

# **Analysis of Fiscal Impact of “Powell Grand” Proposed Residential Complex in Powell**

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## **Project Overview**

The proposed residential complex would construct a total of 308 one, two, and three bedroom rental units on approximately 39 acres of undeveloped land within the City of Powell. Developers estimate that the complex will be comprised of the following dwelling types:

- 120 large senior 1 or 2 bedroom suites with elevator
- 60 2 or 3 bedroom ranch homes with 2 car garages
- 128 2 or 3 bedroom 2 story attached rental homes with 1 car garages

Total occupancy is forecast to be 600 persons and the rental price per unit is expected to vary from \$900s to \$1,900s per month depending on the size and nature of the unit. The average household income of prospective residents is expected to be \$100,000 per year based on the findings of market study conducted by the developers. Developers characterize the complex as an “Active Adult Class-A Gated Community” and anticipate that there will be very few - if any - school-age children among the residents.

In addition, the complex will also include a 50,000 square foot office development that is currently proposed to be either a combination of retail (i.e. a drug store) and professional office space (i.e. legal, dental, financial) or medical office space. Assuming that the medical complex will employ 3 persons per 1,000 square feet at an average annual salary of \$65,000, the estimated annual payroll associated with the medical complex is \$9,750,000. The retail/professional building can be assumed to employ 50 persons at an average salary of \$50,000 per year. This scenario would generate \$2.5 million annually in payroll. The income generated by either of these office development scenarios will be subject to Powell Income Tax.

Finally, the development will also employ 7 full-time employees to manage and maintain the complex. These employees will earn an estimated \$350,000 annually, which will also be subject to the Powell City Income Tax.

## **Property Tax Impact**

Developers estimate that the completed project will have a market value of approximately \$40.0 million. At an assessment percentage of 35%, this translates into an estimated taxable value of \$14.0 million.

Developers currently forecast that construction of the residential component of the development (market value of \$35.0 million) will be completed by December 31, 2016 and that the commercial component (market value of \$5.0 million) will be completed by December 31, 2017. Thus the full \$14.0 million taxable of the development will be in place in Tax Year 2018.

Table 1 shows the increase in property tax revenue projected to result from the newly constructed apartments and medical complex for all of the different government jurisdictions with property taxes in the area of the proposed development. This includes the City of Powell, Liberty Township, Olentangy Local School District, The Delaware County Joint Vocational School District (JVSD), Delaware County, and several “special taxing districts” including the Delaware County Health Department, the Delaware-Morrow County Mental Health agency, and 9-1-1, library, and park districts. Property tax millage rates and estimated tax revenues are shown for each branch of local government and are shown separately for operating and permanent tax levies and bond levies.

**Table 1: Estimated Annual Property Tax Revenue Deriving from the Proposed Powell Grand Project by Political Subdivision for Tax Years 2018 and Beyond**

<b>Taxing Authority</b>	<b>Commercial Property Tax Operating &amp; P.I. Rate (in Mills)*</b>	<b>Property Tax Operating &amp; P.I. Levy Revenue</b>	<b>Commercial Property Tax Bond &amp; Debt Millage Rate*</b>	<b>Property Tax Bond &amp; Debt Levy Revenue</b>	<b>Total Property Tax Revenue</b>
Delaware County	5.7385	\$80,339	0.15	\$2,100	\$82,439
Liberty Township	6.5000	\$91,000	0.35	\$4,900	\$95,900
Powell City	1.2000	\$16,800	2.60	\$36,400	\$53,200
Olentangy LSD	44.1543	\$618,160	8.72	\$122,080	\$740,240
Delaware JVSD	2.4109	\$33,753	0.00	\$0	\$33,753
County Special Districts	3.6940	\$51,716	0.00	\$0	\$51,716
<b>Total All Local Governments</b>	<b>63.6977</b>	<b>\$891,768</b>	<b>11.82</b>	<b>\$165,480</b>	<b>\$1,057,248</b>

**\* Note: Tax Rates are those currently in place for Tax Year 2014 and may change over time.**

Table 1 shows that when the proposed complex is fully developed (2018) the completed project will yield about \$16,800 for the City of Powell each year in new general fund property taxes. Olentangy LSD will receive an additional \$618,160 in additional operating revenue annually from the new development when it is completed. It is estimated that \$540,890 of the total \$618,160 in new operating tax revenue that would accrue to the Olentangy LSD would be derived from the residential component of the complex. Delaware County will receive \$80,339 in new operating revenue and Liberty Township will receive \$91,000. The bottom row of Table 1 shows the total millage rate and property tax revenue for all of the local subdivisions that will derive property tax revenue from the proposed development. This project is estimated to generate a total of \$891,768 in new property tax revenues across all of the local governments in the area.

Table 1 also shows revenue estimates for bond and debt service levies for each of the local governments. Bond levy revenue is shown separately from operating and permanent improvement levy revenues because bond levies are “fixed sum” levies that reduce in rate in order to raise the same amount of revenue when the local tax base is expanded as a result of new construction. Thus the effect of the proposed development on bond taxes will be to reduce the tax burden for other local taxpayers by the amount shown in the 2<sup>nd</sup> column from the right of Table 1 (total of \$165,480).

## Powell City Income Tax

The City of Powell levies a 0.75% income tax. However, most Powell residents work in another city to which they must pay city income taxes based on place of employment. These residents qualify for a 0.25% credit for those taxes paid elsewhere. Therefore, most Powell City income taxpayers pay a residents' effective tax rate of 0.50% after claiming a credit for taxes paid to the city where they work.

A market analysis conducted by the project's developers estimates that the average annual income for the residents of the apartment complex will equal approximately \$100,000. It is possible to estimate income and income taxes in the manner summarized in Table 2.

Table 2 assumes that the \$100,000 figure reflects the average household income for each of the proposed dwelling units (the larger units will be expected to have higher incomes because there will often be two adults working, while the smaller units will likely have lower income with only 1 adult employed). Therefore, multiplication of \$100,000 by the number of residential units (308) yields \$30.8 million in total new taxable income. Multiplication of the additional taxable income by the one half percent income tax rate that applies to Powell residents working in another city yields a conservative estimate of \$154,000 in new income tax revenue resulting from the residential component of the proposed development. This estimate is considered to be conservative to the extent that some residents of the development may work in Powell or may work from home and thus pay the full 0.75% Powell Income Tax.

**Table 2: Estimated Annual Additional City Income Tax Paid by Residents, Management Employees, and Proposed Retail & Professional or Medical Facility Employees Upon Completion of the Proposed Development**

	Residential Complex	Residential Complex	A. Proposed Retail & Professional Building	B. Proposed Medical Building	Total
# of Income Taxpayers	308 Households	7 FTE Management Employees	50 FTE Employees	150 FTE Employees	365 to 465 New Taxpayers
Average Annual Income	\$100,000		\$50,000	\$65,000	--
Total New Taxable Income	\$30,800,000	\$300,000	\$2,500,000	\$9,750,000	\$33,600,000 to \$40,850,000
Tax Rate	0.50%	0.75%	0.75%	0.75%	--
<b>Total Additional City Income Tax Paid</b>	<b>\$154,000</b>	<b>\$2,250</b>	<b>\$18,750</b>	<b>\$73,125</b>	<b>\$175,000 to \$229,375</b>

In addition to income taxes paid by the residents of the apartment complex, income taxes will also be paid to the City of Powell by the complex's management and maintenance employees and by those who work in the 50,000 square foot proposed retail/professional or medical facility. Because Ohio's municipal income tax is based first on place of employment, it does not matter whether the workers at the development and the office building live in Powell or elsewhere. The middle three columns of

Table 2 show the estimated annual income tax that the City of Powell will receive due to ongoing employment at the residential complex and proposed office building. Workers who live elsewhere may receive a credit for taxes paid to Powell but they must pay taxes at the full Powell income tax rate of 0.75%.

Table 2 provides estimates for the two scenarios proposed for utilization of the 50,000 square feet of office space. Under scenario "A" utilization of the space for retail and professional purposes will yield an estimated \$18,750 annually in income taxes for the City of Powell at the 0.75% rate. Under scenario "B" utilization of the space for medical offices will generate \$73,125 annually in income tax revenues at the 0.75% Powell tax rate. The 7 full-time management and maintenance employees will pay an estimated \$2,250 in income taxes to Powell annually.

When the estimated \$154,000 in taxes paid by apartment residents is added to the \$22,500 paid by the facility managers and the \$18,750 to \$73,125 in expected income tax paid by workers at the office building (depending on the scenario) are added to together, the total estimated income taxes to be received by the City of Powell can be expected to range from \$175,000 to \$229,375 annually.

Finally, construction of the apartment complex is estimated to result in a total of **575 temporary construction jobs** (note that this figure is based on the number of construction jobs estimated for a previously proposed project of similar scope at this site). Bureau of Labor Statistics (BLS) data from May 2014 show average construction wages as \$17.19 per hour or about \$35,750 per year. 575 jobs at an average of \$35,750 in income results in a total of \$20.6 million in estimated construction earnings. Applying the City of Powell income tax rate of 0.75% results in **\$154,000** in "one-time" income tax revenues from construction of the apartment complex. Additional income tax revenues would be derived from the temporary jobs created by the construction of the proposed 50,000 square foot medical building. While more information is needed to prepare a precise estimate of the number of construction jobs relating to the office building, several unofficial "rules of thumb" used by economists suggest that the number of construction workers - and hence the amount of one-time income tax revenue generated - will be roughly one third to one half that generated by the residential component of the project.

## Summary and Conclusion

The proposed new housing development will add substantial amounts of new income tax revenue for the City of Powell - approximately \$175,000 to \$229,000 - based on estimated occupancy and income levels for residents, salaries of management and maintenance employees, and estimated employment and salaries at the proposed medical building. Income tax revenues from construction workers will add roughly \$154,000 on a one-time basis from the apartment complex alone, and more when the 50,000 square foot office building is included.

The addition of the residential complex's 308 housing units will increase market value by an estimated \$35.0 million and taxable valuation by roughly \$12.25 million when the build-out finishes in 2016. The additional property valuation would yield \$541,000 per year in annual additional property tax revenue for Olentangy LSD while adding very few - if any - pupils. In addition, the proposed medical office building will add an additional \$5.0 million in market value (\$1.75 million in taxable value) and generate an estimated \$77,000 in property tax revenue for the school district without adding any additional pupils. Furthermore, when Delaware County, the City of Powell, Liberty Township, and other local government entities are included, the estimated total amount of new property tax revenue to

be generated annually by the proposed development is nearly \$892,000. Finally, roughly \$165,000 in additional bond tax revenue will be generated by this project which will lower the amount of property taxes paid toward bond levies by that same amount for current taxpayers.

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