

Chapter 3 The Built Environment – Effects on People and Community Resources

What is addressed in this chapter?

This chapter describes the community's existing built environment and how the alternatives may impact that built environment. This chapter specifically addresses the following elements:

- Land Use
- Transportation
- Noise
- Public Utilities (water supply, wastewater, stormwater)
- Visual and Aesthetics
- Historic and Cultural Resources
- Public Services (parks and recreation, schools, public safety)
- Fiscal Analysis

Fiscal Impacts

1 Why was a fiscal analysis prepared?

A fiscal analysis was prepared as part of this EIS because of the particular requirements of the City’s MPD ordinance (18.98.080 A) that:

3. *The proposed project will have no adverse financial impact upon the city at each phase of development, as well as at full build-out. The fiscal analysis shall also include the operation and maintenance costs to the city for operating, maintaining and replacing public facilities required to be constructed as a condition of MPD approval or any implementing approvals related thereto. This shall include conditioning any approval so that the fiscal analysis is updated to show continued compliance with this criteria, in accordance with the following schedule:*
 - a. *If any phase has not been completed within five years, a new fiscal analysis must be completed with regards to that phase before an extension can be granted; and*
 - b. *Prior to commencing a new phase.*

2 How was the analysis conducted?

Potential fiscal impacts on the City were assessed using a spreadsheet financial impact analysis model. There are four general components of this model:

1. **Quantitative description of The Villages MPD proposal** in terms of the basis for local government revenue-generating authority in Washington.
2. **Projected revenues**, tax, and other revenues potentially generated from the proposed project were derived using typical local and regional economic and real estate values for the tax bases used by the City. The potential tax

Where can I find additional information on how the fiscal analysis was conducted?

Appendix J includes technical reports for the Fiscal Analysis completed by the project proponent, and an independent analysis by the City.

What is Constant Dollar Methodology?

Constant Dollar Methodology compares “real” dollar values over time, rather than comparing dollar values that have been inflated or deflated with time. Constant Dollar Methodology was used in this FEIS to compare the costs and revenues of the alternatives over their Planning Horizons.

revenues generated in the analysis follow a general formula in which revenues are a function of tax rates in State laws and/or local rates set as City policies within specific statutory ranges and are then applied to the statutory basis of taxation. The magnitude of these bases of taxation are determined in the market through assessed values, retail sales, utility payments, the bases and rates of various other taxes, permits, fees, charges, as well as state shared revenues.

- 3. Projected public service expenditures** to meet the demand associated with the new developments are projected. Significant policy discretion is allowed to local governments for actual kinds and levels of local services. Each community determines how to interpret and meet these public service demands and costs separately with State statutory and constitutional guidance.
- 4. Net annual fiscal impact** is obtained by comparing annual revenues (sources of funds) and subtracting the projected services expenditures (uses of funds) associated with the proposed development project. This net comparison is the primary concern for the financial impact analysis. In addition, other revenues including: “one time-during the construction phase” revenues, revenues to other local jurisdictions, and the Real Estate Excise Tax, which is earmarked for capital projects and was not included in the annual operating budgets, were projected. The sales tax collected from construction contracts is included in the annual projections of revenue flows to the general fund.

The financial impact analysis, summarized in the Technical Report in Appendix J, uses a combination of current City of Black Diamond budget patterns, service standards in the Comprehensive Plan, and patterns obtained from other similar communities in Washington state that have experienced sustained, long periods of dramatic new growth.

The focus of the financial impact analysis is the current expenses of operating the City. It does not directly consider capital facilities needs that may result from the development.

Exhibits 3-39 and 3-40 summarize the factors used in projecting revenues and expenditures:

Exhibit 3-39
Factors for Projecting Potential Revenues Associated with the Proposed Developments

| | Basis for Estimate | Source |
|--------------------------|--|--|
| Annual Revenues | | |
| Property Tax | Market values/new construction costs of commercial and residential buildings and land values | Interviews with local real estate professionals, including the County Assessor's Office and national, state, and regional real estate information sources |
| Sales Tax | <ul style="list-style-type: none"> • Construction contracts • Residents' potential spending and economic performance of retail space | <ul style="list-style-type: none"> • RS Means Construction Cost Estimates • State and local taxable retail sales data sources; in addition to the Urban Land Institute |
| Utility Taxes | Current utility payments per dwelling unit | City Budgets and U.S. Energy Information Administration |
| Other Taxes | Current per capita | City Budgets and State Revenue Data |
| One Time Revenues | | |
| Building Permits | Percentage of infrastructure and building costs | City of Black Diamond sources |
| Development Impact Fees | Not yet determined by the City's policies | |
| Real Estate Excise Tax | Applied only to first sale of dwelling units and commercial space | Market values of real estate in project utilizing state and regional real estate information sources |

Exhibit 3-40**Factors for Projecting Costs of Services Associated with the Proposed New Developments**

| City Service Function | Basis For Projection | Amount \$/FTEP | Percent of Total |
|---|---|-----------------------|-------------------------|
| Police Protection | Level of Service in Comprehensive Plan and Annual Budget for 2009 using current budgeted costs | \$168.00 | 18.6% |
| Fire and Emergency Services | Level of Service in Comprehensive Plan and Annual Budget for 2009 using current budgeted costs | \$256.00 | 28.3% |
| General Government | Utilized the proportion determined from similar rapid growth communities and Annual Budget for 2009 | \$251.50 | 27.8% |
| Streets and Roads | Comprehensive Plan level of service and Parametrix EIS impact analysis | \$51.01 | 5.6% |
| Community, Economic, Natural Resource Development | Current City Budget | \$103.50 | 11.4% |
| Parks and Recreation | Comprehensive Plan level of service and Parametrix EIS Impact analysis | \$75.13 | 8.3% |
| Total Expenditures per Full-Time Equivalent Person (FTEP): | | \$905.14 | 100.0% |

3 Based on this methodology, how do the alternatives perform?**Alternative 1**

This alternative is not proposed to be developed as an MPD, and is therefore is not required by ordinance to have a positive fiscal impact upon the City.

Alternative 2

Alternative 2 represents the Applicant's proposal to develop The Villages as an MPD with 4,800 dwelling units and 775,000 sf of commercial/office. This would significantly increase the population of the City, adding 11,940 more people, or nearly three times the current population of the City. This alternative could also substantially increase employment by four times over that period.

The model indicates that the revenues generated by such development will not be sufficient to balance the costs to provide services after 2020. In fact, the model indicates a roughly \$1,000,000 annual deficit by 2030 (5 years after completion of the MPD). *Therefore, this alternative would have an adverse financial impact on the City.*

It should be noted that the Applicant provided an independent fiscal analysis, which is included for reference in Appendix J. This analysis utilized a different methodology and set of assumptions, and therefore yielded different results than the City's independent analysis.

The population of The Villages, together with the existing population of the City, would likely change its shopping patterns to make a large portion of their purchases in the proposed retail area, which would produce enough sales to produce the calculated revenue. In order to achieve such sales levels, the proposed retail area would likely draw customers from a larger area, including Enumclaw, Covington, and Maple Valley.

Alternative 3

Alternative 3 was not specifically analyzed for this EIS. However, since Alternative 3 was generated by reducing the units counts of Alternative 2 by 25 percent, and reducing the commercial and office square footage proportionately, similar results could be expected. Therefore, it is likely that this alternative would also not meet the fiscal benefit criteria after 2020.

Alternative 4

Alternative 4 was developed as a case study to achieve no adverse financial impact. In order to achieve this, the number of residential units was reduced, while holding the amount of commercial and office square footage (775,000 sf) the same. Alternative 4 assumes the same 75 percent single-family and 25 percent multi-family split as Alternative 2, in terms of residential units. The reduction of units to 1,893 (1420 single-family and 473 multi-family), while maintaining 775,000 sf of commercial and office space, results in a fiscal balance.

4 What do the results tell us?

These results are similar to the typical experience in analysis and research about fiscal impacts from development around the region and nation, that in general:

- Single-family residential development generates a negative annual fiscal balance, i.e., revenues are exceeded by public service cost within jurisdictions;
- Multi-family residential development typically generates a neutral or “break-even” annual fiscal balance, i.e., revenues are more or less matched by public service cost within jurisdictions; and
- Commercial-industrial development typically generates a positive annual fiscal balance, i.e., revenues exceed public service cost within the jurisdiction.
- Slight changes in model assumptions related to cost and revenue inputs can result in differing results. This is indicated by the two fiscal impact analyses that were conducted. Per MPD requirements, the fiscal analysis should be updated at each phase of development. This will allow the City to review and approve inputs and assumptions at each phase, prior to approvals.

5 What could be done to improve financial performance?

Measures to bring a city into fiscal balance involve a combination of two strategies:

- Reduce costs
- Increase revenues

Public service demands and costs are related to a complex set of factors that differ in each community, including, demographic, economic, real estate market conditions and location, geographic, political, historic, state mandates, and local preferences and perceptions. Other than the kind and level of public services, a city has little control over these. Generally speaking, cities do live within their budgets and make these adjustments on a normal ongoing basis.

Increasing the revenues to the City is problematic. The level of rates and definition of the bases of local taxes are primarily controlled by state laws and the constitution, as well as citizen initiatives. In addition, the bases of most taxes are set by regional market forces. Most of the City of Black Diamond's tax rates are at or near the maximum allowed. The City does control non-tax revenue sources. The City may utilize economic development strategies to enhance its tax base, though this is a long term proposition.

The revenues that would accrue to the City from commercial development are shaped and limited by the market realities of The Villages location within the region. In addition, achieving the sales tax revenue associated with the proposed 390,000 square feet of retail development is uncertain. Sales tax revenue depends on total local taxable retail sales and cannot realistically be achieved solely by the residents of The Villages. To achieve projected total taxable local retail sales, the residents of The Villages would have to spend more per person in the proposed retail than the state or King County per capita sales average.

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