

Proposed River Run Annexation

Updated Peer Review: River Run Fiscal Impact Analysis

December 29, 2009

Henderson,
Young &
Company

Background of River Run Fiscal Impact Analysis

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

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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**

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Science and Art of Fiscal Impact Analysis

The devil is in the details.

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

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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

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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

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River Run's Schedule Use in Fiscal Analysis

- 2010 – annex**
- 2012 - 23 – development**
- 2024 – buildout**

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Fiscal Impact Analysis: Two Time Periods

- Total (non-recurring) during development (2010 – 2023)**
- Annual ongoing beginning 2024**

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Fiscal Impact Summary

RRC Associates' Analysis of River Run

	Ketchum Non-recurring (2010 – 2023)	Ketchum Ongoing Annual (2024+)	URA Non-recurring (2010-2023)	URA Ongoing Annual (2024+)
RRC Associates	9,532,895	486,011	28,770,912	4,097,379

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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

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Missing Costs

	Ketchum Non-recurring (2010 – 2023)	Ketchum Ongoing Annual (2024+)
Fixed costs	2,975,127	352,880
Growth capital	3,855,355	0
Regular capital	1,572,220	189,480
Occupancy @ 60%	<u>169,656</u>	<u>28,987</u>
Total Missing Costs	8,572,358	571,047

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Fiscal Impact: Adjusted

Include "fixed" and capital costs, adjust occupancy rate

	Ketchum Non-recurring (2010 – 2023)	Ketchum Ongoing Annual (2024+)	URA Non-recurring (2010-2023)	URA Ongoing Annual (2024+)
RRC Associates	9,532,895	486,011	28,770,912	4,097,379
Missing Costs	<u>- 8,572,358</u>	<u>- 571,047</u>	<u>0</u>	<u>0</u>
Adjusted fiscal impact	960,537	- 85,336	28,770,912	4,097,379

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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

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Fiscal Impact: Adjusted

Assume 80% of plan (fewer or lower priced units and lower hotel rates)

	Ketchum Non-recurring (2010 – 2023)	Ketchum Ongoing Annual (2024,+)	URA Non-recurring (2010-2023)	URA Ongoing Annual (2024,+)
RRC Associates	9,532,895	486,011	28,770,912	4,097,379
Adjusted fiscal impact	960,537	- 85,336	28,770,912	4,097,379
20% of plan size or price	- 961,261	- 66,330	- 5,065,072	- 728,030
80% of plan size or price	-724	- 151,666	23,705,840	3,395,349

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What about the URA?

River Run requests:

- \$15-20 million (50%) of infrastructure
- \$20 million for 1 of 3 parking garages
- \$35-40 million total from URA

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What about the URA?

URA revenue from River Run:

- \$28.7 million 2010 thru 2023
- \$ 4.1 million annually beginning 2024
- \$35-40 million request = 100% of URA River Run revenue for 16 – 18 years
- Does not include cost of borrowing
- Assumes 100% of planned units & prices

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Applicant's request for LOT revenue from lift tickets

River Run request:

- **LOT revenue from lift tickets to be earmarked for transportation**

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Applicant's request for LOT revenue from lift tickets

LOT revenue from lift tickets:

- **\$90,000 per year in first five years**
- **\$114,000 per year by 2024**
- **Assumes growth in skier days**
- **Commits city to specific use of money from fiscal impact analysis**

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Real Estate Transfer Fees

- **0.5% fee to fund eco-park (request by River Run)**
- **0.5 – 1.0% for community housing (request by Ketchum P&Z)**
- **1.0 – 1.5% total real estate transfer fees**

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Real Estate Transfer Fees

Real estate transfer fee revenue from River Run:

- **\$787,525,000 initial sale price of property**
- **1.0 – 1.5% real estate transfer fee**
- **\$7.8 - \$11.8 million revenue**
- **Assumes 100% of planned units & prices**

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Annexation Fees

Ketchum's request:

- **1st 3 based on Caplan Mar. 24, 2008**
- **\$1.4 million: buy-in current assets**
- **\$1.1 million: regular capital**
- **\$0.5 million: operating costs**
- **\$0.5 million: request by Blaine schools**
- **\$3.5 million total from River Run**

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Annexation Fees

Peer review:

- **buy-in current assets: normal for business, not for government**
- **regular capital: normal for government, but included in FIA**
- **operating costs: normal for government, but included in FIA**
- **conclusion: charge annexation fees only if FIA is negative for City**

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Peer Review Conclusions To-Date

- 1. RRC report good starting point**
- 2. Should add fixed and capital costs, adjust occupancy assumptions**
- 3. City's fiscal impact depends on actual size and price of development equal to assumptions**
- 4. URA's fiscal impact depends on use of URA revenue from River Run**
- 5. Other issues: LOT revenue from lift tickets, real estate transfer fee, annexation fees**
- 6. Results could change with updated capital costs, URA costs**

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Information Needed to Finalize Conclusions

- 1. Update of regular capital costs**
- 2. Capital costs of special items**
- 3. URA projects and costs**

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End of Presentation

**Questions?
Discussion!**

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