with the Eagle Local Residency Program, which requires that at least 10 percent of the development to be affordable to those earning lower and median incomes, paying no more than 33 percent of their household income for mortgage principal and interest payments, insurance, and property taxes.

For modeling purposes, lot sales begin in Year 1 and the first units are completed and occupied in Year 2. Development is completed in Year 14 but the fiscal analysis extends to build out in order to present the full fiscal effects when construction ends and building fees diminish. It is acknowledged that current market conditions are uncertain and that project development will not occur until annexation and entitlement efforts are completed and market conditions improve.

Figure 1 shows annual and cumulative development of residential units. For analysis purposes, sales of single family lots and multifamily units are expected to average about 55 units per year. The pace of development was chosen not so much to reflect market expectations, but rather to demonstrate the full impacts as the project reaches build out. Pace of development is not an important consideration in this analysis as both revenues and costs are affected equally by changes in growth rate.

**Figure 1.**
**Haymeadow—Land Development and Sales Schedule**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
|---|---|---|---|---|---|---|---|---|
| **Single Family Lot Sales** | | | | | | | | |
| Annual | 13 | 18 | 21 | 39 | 39 | 39 | 39 | 39 |
| Cumulative | 13 | 31 | 52 | 91 | 130 | 169 | 208 | 247 |
| **Annual Residential Development (# of Units)** | | | | | | | | |
| **(Year of Construction)** | | | | | | | | |
| Single family | - | 13 | 18 | 21 | 39 | 39 | 39 | 39 |
| Multifamily | - | 21 | 21 | 21 | 21 | 29 | 29 | 29 |
| Total Units (Annual) | - | 34 | 39 | 42 | 60 | 68 | 68 | 68 |
| **Total Units (Cumulative)** | **-** | **34** | **73** | **115** | **175** | **243** | **311** | **379** |

| | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Build Out |
|---|---|---|---|---|---|---|---|---|
| **Single Family Lot Sales** | | | | | | | | |
| Annual | 39 | 39 | 39 | 39 | 39 | - | - | - |
| Cumulative | 286 | 325 | 364 | 403 | 442 | 442 | 442 | 442 |
| **Annual Residential Development (# of Units)** | | | | | | | | |
| **(Year of Construction)** | | | | | | | | |
| Single family | 39 | 39 | 39 | 39 | 39 | 39 | - | - |
| Multifamily | 29 | 29 | 29 | 29 | 29 | 29 | - | - |
| Total Units (Annual) | 68 | 68 | 68 | 68 | 68 | 68 | - | - |
| **Total Units (Cumulative)** | **447** | **515** | **583** | **651** | **719** | **787** | **787** | **787** |

Source: Plyman and Associates Inc.

## Town Financial Data

Figure 2 shows the town of Eagle's municipal revenue sources for the years 2009 and 2012. As would be expected, these data reflect the town's strong reliance on sales tax and the revenue generation challenges presented by a challenging local economy. Critical town revenues, such as sales tax and building permit revenue, have decreased markedly in recent years due to the prevailing economic conditions and resultant slowed residential and commercial development.

**Figure 2. Town of Eagle, General Fund Revenue, 2009 and 2012**

| | 2009 Revised Budget | 2012 Revised Budget |
|---|---|---|
| **Taxes** | | |
| Property tax | $ 420,007 | $ 319,246 |
| Specific ownership | 23,500 | 20,150 |
| General sales | 2,926,000 | 2,723,000 |
| Tax revenue sharing | 200,000 | 385,000 |
| Franchise taxes | 190,000 | 195,000 |
| Marketing tax | - | 102,000 |
| **Subtotal** | **$ 3,759,507** | **$ 3,744,396** |
| **Intergovernmental** | | |
| Motor vehicle license fee | $ 22,000 | 25,000 |
| Highway users tax | 188,461 | 203,000 |
| Cigarette tax | 16,500 | 12,000 |
| County road & bridge | 123,457 | 102,000 |
| County sales tax | 110,000 | 92,000 |
| **Subtotal** | **$ 460,418** | **$ 434,000** |
| **Licenses & Permits** | | |
| Business licenses | $ 37,300 | $ 35,500 |
| Building permits | 96,000 | 36,000 |
| Road cut permits | 300 | 300 |
| **Subtotal** | **$ 133,600** | **$ 71,800** |
| **Charges for Services** | | |
| Planning & zoning fees | $ 2,000 | $ 1,800 |
| Planning & zoning reimbursible | 230,000 | 143,500 |
| Facility usage fees & deposits | 39,000 | 27,000 |
| Inspections reimbursible | 5,000 | 5,000 |
| **Subtotal** | **$ 276,000** | **$ 177,300** |
| **Fines & Forfeitures** | | |
| Fines & forfeits | $ 43,500 | $ 50,313 |
| **Subtotal** | **$ 43,500** | **$ 50,313** |
| **Misc. Revenue** | | |
| Interest | $ 20,000 | $ 4,512 |
| Reimbursable revenue - other | 70,000 | 10,000 |
| Rental income | 8,675 | 9,800 |
| Cellular One | - | - |
| Impact fee admin | 200 | - |
| Other misc. revenue | 25,000 | 20,000 |
| **Subtotal** | **$ 123,875** | **$ 44,312** |
| **Transfers From Other Funds** | | |
| Water - admin | $ 50,000 | $ 50,000 |
| Wastewater - admin | 40,000 | 40,000 |
| Refuse - admin | 20,000 | 20,000 |
| **Subtotal** | **$ 110,000** | **$ 110,000** |
| **Total Revenue** | **$ 4,906,900** | **$ 4,632,121** |

Source: Town of Eagle and BBC Research & Consulting.

On the expense side, Figure 3 shows general fund town expenditures and net revenue for the years 2009 and 2012. Community expenditures have declined over the past two years with virtually all service categories sharing in the decrease. Public safety expenditures represent the only service that has grown over the past three years.

In making impact projections for the Haymeadow project, BBC relied primarily on the most recent year's financial data, which offers the most current profile of town service delivery and revenue generation characteristics.

**Figure 3. Town of Eagle, General Fund Expenditure, 2009 and 2012**

| | 2009 Revised Budget | 2012 Revised Budget |
|---|---|---|
| **General Administration** | | |
| Personnel | $ 827,150 | $ 847,808 |
| Office supplies & services | 34,300 | 40,173 |
| Utilities | 14,500 | 13,000 |
| Professional services | 481,501 | 250,219 |
| Other fees & expenses | 56,111 | 30,700 |
| Insurance | 47,342 | 46,000 |
| Capital outlay | 9,000 | 27,919 |
| Community requests | 75,000 | 61,000 |
| Contingency | 20,000 | 15,000 |
| Transfer to capital improvements | - | - |
| Transfer to debt service | 125,000 | 125,000 |
| **Subtotal** | **$ 1,689,904** | **$ 1,456,819** |
| **Streets** | | |
| Personnel | $ 806,749 | $ 678,300 |
| Supplies & services | 170,500 | 136,750 |
| Utilities | 43,000 | 42,000 |
| Professional services | 15,500 | 13,500 |
| Street repair & maintenance | 220,000 | 185,500 |
| Other fees & expenses | 13,050 | 3,750 |
| Insurance | 15,000 | 17,000 |
| Capital outlay | 40,000 | 18,500 |
| Contingency | 30,000 | - |
| **Subtotal** | **$ 1,353,799** | **$ 1,095,300** |
| **Public Safety** | | |
| Personnel | $ 963,846 | $ 1,002,658 |
| Supplies & services | 51,780 | 58,350 |
| Utilities | 11,500 | 12,500 |
| Professional services | 15,600 | 20,380 |
| Repair & maintenance | 4,000 | 3,500 |
| Dispatch services | 100,036 | 127,420 |
| Other public safety | 61,032 | 45,749 |
| Insurance | 12,000 | 16,000 |
| Capital outlay | 39,762 | 25,000 |
| Contingency | 28,428 | 2,000 |
| **Subtotal** | **$ 1,287,984** | **$ 1,313,557** |
| **Building & Grounds** | | |
| Personnel | $ 276,915 | $ 287,791 |
| Supplies & services | 71,550 | 76,300 |
| Utilities | 50,000 | 48,000 |
| Professional services | 30,000 | 32,000 |
| Repair & maintenance | 58,000 | 49,500 |
| Insurance | 8,000 | 9,000 |
| Capital outlay | - | - |
| Contingency | 2,500 | 5,000 |
| **Subtotal** | **$ 496,965** | **$ 507,591** |
| **Grand Total** | **$ 4,828,652** | **$ 4,373,267** |
| **Net Revenue** | **$ 78,248** | **$ 258,854** |

Source: Town of Eagle and BBC Research & Consulting.

# IMPACT PROJECTIONS: Revenues

## Property Tax Revenue

Figure 4 documents the valuation and assessment process used in translating development activity (prior Figure 1) into market value, assessed value and municipal property tax revenue. This model mirrors the process used by the county assessor in deriving assessed value for new subdivisions.

**Property values.** The Haymeadow property is assumed to be annexed into Eagle in Year Zero. Assessed value will grow as portions of the property are removed from agricultural uses and residential development commences. In Year 1, the developer will initiate phased property improvements (utilities, amenities and roads) and begin lot sales. Lot and completed unit price assumptions are applied to the projected development schedule for residential units in order to estimate the total cumulative market value of developed parcels and units at Haymeadow. Based on discussions with the developer, multifamily unit values will average $374,000 per unit and single family residential unit approximately $599,000 per unit (land and building).

Figure 4 shows the annual growth in Haymeadow market value. Ultimately, the Haymeadow project will produce just under $400 million in new property value.

**Figure 4.**
**Haymeadow Assessor's "Actual Value" (Figures in thousands)**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|---|
| **Residential Development** | | | | | | | | | |
| Single family taxable market value | $ - | $ 7,781 | $ 18,555 | $ 31,125 | $ 54,468 | $ 77,812 | $ 101,155 | $ 124,499 | $ 147,842 |
| Multifamily taxable market value | - | 7,853 | 15,707 | 23,560 | 31,413 | 42,258 | 53,103 | 63,948 | 74,793 |
| **Total Built Residential Taxable Value (Cumulative)** | **$ -** | **$ 15,634** | **$ 34,262** | **$ 54,684** | **$ 85,881** | **$ 120,070** | **$ 154,258** | **$ 188,447** | **$ 222,635** |

| | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Build Out |
|---|---|---|---|---|---|---|---|
| **Residential Development** | | | | | | | |
| Single family taxable market value | $ 171,186 | $ 194,529 | $ 217,872 | $ 241,216 | $ 264,559 | $ 264,559 | $ 264,559 |
| Multifamily taxable market value | 85,638 | 96,483 | 107,328 | 118,173 | 129,018 | 129,018 | 129,018 |
| **Total Built Residential Taxable Value (Cumulative)** | **$ 256,824** | **$ 291,012** | **$ 325,201** | **$ 359,389** | **$ 393,578** | **$ 393,578** | **$ 393,578** |

Note: Property Tax revenues associated with new units are realized in the year following the development of those units.

Source: BBC Research & Consulting.

**Revenue timing.** In Figure 5, assessment ratios are applied to the market value projections from Figure 4 to calculate the total assessed valuation. Developed residential units are assessed at 7.96 percent of market value. The town's 4.044-mill levy is then applied to the total assessed valuation to calculate annual property tax revenue. Tax revenue cash flow from improved lots and unit sales will lag construction activity by approximately two years, which reflects the actual tax assessment and revenue flow process.

At build out, the Haymeadow project will contribute approximately $126,694 in annual property tax revenue to the town of Eagle.

**Figure 5.**
**Haymeadow — Property Tax Revenue**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|---|
| **Value (in Thousands)** | | | | | | | | | |
| Market value | $ - | $ 15,634 | $ 34,262 | $ 54,684 | $ 85,881 | $ 120,070 | $ 154,258 | $ 188,447 | $ 222,635 |
| Assessed value — developed residential | - | - | 1,245 | 2,727 | 4,353 | 6,836 | 9,558 | 12,279 | 15,000 |
| **Total Assessed Value** | **$ -** | **$ -** | **$ 1,245** | **$ 2,727** | **$ 4,353** | **$ 6,836** | **$ 9,558** | **$ 12,279** | **$ 15,000** |
| **Annual Eagle Property Tax Revenue (Dollars) (4.044 mills)** | **$ -** | **$ -** | **$ 5,033** | **$ 11,029** | **$ 17,603** | **$ 27,645** | **$ 38,651** | **$ 49,656** | **$ 60,661** |

| | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Build Out |
|---|---|---|---|---|---|---|---|
| **Value (in Thousands)** | | | | | | | |
| Market value — developed residential | $ 256,824 | $ 291,012 | $ 325,201 | $ 359,389 | $ 393,578 | $ 393,578 | $ 393,578 |
| Assessed value — developed residential | 17,722 | 20,443 | 23,165 | 25,886 | 28,607 | 31,329 | 31,329 |
| **Total Assessed Value** | **$ 17,722** | **$ 20,443** | **$ 23,165** | **$ 25,886** | **$ 28,607** | **$ 31,329** | **$ 31,329** |
| **Annual Eagle Property Tax Revenue (Dollars) (4.044 mills)** | **$ 71,667** | **$ 82,672** | **$ 93,677** | **$ 104,683** | **$ 115,688** | **$ 126,694** | **$ 126,694** |

Source: BBC Research & Consulting.

## Sales Tax Revenue

Project related sales tax revenues will be generated by new resident spending within the town. Some additional tax revenue from purchase of direct construction materials within the town is also likely.

**Resident spending.** BBC calculated Haymeadow household spending on retail goods by trade category using household expenditure data from the Bureau of Labor Statistics Consumer Expenditure Survey (CES). These spending data are available by household and cross-tabulated by income level and geographic region. The spending profile shown in Figure 6 reflects the likely incomes of new Eagle residents based on Haymeadow home prices. Haymeadow units are anticipated to attract two-worker households with average family earnings of $92,692 per year.

The CES tables of expenditures by retail category were calibrated to match the after tax income of likely Haymeadow community residents. Estimates of county and town capture rates were then applied to household sales generation estimates based on the depth of local retail offerings. Three capture rates are applied to the CES figures. The capture rate estimate acknowledges expenditures that occur over the Internet with competing retailers elsewhere in Eagle County, or while traveling away from home. This local spending is labeled "Percent Spent in Town of Eagle." For example, we assume that 75 percent of food purchases for consumption at home occur in the town of Eagle. We assume that the remaining portion of purchases for food for consumption at home occur elsewhere in the area.

The second capture rate in Figure 6 reflects only expenditures on goods that are sales taxable. For example, health insurance is not sales taxable and insurance sales do not generate any revenue for the town of Eagle.

By this process, each full-time Haymeadow household is expected to spend about $13,790 per year in the town of Eagle and each part-time household is expected to spend about $10,400 on taxable retail goods.

**Figure 6.**
**Haymeadow Household Spending**

| Expenditure Category | Average Annual Expenditure | Percent Spent in Town of Eagle | Percent Sales Taxable | Per Household Taxable Spending in Town of Eagle |
|---|---|---|---|---|
| **Median Household Income** | **$ 92,692** | | | |
| **Food** | **$ 8,312** | | | |
| Food at home | 4,775 | 75 % | 100 % | 3,581 |
| Food away from home | 3,537 | 50 | 100 | 1,769 |
| **Alcoholic beverages** | **623** | **40** | **100** | **249** |
| **Housing** | **21,328** | | | |
| Mortgage, rent, Etc. | 12,451 | 100 | 0 | - |
| Utilities and fuels | 4,412 | 95 | 100 | 4,191 |
| Household operations | 1,511 | 80 | 10 | 121 |
| Housekeeping supplies | 752 | 50 | 100 | 376 |
| Household furnishings and equipment | 2,202 | 10 | 100 | 220 |
| **Apparel and services** | **2,304** | **15** | **100** | **346** |
| **Transportation** | **11,698** | | | |
| Vehicle purchases (net outlay) | 4,181 | 0 | 0 | - |
| Gasoline and motor oil | 3,487 | 50 | 0 | - |
| Other vehicle expenses | 3,274 | 60 | 30 | 589 |
| Public transportation | 756 | 0 | 0 | - |
| **Health care** | **4,419** | | | |
| Health insurance | 2,535 | 0 | 0 | - |
| Medical services | 1,116 | 50 | 10 | 56 |
| Drugs | 596 | 50 | 100 | 298 |
| Medical supplies | 174 | 50 | 100 | 87 |
| **Entertainment** | **3,495** | **50** | **80** | **1,398** |
| **Personal care products and services** | **825** | **50** | **100** | **413** |
| **Reading** | **158** | **10** | **100** | **16** |
| **Education** | **1,380** | **10** | **0** | - |
| **Tobacco products and smoking supplies** | **335** | **10** | **0** | - |
| **Miscellaneous** | **1,056** | **10** | **75** | **79** |
| **Cash contributions** | **2,538** | **10** | **0** | - |
| **Personal insurance and pensions** | **8,626** | **0** | **0** | - |
| **Total** | **$ 67,097** | | | **$ 13,789** |
| | **Taxable Household Spending FULL-TIME** | | | **$ 13,789** |

Note: *Part-time resident spending is estimated to be 75 percent of full-time resident spending.

Source: Bureau of Labor Statistics and BBC Research & Consulting.

**Part time resident spending.** About 90 percent of Haymeadow households will be full-time residents. The remaining 10 percent of units will be part-time residents who are assumed to spend between 40-150 days a year in their second home. The town of Eagle imposes a 4 percent sales tax and Eagle County rebates 15 percent of its 1 percent sales tax to the municipality where the sale occurred. BBC assumes part-time resident households will generate three-quarters as much spending per household per year in comparison with a full-time household.

**Sales tax summary.** Figure 7 shows sales tax revenue generated by the Haymeadow project. To calculate sales tax revenue, the consultants applied the town's 4 percent sales tax rate to expected new resident retail sales occurring in Eagle. Eagle County's sales tax rebate was also included. The project is expected to generate about $468,645 per year in new municipal sales tax revenue at full development.

**Increased retail capture rates.** Eagle's public finance challenges are primarily associated with its small retail base and the resultant sales leakage out of the community to other retail centers. The town continues to invest in its downtown business district and there remains a strong prospect for a significant retail development near I-70, which could expand and diversify the community's retail base and increase its capture of resident and visitor sales. BBC estimates that the town is currently capturing about 35 percent of resident local taxable spending and these receipts are supplemented by visitor spending associated with I-70 pass-by traffic as well as some destination shopping within the community by non-Eagle residents.

Over time, increasing the number of Eagle households will likely lead to further diversification of the community's retail base and growth in retail capture rates. It is very likely that over the course of Haymeadow's development, perhaps even in the next few years, Eagle will see an improved I-70 Interchange and a significant new retail development (Eagle River Station). New retail development will not only increase local capture rates but will also attract retail sales from elsewhere in the region. With new retail shopping, each home at Haymeadow, as well as every home in the existing town, will become more revenue productive units without any significant increase in service costs.

**Figure 7.**
**Haymeadow—Sales Tax Revenue—Baseline**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|---|
| Annual retail sales — new residents — Eagle capture | $0 | $ - | $ 487,865 | $ 1,047,475 | $ 1,650,132 | $ 2,511,071 | $ 3,486,802 | $ 4,462,532 | $ 5,438,262 |
| Eagle general fund sales tax revenue | - | - | 19,515 | 41,899 | 66,005 | 100,443 | 139,472 | 178,501 | 217,530 |
| County shareback — Eagle sales tax [1] | - | - | 732 | 1,571 | 2,475 | 3,767 | 5,230 | 6,694 | 8,157 |
| **Total Sales Tax** | **$0** | **$ -** | **$ 20,246** | **$ 43,470** | **$ 68,480** | **$ 104,209** | **$ 144,702** | **$ 185,195** | **$ 225,688** |

| | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Build Out |
|---|---|---|---|---|---|---|---|
| Annual retail sales — new residents — Eagle capture | $6,413,993 | $7,389,723 | $8,365,454 | $10,724,575 | $10,316,915 | $11,292,645 | $11,292,645 |
| Eagle general fund sales tax revenue | 256,560 | 295,589 | 334,618 | 428,983 | 412,677 | 451,706 | 451,706 |
| County shareback — Eagle sales tax [1] | 9,621 | 11,085 | 12,548 | 16,087 | 15,475 | 16,939 | 16,939 |
| **Total Sales Tax** | **$266,181** | **$306,674** | **$347,166** | **$445,070** | **$428,152** | **$468,645** | **$468,645** |

Note: Land sales occur in Year 1, housing is developed in Year 2 and residency occurs in Year 3. [1] County share back amounts to 15 percent of the 1 percent county sales tax collected on sales originating in the Town of Eagle.

Source: BBC Research & Consulting.

## Other General Fund Revenue

A number of other town revenues were calculated and applied to the development projections on a per household basis. Current per household revenue multipliers were derived for each line item in the 2012 general fund budget by dividing the total amount of revenue for each revenue source by the total number of existing households in the town. Applicable revenues include cigarette tax, specific ownership tax, highway users tax (all rebated by the State of Colorado), franchise fees, and rental revenues. These sources produce about $445 per household per year within the town of Eagle.

Estimated building permit and plan check revenues were independently projected and are shown in Figure 8. Building permit revenues are generally used to recover the cost of building inspections, and typically offer only modest net revenue to the town.

Based on current building fee assessment practices, building permit and plan check fees will produce $6,728 for each single family unit and $4,609 for each multifamily unit. Under the current development pace and valuation assumptions, building permit and plan check revenue range from about $184,000 to approximately $396,000 per year during the construction period. Cumulative total building permit and plan check fee revenue is roughly $4.6 million over the course of the entire development period.

**Figure 8.**
**Haymeadow Building Permit and Plan Check Revenue**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|---|
| **Annual Built Units** | | | | | | | | | |
| Single family | - | 13 | 18 | 21 | 39 | 39 | 39 | 39 | 39 |
| Multifamily units | - | 21 | 21 | 21 | 21 | 29 | 29 | 29 | 29 |
| Building fee revenue — single family | $ - | $ 87,460 | $ 121,099 | $ 141,282 | $ 262,380 | $ 262,380 | $ 262,380 | $ 262,380 | $ 262,380 |
| Building fee revenue — multifamily | - | 96,798 | 96,798 | 96,798 | 96,798 | 133,673 | 133,673 | 133,673 | 133,673 |
| **Total Building Permit Revenue** | **$ -** | **$ 184,258** | **$ 217,896** | **$ 238,079** | **$ 359,178** | **$ 396,053** | **$ 396,053** | **$ 396,053** | **$ 396,053** |

| | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Cumulative Total |
|---|---|---|---|---|---|---|---|
| **Annual Built Units** | | | | | | | |
| Single family | 39 | 39 | 39 | 39 | 39 | - | 442 |
| Multi family units | 29 | 29 | 29 | 29 | 29 | - | 345 |
| Building fee revenue — single family | $ 262,380 | $ 262,380 | $ 262,380 | $ 262,380 | $ 262,380 | $ - | $ 2,973,641 |
| Building fee revenue — multifamily | 133,673 | 133,673 | 133,673 | 133,673 | 133,673 | - | 1,590,249 |
| **Total Building Permit Revenue** | **$ 396,053** | **$ 396,053** | **$ 396,053** | **$ 396,053** | **$ 396,053** | **$ -** | **$ 4,563,890** |

Note: BBC replicated building permit and plan check fees based on the town's building fee schedule, which reflects the value of homes.

Source: Town of Eagle Building Department; BBC Research & Consulting.

## Haymeadow Impacts on General Fund Revenue

Figure 9 shows the general fund revenues associated with the Haymeadow project. In order to calculate general fund revenue, property tax, sales tax and building permit revenue are added to incremental revenue from other sources, which are calculated on a per household basis. In sum, the Haymeadow project will generate approximately $915,000 in general fund revenue per year at build out.

**Figure 9.**
**General Fund Revenue Effects of Haymeadow Development**

| | 2012 Revised Budget Amount | New Unit Amount per Household | Year 3 | Year 7 | Year 10 | Build Out |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property Tax | $319,246 | Ind. | $5,033 | $38,651 | $71,667 | $126,694 |
| General Sales | 2,723,000 | Ind. | 18,284 | 130,675 | 240,378 | 423,215 |
| County Sales Tax | 92,000 | Ind. | 686 | 4,900 | 9,014 | 15,871 |
| S. Tax Rev. Share | 385,000 | Ind. | - | - | - | - |
| Bldg. Permits | 36,000 | Ind. | 217,896 | 396,053 | 396,053 | - |
| Specific Ownership | 20,150 | $8 | 283 | 2,022 | 3,720 | 6,550 |
| Franchise Taxes | 195,000 | 81 | 2,739 | 19,572 | 36,004 | 63,389 |
| Marketing Tax | 102,000 | 42 | 1,432 | 10,238 | 18,833 | 33,157 |
| M. V. Lic. Fee | 25,000 | 10 | 351 | 2,509 | 4,616 | 8,127 |
| Highway Users Tax | 203,000 | 84 | 2,851 | 20,375 | 37,481 | 65,990 |
| Cigarette Tax | 12,000 | 5 | 169 | 1,204 | 2,216 | 3,901 |
| County R & B | 102,000 | 42 | 1,432 | 10,238 | 18,833 | 33,157 |
| Licenses & Permits | 35,800 | 15 | 503 | 3,593 | 6,610 | 11,638 |
| Charges for Svcs. | 177,300 | 73 | 2,490 | 17,796 | 32,736 | 57,635 |
| Fines & Forfeits | 50,313 | 21 | 707 | 5,050 | 9,290 | 16,355 |
| Miscellaneous | 39,800 | 16 | 559 | 3,995 | 7,348 | 12,938 |
| Interest | 4,512 | 2 | 63 | 453 | 833 | 1,467 |
| Transfers | 110,000 | 45 | 1,545 | 11,041 | 20,310 | 35,758 |
| **Total Revenues** | **$4,632,121** | **$445** | **$257,022** | **$678,367** | **$915,940** | **$915,841** |

Source: BBC Research & Consulting.

## IMPACT PROJECTIONS: Expenditures

In 2012, the town of Eagle provided general fund services to approximately 2,400 households at a cost of approximately $4.4 million. The largest town service expenses are for general salaries and benefits, public safety and ongoing capital outlays. Certain of these costs are relatively fixed and not particularly affected by growth, e.g., town council expenses, but the majority of town operating expenses will grow in pace with general commercial and household growth, but always not directly proportionally with that development. There are significant economies of scale in municipal operations. It should also be noted that municipal costs are affected by all forms of land uses, not just residential activity, and some costs, such as road system development, are influenced by development outside of the town's boundaries.

Figure 10 shows current Eagle budgetary line item expenditures and estimates of fixed and variable costs for each municipal service. The vast majority of costs are viewed as variable, implying that they will grow in proportion to community growth. Most costs are also associated with residential development.

New households are assumed to require similar levels of expenditures as existing residents and thus similar cost burdens. It is also important to note that part-time households are assumed to require 75 percent of the municipal expenditure necessary to serve a full-time household and to spend 25 percent less in the local economy than a full-time household because of fewer nights of occupancy.

Figure 10 applies current adjusted costs by household to the Haymeadow development schedule to determine annual service delivery expenses associated with this project. At build out, the project will incur town expenses of about $1.1 million per year in new town service costs.

**Figure 10.**
**General Fund Expenditures Associated with Haymeadow**

| | 2012 Revised Budget Amount | Percent Residential | Percent Variable | New Unit Amount per Household | Year 7 | Year 10 | Build Out |
|---|---|---|---|---|---|---|---|
| **General Administration** | | | | | | | |
| Personnel | $847,808.00 | 95% | 80% | $266 | $63,056 | $115,992 | $204,219 |
| Office Supplies & Services | 40,173.00 | 95% | 80% | 13 | 2,988 | 5,496 | 9,677 |
| Utilities | 13,000.00 | 95% | 80% | 4 | 967 | 1,779 | 3,131 |
| Professional Services | 250,219.00 | 95% | 80% | 79 | 18,610 | 34,233 | 60,272 |
| Plan Check & Building Services | | | | Ind. | 356,448 | 356,448 | - |
| Other fees & expenses | 30,700.00 | 95% | 80% | 10 | 2,283 | 4,200 | 7,395 |
| Insurance | 46,000.00 | 95% | 80% | 14 | 3,421 | 6,293 | 11,080 |
| Capital Outlay | 27,919.00 | 95% | 80% | 9 | 2,076 | 3,820 | 6,725 |
| Community Requests | 61,000.00 | 95% | 80% | 19 | 4,537 | 8,346 | 14,694 |
| Contingency | 15,000.00 | 95% | 80% | 5 | 1,116 | 2,052 | 3,613 |
| Transfer to Capital Improvements | 0.00 | 95% | 80% | - | - | - | - |
| Transfer to Debt Service | 125,000.00 | 95% | 80% | 39 | 9,297 | 17,102 | 30,110 |
| **Streets** | | | | | | | |
| Personnel | 678,300.00 | 90% | 80% | 202 | 47,794 | 87,917 | 154,789 |
| Supplies & Services | 136,750.00 | 90% | 80% | 41 | 9,636 | 17,725 | 31,206 |
| Utilities | 42,000.00 | 90% | 80% | 12 | 2,959 | 5,444 | 9,584 |
| Professional Services | 13,500.00 | 90% | 80% | 4 | 951 | 1,750 | 3,081 |
| Street Repair & Maintenance | 185,500.00 | 90% | 80% | 55 | 13,071 | 24,043 | 42,331 |
| Other fees & expenses | 3,750.00 | 90% | 80% | 1 | 264 | 486 | 856 |
| Insurance | 17,000.00 | 90% | 80% | 5 | 1,198 | 2,203 | 3,879 |
| Capital Outlay | 18,500.00 | 90% | 80% | 6 | 1,304 | 2,398 | 4,222 |
| Contingency | 0.00 | 90% | 80% | - | - | - | - |
| **Public Safety** | | | | | | | |
| Personnel | 1,002,658.00 | 90% | 90% | 335 | 79,479 | 146,203 | 257,408 |
| Supplies & Services | 58,350.00 | 90% | 90% | 20 | 4,625 | 8,508 | 14,980 |
| Utilities | 12,500.00 | 90% | 90% | 4 | 991 | 1,823 | 3,209 |
| Professional Services | 20,380.00 | 90% | 90% | 7 | 1,615 | 2,972 | 5,232 |
| Repair & Maintenance | 3,500.00 | 90% | 90% | 1 | 277 | 510 | 899 |
| Dispatch Services | 127,420.00 | 90% | 90% | 43 | 10,100 | 18,580 | 32,712 |
| Other public safety | 45,749.00 | 90% | 90% | 15 | 3,626 | 6,671 | 11,745 |
| Insurance | 16,000.00 | 90% | 90% | 5 | 1,268 | 2,333 | 4,108 |
| Capital Outlay | 25,000.00 | 90% | 90% | 8 | 1,982 | 3,645 | 6,418 |
| Contingency | 2,000.00 | 90% | 90% | 1 | 159 | 292 | 513 |
| **Building & Grounds** | | | | | | | |
| Personnel | 287,791.00 | 95% | 50% | 56 | 13,378 | 24,609 | 43,327 |
| Supplies & Services | 76,300.00 | 95% | 50% | 15 | 3,547 | 6,524 | 11,487 |
| Utilities | 48,000.00 | 95% | 50% | 9 | 2,231 | 4,104 | 7,226 |
| Professional Services | 32,000.00 | 95% | 50% | 6 | 1,488 | 2,736 | 4,818 |
| Repair & Maintenance | 49,500.00 | 95% | 50% | 10 | 2,301 | 4,233 | 7,452 |
| Insurance | 9,000.00 | 95% | 50% | 2 | 418 | 770 | 1,355 |
| Capital Outlay | 0.00 | 95% | 50% | - | - | - | - |
| Contingency | 5,000.00 | 95% | 50% | 1 | 232 | 428 | 753 |
| **Total Expenditures** | **$ 4,373,267.00** | | | **$1,322** | **$669,694** | **$932,667** | **$1,014,506** |

Source: Town of Eagle, BBC Research & Consulting.

## Net Revenues

In the early years of development, when building permit fees are the largest revenue source and community service costs are modest, the Haymeadow project will be a fiscal benefit to the town. Over time, revenues from new construction diminish and the ongoing service costs rise as the population increases. The Haymeadow project is positive for the first 8 years of development. Years 9-15 see a modest but increasing annual deficit. At build out, when construction associated revenues are over, the project will produce a net deficit of about $98,000 per year at current service levels. Cumulatively, over the 15-year build out, the project is essentially a break-even proposition for the community.

The most critical component of a residential project's success is the generation of local retail sales. The town struggles to maintain high service levels and it will continue to do so until it can capture a larger share of resident retail dollars (or import sales from other area residents). The fiscal impact of Haymeadow is not so much a reflection of its own characteristics, as it is a reflection of the size and nature of the Eagle retail offerings.

Figure 11 shows Haymeadow generated annual net general fund cost and revenue for the town of Eagle for selected years and build out. These projections assume current taxation levels, no transfer fees and no significant change in the local retail environment.

**Figure 11.**
**Net Fiscal Impact of Haymeadow, Selected Years**

| | Year 3 | Year 7 | Year 10 | Build Out |
|---|---|---|---|---|
| Total General Fund Revenues | $257,022 | $678,367 | $915,940 | $915,841 |
| Total Expenditures | 239,935 | 669,694 | 932,667 | 1,014,506 |
| **Net Effects** | **$17,086** | **$8,673** | **-$16,727** | **-$98,665** |

## Capital Improvement Fund Revenue

Capital improvement fund revenue is in addition to Eagle general fund revenue.

The town of Eagle imposes a 4 percent construction materials use tax and a street impact fee. Revenues stemming from these assessments are dedicated to the town's capital improvement fund. Street impact fees are about $1,016 per new single family unit and $646 per new multifamily unit built in Eagle. Use taxes are a form of sales tax charged on building materials use in Eagle. BBC's model assumes 20 percent of a unit's final market value is in land, 40 percent is in labor and 40 percent is in construction materials. If the materials are purchased in Eagle, the cost of materials will be subject to sales tax. If materials are purchased elsewhere and used in Eagle, the value of these materials will be subject to Eagle use tax.

Figure 12 documents the incremental capital improvement fund revenue from the town's construction use tax and street impact fees. These revenues occur only one time for each residential unit during the construction period.

Annual revenue from use tax and street impact fees fluctuates between $300,000 and $700,000 million and is largely dependent on the pace of development. Cumulative revenue derived from Haymeadow construction use tax and street impact fees, over 15 years, total approximately $8.1 million. These funds are dedicated to capital improvements.

**Figure 12.**
**Haymeadow – Capital Improvement Fund Revenue**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|---|
| Total Improvements Market Value | $ - | $ 7,386,730 | $ 8,823,252 | $ 9,685,165 | $ 14,856,643 | $ 16,247,795 | $ 16,247,795 | $ 16,247,795 | $ 16,247,795 |
| **Eagle Use Tax Revenue (4%)** | **$ -** | **$ 295,469** | **$ 352,930** | **$ 387,407** | **$ 594,266** | **$ 649,912** | **$ 649,912** | **$ 649,912** | **$ 649,912** |
| Single Family Units | - | 13 | 18 | 21 | 39 | 39 | 39 | 39 | 39 |
| Multifamily Units | - | 21 | 21 | 21 | 21 | 29 | 29 | 29 | 29 |
| **Standard Street Impact Fee Revenue** | **$ -** | **$ 26,774** | **$ 31,854** | **$ 34,902** | **$ 53,190** | **$ 58,358** | **$ 58,358** | **$ 58,358** | **$ 58,358** |
| **Total Capital Improvement Fund Revenue** | **$ -** | **$ 322,243** | **$ 384,784** | **$ 422,309** | **$ 647,456** | **$ 708,270** | **$ 708,270** | **$ 708,270** | **$ 708,270** |

| | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Cumulative Total |
|---|---|---|---|---|---|---|---|
| Total Improvements Market Value | $ 16,247,795 | $ 16,247,795 | $ 16,247,795 | $ 16,247,795 | $ 16,247,795 | $ - | $ 186,981,940 |
| **Eagle Use Tax Revenue (4%)** | **$ 649,912** | **$ 649,912** | **$ 649,912** | **$ 649,912** | **$ 649,912** | **$ -** | **$ 7,479,278** |
| Single Family Units | 39 | 39 | 39 | 39 | 39 | - | 442 |
| Multifamily Units | 29 | 29 | 29 | 29 | 29 | - | 345 |
| **Standard Street Impact Fee Revenue** | **$ 58,358** | **$ 58,358** | **$ 58,358** | **$ 58,358** | **$ 58,358** | **$ -** | **$ 671,942** |
| **Total Capital Improvement Fund Revenue** | **$ 708,270** | **$ 708,270** | **$ 708,270** | **$ 708,270** | **$ 708,270** | **$ -** | **$ 8,151,220** |

Source: BBC Research & Consulting.

## Real Estate Transfer Assessment

The developer of Haymeadow has suggested the imposition of a 1/4 percent (.0025% of property sales value) voluntary real estate transfer assessment to be charged with the transfer of Haymeadow property or built homes. This fee would be charged when a lot is initially sold for development; when completed units are sold; and as units are resold over the ensuring years.

The RETF represents a charge of $1,000 per unit on the sale of a $400,000 unit. Fee revenues could be used for any general fund purposes. Transfer fees are valuable source of revenue because they present a continuing revenue stream, not just a one-time charge such as building permits fees, and they continue on after the development is complete

Figure 13 shows prospective RETA receipts. As the project grows, annual RETA receipts will exceed $100,000. At build out when all construction is done the ongoing resale of units (once every eight years) will still produce annual receipts of over $120,000 per year.

**Figure 13.**
**Haymeadow Real Estate Transfer Assessment**

| | Tax Rate | Year 1 | Year 5 | Year 7 | Year 15 | Build-Out |
|---|---|---|---|---|---|---|
| **Real Estate Transfer Assessment (0.25%)** | | | | | | |
| **Single Family Units** | | | | | | |
| Original lot sales [1] | 0.25% | $3,891 | $11,672 | $11,672 | $0 | $0 |
| Independent Construction [2] | 0.25% | $0 | $31,424 | $58,359 | $58,359 | $0 |
| Resale units | 0.25% | $0 | $17,021 | $31,611 | $82,675 | $82,675 |
| **Subtotal Single Family RETA** | | **$3,891** | **$60,117** | **$101,641** | **$141,034** | **$82,675** |
| **Multifamily Units** | | | | | | |
| **Resale Units-Multifamily** | 0.25% | **$0** | **$9,817** | **$16,595** | **$40,318** | **$40,318** |
| **Multi-family Lots** | 0.25% | **$2,104** | **$3,050** | **$3,050** | **$0** | **$0** |
| **Total RETA (0.25%)** | | **$5,994** | **$72,984** | **$121,286** | **$181,352** | **$122,993** |

## Economic Impacts

Development of the Haymeadow property and construction of 787 new units would create a steady supply of construction and site development jobs. BBC estimates that Haymeadow would create more than 300 construction jobs (FTE) per year during the 15-year construction period, as well as new jobs in services and retailing that come with local household expenditures. Calculations are shown in Figure 14:

**Figure 14.**
**Labor Impacts**

Note:

Construction labor includes all jobs associated with unit development including: architects, landscape architects, engineers, title company employees, insurers, appraisers and traditional construction workers.

Source:

Plyman and Associates, BBC Research & Consulting

| | | |
|---|---|---|
| **Number of Units** | | **787** |
| **Average Value of Units** | **$** | **500,099** |
| Distribution of value | | |
| Land & site development (10%) | $ | 50,010 |
| Materials (40%) | $ | 200,039 |
| Labor (50%) | $ | 250,049 |
| **Construction Labor** | | |
| Annual salary per worker | $ | 42,000 |
| Workers per unit (labor value/annual salary) | | 5.9 |
| **Build Out Period** | | **15 years** |
| **Jobs Created per Year** | | **310** |
| (Total units/build out in years) x workers per unit | | |

The town of Eagle has a large number of contractors and construction workers among its residents. New construction jobs, particularly local jobs that do not require lengthy commutes, would be highly valued and would further ensure that earnings stayed in the community. Over the course of its development, Haymeadow construction activity will generate over $200 million of local personal income. These local jobs, often employing town residents, represent one of the town's best opportunities to stimulate near term retail sales, enhance retail tax receipts and create a sustainable fiscal model for ongoing town support.

We appreciate the opportunity to examine these issues and appreciate the town staff's assistance during our evaluation. We look forward to discussing this analysis at your convenience.

Sincerely,

Ford C. Frick
Managing Director