Proposed River Run Annexation

Updated Peer Review: River Run Fiscal Impact Analysis

February 5, 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 Used in Fiscal Analysis

2010 – annex
2012 - 23 – development
2024 – buildout

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Fiscal Impact Analysis: Two Time Periods

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

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Fiscal Impact Summary

RRC Associates' Analysis of River Run

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

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Peer Review Comments

1. "Fixed" costs and revenues
2. Growth capital costs
3. Regular capital costs
4. Occupancy rate
5. Cost sharing benefit to current population
6. URA levy rate

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Comments About Costs & Benefits

1. "Fixed costs & revenues"
- Not caused by growth
- But growth will pay its share by becoming citizens and taxpayers
- Example: park maintenance

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Comments About Costs & Benefits

2. Growth capital costs
- Needed for growth
- Paid by impact fees included in applicant's FIA
- Costs not included in FIA
- Example: park acres for new development

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Comments About Costs & Benefits

3. Regular capital costs
- Not caused by growth
- But growth will pay its share by becoming citizens and taxpayers
- Example: roofs for Forest Service Park buildings

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Comments About Costs & Benefits

4. Occupancy rate
- Applicant used 65% (upon attaining market position)
- Average during last 7 years in Ketchum = 60%

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Comments About Costs & Benefits

5. Cost sharing benefit for current population & businesses
- Growth will pay its share of fixed costs and regular capital by becoming citizens and taxpayers
- Growth's share benefits current population & businesses

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Comments #1-5 About Costs & Benefits

	Ketchum 2010 – 2023 Development	Ketchum 2024+ Ongoing Annual
Fixed costs	2,975,127	352,880
Growth capital	3,855,355	0
Regular capital	1,572,220	189,480
Occupancy @ 60%	169,656	28,987
Cost sharing benefit	- 4,547,347	- 542,360
Net Other Costs	4,025,011	28,687

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Comment #6 About Costs & Benefits

6. URA levy rates
- Three levies should not be included in URA calculations
  - County jail bond
  - School bond
  - School plant facilities

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Fiscal Impact: Adjusted

Includes "fixed" and capital costs, adjust occupancy rate, add cost sharing benefit, subtract 3 URA levies

	Ketchum 2010 – 2023 Development	Ketchum 2024+ Ongoing Annual	URA 2010-2023 Development	URA 2024+ Ongoing Annual
RRC Associates	9,532,895	486,011	28,770,912	4,097,379
Other Costs	- 4,025,011	- 28,687	- 3,481,920	- 495,874
Adjusted fiscal impact	5,507,884	457,324	25,288,992	3,601,505

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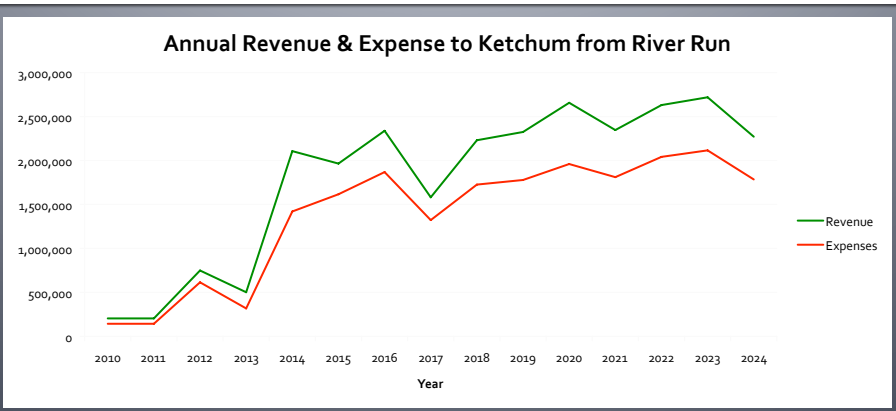
Fiscal Impact: Cash Flow

Includes "fixed" and capital costs, adjust occupancy rate, add cost sharing benefit



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What about the URA?

What is a "URA"?

URA = "Urban Renewal Agency"

- **Separate from City**
- **Smaller than City**

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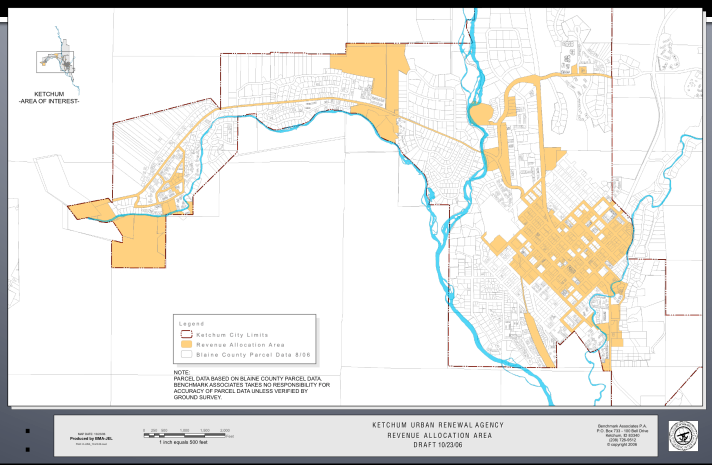
What about the URA?

Ketchum's Current URA



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What about the URA?

Where does the URA get its money? What does it do with the money?

URA revenue and purpose

- Uses "tax increment" from urban renewal …
- to pay for projects that help urban renewal

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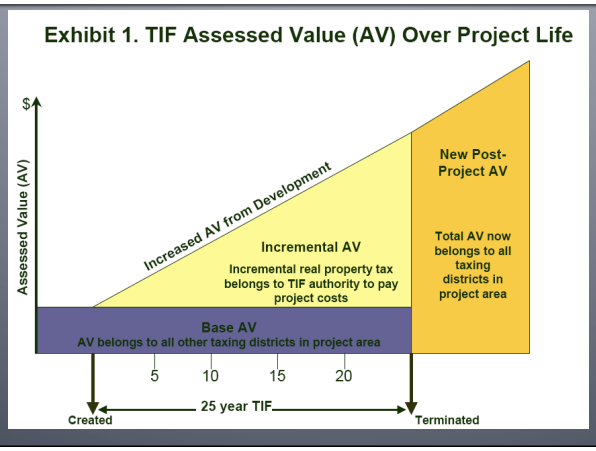
What about the URA?

How "tax increment" works



National Association of Realtors: Nov. 2002

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What about the URA?

URA features:

- **URAs can borrow = build now, pay later**
- **URAs limited to 24 years unless extended to finish paying debt lasting more than 24th year**
- **Ketchum URA = 2006-2030**

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What about the URA?

Borrowing Costs:

- Like a car or house loan: pay back principal + interest
- Current credit market for 25-year URA bond = pay back $1.19 interest for every $1.00 borrowed

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What about the URA?

Revenue Assumptions for URA from River Run

URA revenue from River Run:

- $25.3 million 2010 thru 2023
- $ 3.6 million annually beginning 2024
- $50.5 million total thru 2030
- Assumes 100% of planned units & prices

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What about the URA?

Borrowing Capacity from River Run Revenue

Debt Capacity from River Run:

- $50.5 million revenue total thru 2030
- 45.6% can be borrowed (@ $2.19 / $1.00)
- $23.0 million can be borrowed
- River Run proposes:
  - 50% in River Run = $11.5 million
  - 50% for whole URA = $11.5 million

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What about the URA?

More Borrowing Capacity from River Run Revenue

Longer Term Debt Capacity:

- $87.6 million revenue total thru 2040
- 45.6% can be borrowed (@ $2.19 / $1.00)
- $40.0 million can be borrowed
- River Run proposes:
  - 50% in River Run = $20 million
  - 50% for whole URA = $20 million

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Special Financing District for Infrastructure

LID (Local Improvement District) or CID (Capital Improvement District)

River Run Proposal:

- Ketchum creates the district, but only in River Run
- Only River Run properties will pay assessments or special property taxes, not Ketchum properties
- District will borrow against future assessments or special property taxes, use borrowed money for project infrastructure
- No liability to City of Ketchum

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Real Estate Transfer Fees

River Run Proposal:

- 0.25% first sale fee for community housing
- $787,525,000 initial sale price of property
- $1.9 million revenue
- Possible fee for eco-park, arts, education, environment, maintain riparian corridors
- Assumes 100% of planned units & prices

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Real Estate Transfer Fees

Ketchum Planning & Zoning Proposal:

- For community housing
- 0.5 – 1.0% real estate transfer fee
- $787,525,000 initial sale price of property
- $3.9 - $7.8 million revenue
- Assumes 100% of planned units & prices

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Peer Review Conclusions

1. RRC report good foundation
2. Other costs and benefits = fixed and capital costs, occupancy assumptions, cost sharing benefit, URA levy rates
3. City's fiscal impact is positive
4. URA's fiscal impact is positive: 50% helps development, 50% helps entire URA
5. Other topics: LID/CID; real estate transfer fee
6. Results could change slightly with updated capital costs, URA details

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End of Presentation

Questions? Discussion!

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