

Proposed River Run Annexation

## **Peer Review of River Run Fiscal Impact Analysis**

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Company

## **Background of River Run Fiscal Impact Analysis**

- **River Run application submitted**
- **Fiscal Impact Analysis by RRC Associates**
- **Peer Review by Henderson, Young & Company**

## **What is “Fiscal Impact Analysis”**

- **Estimates (“forecasts”) of revenues and expenses for City government**
- **Revenues are compared to expenses**
- **If more revenue than expense = “benefit” to Ketchum, but**
- **If less revenue than expense = “cost” to Ketchum**

## **Science and Art of Fiscal Impact Analysis**

The devil is in the details.

- **Which revenues?**
- **Which expenses?**
- **What assumptions?**

## **Peer Review Research**

1. **RRC report & spreadsheets for River Run**
2. **Rosenthal report for Warm Springs**
3. **Caplan study of 3 hotels for Ketchum**
4. **Caplan study of annexation fees**
5. **Twenty-four requests for added information from RRC**
6. **Independent research of selected items**

## **Key Characteristics of River Run**

**520 dwelling units**

**average price = \$1.5 million**

**180 hotel rooms**

**average rate per night = \$492**

**35,000 sq. ft. retail & restaurant**

## River Run's Planned Schedule

**2010 – annex**

**2012 – begin development**

**2024 – buildout**

- **fiscal impact analysis = annual data for 2010 – 2024 plus net present value of 15 year total**

## Fiscal Impact Summary

RRC Associates' Analysis of River Run

	Ketchum Stable Annual (2024)	Ketchum 2010 – 2024 (NPV)	URA Stable Annual (2024)	URA 2010 – 2024 (NPV)
<b>RRC Associates</b>	<b>485,816</b>	<b>6,671,970</b>	<b>4,116,487</b>	<b>20,308,570</b>

## Peer Review Concerns

What's missing from the fiscal picture?

1. Excluded “fixed” costs and revenues
2. Excluded growth capital costs
3. Excluded regular capital costs
4. Optimistic occupancy rate

## Missing Costs

	Ketchum Stable Annual (2024)	Ketchum 2010 – 2024 (NPV)
<b>Fixed costs</b>	<b>352,880</b>	<b>2,112,781</b>
<b>Growth capital</b>	<b>0</b>	<b>2,674,903</b>
<b>Regular capital</b>	<b>189,373</b>	<b>2,008,843</b>
<b>Occupancy @ 60%</b>	<b><u>28,792</u></b>	<b><u>100,565</u></b>
<b>Total Missing Costs</b>	<b>571,045</b>	<b>6,897,092</b>

## Fiscal Impact Summary

Include "fixed" and capital costs, adjust occupancy rate

	Ketchum Stable Annual (2024)	Ketchum 2010 – 2024 (NPV)	URA Stable Annual (2024)	URA 2010 – 2024 (NPV)
<b>RRC Associates</b>	<b>485,816</b>	<b>6,671,970</b>	<b>4,116,487</b>	<b>20,308,570</b>
<b>Missing costs</b>	<b>-571,045</b>	<b>-6,897,092</b>		
<b>Adjusted fiscal impact</b>	<b>-85,229</b>	<b>-225,122</b>	<b>4,116,487</b>	<b>20,308,570</b>

## Another Peer Review Concern

What about the "buy-in" of current City assets?

**\$1,376,835 based on Caplan**

## Fiscal Impact Summary

Subtract "buy-in" to City's current assets

	Ketchum Stable Annual (2024)	Ketchum 2010 – 2024 (NPV)	URA Stable Annual (2024)	URA 2010 – 2024 (NPV)
<b>RRC Associates</b>	485,816	6,671,970	4,116,487	20,308,570
<b>Adjust costs &amp; occupancy</b>	<b>-85,229</b>	<b>-225,122</b>	4,116,487	20,308,570
<b>Buy-in cost</b>		<b>-1,376,835</b>		
<b>Adjusted</b>	<b>-85,229</b>	<b>-1,601,957</b>	4,116,487	20,308,570

## One More Peer Review Concern

**What if actual development is less than assumed?**

- fewer than 520 dwelling units
- less than \$1.5 million average price
- hotel room rates less than \$492

## Fiscal Impact Summary

Assume 90% of plan (fewer or lower priced units, and lower hotel rates)

	Ketchum Stable Annual (2024)	Ketchum 2010 – 2024 (NPV)	URA Stable Annual (2024)	URA 2010 – 2024 (NPV)
<b>RRC Associates</b>	485,816	6,671,970	4,116,487	20,308,570
<b>Adjust costs &amp; occupancy</b>	-85,229	-225,122	4,116,487	20,308,570
<b>Buy-in</b>	-85,229	-1,601,957	4,116,487	20,308,570
<b>90% of plan</b>	-120,140	-1,956,514	3,727,889	18,307,251

## Peer Review Conclusions To-Date

1. RRC report good starting point
2. Should add “fixed” and capital costs
3. Should account for “buy-in” of assets
4. All versions are good for URA
5. City’s fiscal impact depends on annexation fees
6. Could use more information

# Fiscal Impact Summary

Adjusted for Annexation Fees

	Ketchum Stable Annual (2024)	Ketchum 2010 – 2024 (NPV)	URA Stable Annual (2024)	URA 2010 – 2024 (NPV)
<b>RRC Associates</b>	<b>485,816</b>	<b>6,671,970</b>	<b>4,116,487</b>	<b>20,308,570</b>
<b>Adjusted</b>	<b>-85,229</b>	<b>-1,601,957</b>	<b>4,116,487</b>	<b>20,308,570</b>
<b>Annex fee: buy-in</b>		<b>1,376,835</b>		
<b>Annex fee: reg capital</b>		<b>1,136,235</b>		
<b>Adjusted after fee</b>	<b>-85,229</b>	<b>911,113</b>	<b>4,116,487</b>	<b>20,308,570</b>

## Information Needed to Finalize Conclusions

1. Update of regular capital costs
2. Capital costs of special items
3. URA project costs
4. Debt service costs
5. Levels of service

**End of Presentation**

**Questions?**