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# Fiscal Impact Assessment Report

New Garden Township,  
Chester County, PA

December 2006

# **Fiscal Impact Assessment Report**

New Garden Township  
Chester County, Pennsylvania

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## **Introduction**

PREIT Services, LLC is proposing a mixed-use “town center” development at the intersection of Route 41- Gap Newport Pike and Sunny Dell Road in New Garden Township, Chester County, Pennsylvania. The development will consist of 163 residential units and 746,337 square feet of commercial space. The residential portion of the development will be a mix of market-rate age-qualified single family homes and market-rate condominiums located within the Town Center. The non-residential portion of the development will consist of a mixture of smaller retail stores within the Town Center, and restaurants and retail along Route 41.

Glackin Thomas Panzak, Inc. has been asked to prepare a fiscal analysis of the proposed development to predict likely financial costs and revenues to New Garden Township and the Kennett Consolidated School District. This report also provides information on such topics as the expected number of new residents, new jobs, and miscellaneous fiscal benefits that can be expected to result from the proposed development.

## **Methodology**

The methodology used to perform this analysis is the *Preview* computer program, which was developed by Robert Burchell, David Listokin and William Dolphin of Rutgers University. The *Preview* program was published by the Urban Land Institute in its Development Impact Assessment Handbook, and uses a spreadsheet model to quantify economic, social, and fiscal impacts associated with land development. The *Preview* model provides an order-of-magnitude assessment of the impact of development across multiple dimensions. The model assumes that the population increases and fiscal impacts represent new residents, new school aged children, new revenues, and new costs.

Revenues and expenditures are expressed in 2006 dollars, with no adjustment being made for the impact of inflation, appreciation, depreciation or changes in local property values. It is assumed that, as costs rise due to inflation and operating increases, corresponding enhancements in revenues might be found necessary, and would have to be brought about through either higher taxes, or reductions in other areas of services.

In calculating various revenue and expense projections, this report has utilized the Township of New Garden 2006 Budget, the Kennett Consolidated School District Final General Fund Budget for Fiscal Year 2006–2007, and assessed valuations as provided by the Chester County Board of Assessment.

## **Demographic and Employment Projections**

A key factor in determining the fiscal impact of a development is the demographic and employment profile of the project. The number of new residents, their ages, the number of school-aged children likely to reside in a development, and the number of employees working in the commercial portion of the development all affect the costs incurred to a municipality or school district.

### **Residential Population of the Development**

For this analysis, we utilized demographic multipliers published by the Rutgers University Center for Urban Policy Research<sup>1</sup>. This source uses Census information to derive population multipliers for different regions of the United States, categorized by household type (i.e., single-family detached, single-family attached, apartments, etc.), and by the number of bedrooms per household. We are not aware of any other source that is able to offer data as to household size and number of school-aged children by *housing type*. This is critical in obtaining the best projections as to future conditions. Furthermore, we have adjusted the ULI multipliers where necessary, based on our own experience in certain instances; for example, the Handbook does not publish specific multipliers for “active-adult” or “age-qualified” households, which obviously do not have school-aged children living in them. In the case of the age-restricted units in the proposed development, we applied a demographic multiplier of 1.75 persons per household, which reflects the fact that these households will be comprised of a mixture of 2-person and 1-person households, e.g., married couples and single people, aged 55 and older without

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<sup>1</sup> Burchell, Robert W., David Listokin, et al. *Residential Demographic Multipliers (Pennsylvania)*. New Brunswick, New Jersey: Center for Urban Policy Research, Edward J. Bloustein School of Planning and Public Policy - Rutgers, the State University of New Jersey, 2006.

children. Table 1 summarizes the residential population characteristics of the proposed development.

**Table 1**

**Projected Number of Residents**

Residential Units		Total Household Size		School-Age Children by Grade						Total School-Age Children
Unit type	Total Units	Per Unit	Total	K-6		Junior High		High School		
				Per Unit	Total	Per Unit	Total	Per Unit	Total	
Condominium (2 BR)	40	1.48	59	0	0	0	0	0	0	0
Condominium (3 BR)	40	2.01	80	0.09	4	0.08	3	0	0	7
Age-Restricted Single-family units (3 BR)	83	1.75	145	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>163</b>	<b>-</b>	<b>285</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>0</b>	<b>7</b>

SOURCE: Demographic multipliers for non-age-restricted units were derived by Burchell, Listokin, et al. from the 2000 U.S. Census 5-Percent Public Use Microdata Sample (PUMS), as published in Residential Demographic Multipliers (2006). Multipliers for the age-restricted units are based on estimates by Glackin Thomas Panzak.

**Employment Opportunities**

This development will create both short-term construction-related jobs during the construction phase of the development, and long-term jobs once the commercial portion of the development is in operation. During the construction phase of the project, the *Preview* model projects construction-related consumption expenditures totaling \$43,122,361 over the construction period. During this same time period, a total of approximately 1,536 new on-site and off-site jobs will be created, including 567 jobs associated with on-site construction; 76 jobs associated with off-site construction; 492 jobs associated with manufacturing industries; 290 jobs associated with trade, transportation and services; and 111 miscellaneous positions. These jobs will insert approximately \$53,263,786 in wages and salaries into the regional economy, resulting in approximately \$46,872,131 available disposable income. These

sources will all insert dollars into the local economy throughout the construction phase, as well as the operations phase, of the project as workers on the development use local businesses for food, supplies and other services.

Once the commercial portion of the development is completed and operating, the Preview model projects that 1,866 new employees will be working throughout the development. Table 2 summarizes the employment characteristics of the proposed development.

**Table 2**

**Projected Number of Employees  
(Operations Phase)**

<b>Use</b>	<b>Building Area (Square Feet)</b>	<b>Employees per 1,000 Square Feet of Bldg. Area</b>	<b>Total Employees</b>
Retail Stores	722,737	2.5	1,807
Restaurants	23,600	2.5	59
<b>TOTAL</b>	<b>746,337</b>	<b>-</b>	<b>1,866</b>

SOURCE: Employee population multipliers calculated within the *Preview* model published by the Urban Land Institute in *Development Impact Handbook*. (Burchell, Robert W., David Listokin, et al., 1994.)

## **Assessment Ratios and Tax Millage**

In budget documents used for this analysis, property assessments and associated tax rates were based on the currently available Chester County common-level ratio, which is a mathematical coefficient that establishes assessed value as a ratio of market value (the common-level ratio is set annually by the Commonwealth's State Tax Equalization Board.) The 2005 common-level ratio for Chester County is 1.82, which establishes assessed values to be equal to approximately 54.95% of the market value ( $1 \div 1.82 = 0.5495$ , also expressed as 54.95%.) The Township sets millage rates according to the revenue needs of the community, and consequently, budgets are developed on this basis.

## **Project Valuation<sup>2</sup>**

To determine future revenues and costs associated with this development, the assessed value of the project must be established. We have estimated the project's value based on average sale price per unit for the homes in the residential portion of the development, and on value per square foot for the non-residential portion (see Table 3 on the next page.) The proposed development overall will have a market value of approximately \$193,090,525. Applying the common-level ratio to the project's estimated market value results in a total assessed value of \$106,093,695 ( $\$193,090,525 \text{ market value} \times 54.95\% \text{ common-level ratio} = \$106,093,695 \text{ assessed value}$ .) Table 3 on the next page summarizes the project valuation figures.

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<sup>2</sup> Manually calculated project valuation differs slightly from *Preview* model due to rounding differences.

**Table 3**

**Project Valuation**

<b>Use</b>	<b>Number of Units or Square Feet</b>	<b>Market Value per Unit or Square Foot</b>	<b>Total Value (Estimated)</b>
<b><i>Residential Portion:</i></b>			
Condominiums in Town Center (2 BR)	40	\$225,000	\$ 9,000,000
Condominiums in Town Center (3 BR)	40	\$250,000	\$ 10,000,000
Age-Restricted Single-family (3 BR)	83	\$375,000	\$ 31,125,000
<b>Total market value (residential)</b>	<b>163</b>	<b>-</b>	<b>\$ 50,125,000</b>
<b><i>Non-Residential Portion:</i></b>			
Town Center Retail	250,000	\$260	\$ 65,000,000
Big Box Retail	383,695	\$150	\$ 57,554,250
Garden Centers (Associated w/Big Box)	38,773	\$75	\$ 2,907,975
Small Independent Retail	44,032	\$210	\$ 9,246,720
Wawa	6,237	\$340	\$ 2,120,580
Restaurants	23,600	\$260	\$ 6,136,000
<b>Total market value (non-residential)</b>	<b>746,337</b>	<b>-</b>	<b>\$ 142,965,525</b>
<b>Total market value, residential and non-residential combined</b>			<b>\$ 193,090,525</b>
<b>Common-level ratio (assessment to market value ratio)</b>			<b>54.95%</b>
<b>Estimated assessed value (\$193,090,525 x 54.95%)</b>			<b>\$ 106,093,695</b>

SOURCE: Market values are per client estimates.

## **New Garden Township Fiscal Impact**

New Garden Township expects to receive approximately \$3,908,700 in General Fund revenues in the 2006 budget. Real Estate Tax revenues cover approximately 15% of these receipts. Real Estate Transfer Tax revenues cover approximately 13%, with Act 511 taxes covering approximately 41%. Intergovernmental revenues cover approximately 3% and a variety of other sources cover the remaining revenues. Thus, for New Garden Township, increasing the employment base and the assessed real estate valuation will directly increase revenues within the township budget.

Based on the estimates of the project's assessed value, population, and taxes and expenditures reported in the New Garden Township 2006 Budget, we project that the proposed development will have a **net positive annual fiscal** impact to New Garden Township **of approximately \$82,936 per year** at project completion.

Revenues will accrue primarily from the payment of real estate property tax, real estate transfer tax, and earned income tax. Other sources of revenue include the occupational privilege tax, licenses & permits, fines, interest earnings, and miscellaneous revenues. Costs associated with the development will include the cost of providing municipal services to the community at the same level that those services are provided throughout the township today. In other words, if a certain amount of dollars are spent today on a per person or per employee basis, it is assumed that that same amount of additional funds will be spent for every new employee or resident in the proposed development.

## **Township Revenues**

New Garden Township funds their operations by a number of sources. The major sources of revenue are the real estate property tax, transfer tax, earned income tax, occupational privilege tax, and various permits, fines, interest earnings, and state revenues. The proposed development will contribute across the board to most of the revenue sources; for instance, the property owners will pay real estate taxes on an annual basis and transfer taxes on the residential properties as properties transfer over the years. In addition, they will pay their proportionate share of building and other permits, fines, etc. Following is a more detailed breakdown of how the various funding sources are likely to provide new revenues to New Garden Township.

### **Preview Model Summary**

*Real Estate Tax Revenues* - Based on the current tax rate of 0.7500 mills and anticipated assessed values described earlier, The *Preview* model estimates that, at project completion, the proposed development will generate real estate revenues to the Township of approximately \$79,577 per year.

*Revenues from Non-Property Tax Sources and Intergovernmental Transfers* - Using information about existing revenue sources from the Township's 2006 budget, the *Preview* model projects that the new development would generate an additional \$220,706 from non-property tax sources, such as earned income tax, transfer taxes, occupational privilege tax, permits, fines, interest, and miscellaneous revenues. This amount assumes that the new residents and employees will generate revenues at the same rate as the current revenues are obtained.

Of the non-property tax sources, the earned income tax is the largest source of tax revenue for New Garden Township. The earned income tax is an income tax levied only on residents' earned income (such as wages, salaries, or other reimbursements for work). The earned income tax is also collected from non-residents who work in the jurisdiction but do not pay an earned income tax in their "home" jurisdiction. The maximum levy is 1 percent of earned income. When both the municipality and school district levy the earned income tax, as is the case in New Garden; both must share the 1 percent. In estimating potential revenue from non-property tax sources, the *Preview* model makes adjustments to account for potential resident income and earned income revenues from some of the non-residents who will be working within the proposed development.

The *Preview* program projects that New Garden Township could obtain an additional \$3,719 of revenue from intergovernmental sources, primarily in the form of state and county funding and grants – although we fully acknowledge the uncertainties of funding from Harrisburg and Washington in making such an assumption. However, unlike the school district, for instance, this annual funding source is rather small in the overall scheme of things.

**Table 4**

**New Garden Township  
Total Project Annual Revenues from  
Proposed Mixed-Use Development**

<b>Revenue Source</b>	<b>Estimated Revenues</b>
<b><u>Preview Model Calculations</u></b>	
Property Taxes	\$ 79,577
Non-Property Tax Sources (includes revenues from earned income tax, occupational privilege tax, licenses, permits, fines, fees, transfer taxes, and miscellaneous sources)	\$ 220,706
Intergovernmental Sources	\$ 3,719
<b>Total Development-Generated Annual Revenues</b>	<b>\$ 304,002</b>

**Township Costs**

Municipal costs associated with any project include the additional time and equipment needed to provide the same level of services to new residents and businesses, as provided to existing property owners. The largest sources of Township expenditures today relate to police services (35%); public works (13%); engineering services (6%); and executive and financial expenses (12%). Most residents and businesses in New Garden Township use police and fire protection, public works, administrative, and recreation services. In new developments, the additional population typically requires more of the same types of services. To project the level of cost to the Township associated with the proposed development, we have assumed that a portion of all costs incurred by the Township today would be attributable to the new development at levels similar to those being provided to serve to the rest of the community today.

### **Emergency Services**

Fire and rescue services are provided through the Avondale Fire Company, which also provides fire and rescue services to Avondale Borough and portions of London Grove, Franklin, and West Marlborough Townships. The Avondale Fire Company is a volunteer fire company and according to estimates provided on the Avondale Fire Company website, service is provided for approximately 880 emergency calls every year.

Emergency Medical Service for New Garden Township and the other communities served by the Avondale Fire Company is provided by the Avondale Fire Company EMS Division, which utilizes a combination of paid and volunteer personnel.

The proposed development will obviously result in an increase in the services provided for both fire and rescue services and emergency medical service. As mentioned previously, these emergency services are largely volunteer services. However, in the 2006 budget, New Garden Township provided \$129,000 for fire services and \$167,000 for ambulance services. The *Preview* model assumes that as revenues from the proposed development increase, those revenues will be distributed proportionally to the Avondale Fire Company for the anticipated increase in demand associated with the proposed development.

### **Public Works**

New Garden Township does not provide trash service, so this will be a private cost to the proposed development, as it currently is to all residents and

businesses in the township. It is undetermined at this time whether the roads within the development will be public or private. In all likelihood there will be a mix of public and private roads associated with the development. For the purposes of this analysis, it was assumed that the streets will be public and therefore the revenues from this development are assumed to cover the proportionate cost for snow plowing and other public works services.

The New Garden Township budget reports total annual General Fund expenditures of \$3,908,700. Based on this level of expenditures, the *Preview* program has calculated that the costs of providing Township services to the new development will be approximately \$221,067 per year. These costs were determined by the *Preview* model based on current per capita expenditures, assuming that the residential portion development will utilize municipal services at a similar rate as the existing residential population of the Township. Likewise, it assumes that the non-residential portion of the development will utilize municipal services at a similar rate as the existing non-residential population of the Township. In calculating the per capita expenditure value, the *Preview* model accounts for the fact that costs are divided differently among serving both residential and non-residential portions of the Township. The model differentiates costs between residential and non-residential developments based on the actual existing mix of residential and non-residential parcels in the Township, and adjusts relative expenditure values accordingly.

There is one aspect of the proposed development to which we did not apply any special consideration from a cost standpoint: the age-restricted active-adult units in the residential portion of the development. According to a study published by the Urban Land Institute, active-adult communities

