

FEE WAIVER PROGRAM REVENUE MODEL: SUPPLEMENT TO THE CURRENT FEE WAIVER RESOLUTION

Important Author's Notes

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- The slides below were presented to the Board of County Commissioners at a work session on February 5, 2014.
- Following the work-session, **three slides were amended** to clarify three important points: 1) on-going property tax levy assessments, 2) the amount of Traffic Impact Fees waived and 3) a 4th takeaway comment was added.
 - **Slide #5** - clarifies that property tax on-going levy assessments are for both the General Fund and the Road Fund.
 - **Slide #16** - adds the amount of Traffic Impact Fees waived.
 - **Slide #17** has an added takeaway regarding Traffic Impact Fees.
- County staff will present updated material to the Board of County Commissioners on a quarterly basis, which will be scheduled to follow the County Auditor's Quarterly Financial Report.

Focus of Work Session

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- What this work session will cover:
 - Revenue model
 - Main revenue sources
 - Main project and revenue assumptions
 - Applying the model
 - Tenant improvements projects (2)
 - Addition
 - New construction (2)

Focus of Work Session

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- What this work session will not cover:
 - Causation or correlation of fees waived to project applications
 - Will not address the following questions:
 - “If the fees for a particular project were not waived, would the project have gone ahead anyway?”
 - “What is the marginal revenue increase, over the revenue that would have occurred otherwise, from projects that have applied for the fee waiver?”
 - To individual projects
 - To all the projects from a defined date forward
 - Reported employment numbers’ impact

Revenue Model

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□ Main revenue sources

■ Property taxes

- Initial increase from new construction
- Annual on-going levy assessments for General Fund and Road Fund

■ Sales taxes

- 'One-time' from new construction
- Annual on-going retail sales

Revenue Model

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□ Main project assumptions

■ Project assumptions

- Individual projects will come to fruition
- Either immediately or within 2 years of occupancy, new employee counts reported by applicant will come to fruition
- Some small tenant improvements and additions will not be charged Traffic Impact Fees (TIF's)

Revenue Model

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- Revenue assumptions
 - Estimates run five years (2014 – 2018)
 - Timing of project development
 - Five (5) discrete timing windows – Tenant improvements (small and large), additions, and new construction (small and large)
 - Tenant improvements and new construction have different values and potential revenue impacts

Revenue Model

□ Revenue assumptions

- Estimates rely on analysis of Clark County data
 - Taxable retail sales and assessed value per square foot of development
 - Cost of construction per square foot by type of development
- Projected growth rates for assessed value and retail sales
- No major annexation activity assumed (county retains all revenue that is generated)

Applying the Model

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- Five example projects
 - Two tenant improvements
 - Small
 - Large
 - One addition
 - Two new construction projects
 - Small
 - Large

Tenant Improvements

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- ***Therapeutic Associates, Inc. - small project example***
 - Tenant improvement of 1,860 square feet
 - Value of construction - \$89,000
 - Applicant reports 2 new jobs and \$600k in annual sales
 - Fees waived
 - Application fees - \$4,443
 - Traffic Impact Fees - \$0
 - Estimated potential revenue
 - Taxable retail sales (2014-2018) - \$5,874
 - One-time construction sales - \$607
 - Total potential all revenue - \$6,481

Tenant Improvements

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- ***D&D Doors - large project example***
 - Tenant improvement of 11,020 square feet
 - Value of construction - \$318,337
 - Applicant reports 4 new jobs and \$3m in annual sales
 - Fees waived
 - Application fees - \$7,603
 - Traffic Impact Fees - \$4,725
 - Estimated potential revenue
 - Taxable retail sales (2014-2018) - \$35,178
 - One-time construction sales - \$6,667
 - Projected property tax (2014-2018) - \$10,082
 - Total potential all revenue - \$51,927

Addition

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- ***Northwest Truck Painting - addition example***
 - Addition of 3,100 square feet for shop
 - Value of construction - \$67,300
 - Applicant reports 4 new jobs and \$350k in annual sales
 - Fees waived
 - Application fees – \$2,941
 - Traffic Impact Fees - \$0
 - Estimated potential revenue
 - Taxable retail sales (2014-2018) - \$8,020
 - One-time construction sales - \$1,875
 - Projected property tax (2014-2018) - \$2,492
 - Total potential all revenue - \$12,387

New Construction

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- ***Highway 99 Car Wash - small project example***
 - Construction of 3,200 square feet
 - Value of construction – n/a – site plan improvements only
 - Applicant reports 6 new jobs and \$750k in annual sales
 - Fees waived
 - Application fees – \$26,087
 - Traffic Impact Fees - \$103,982
 - Estimated potential revenue
 - Taxable retail sales (2014-2018) - \$8,280
 - One-time construction sales - \$2,640
 - Projected property tax (2014-2018) - \$4,457
 - Total potential all revenue - \$15,377

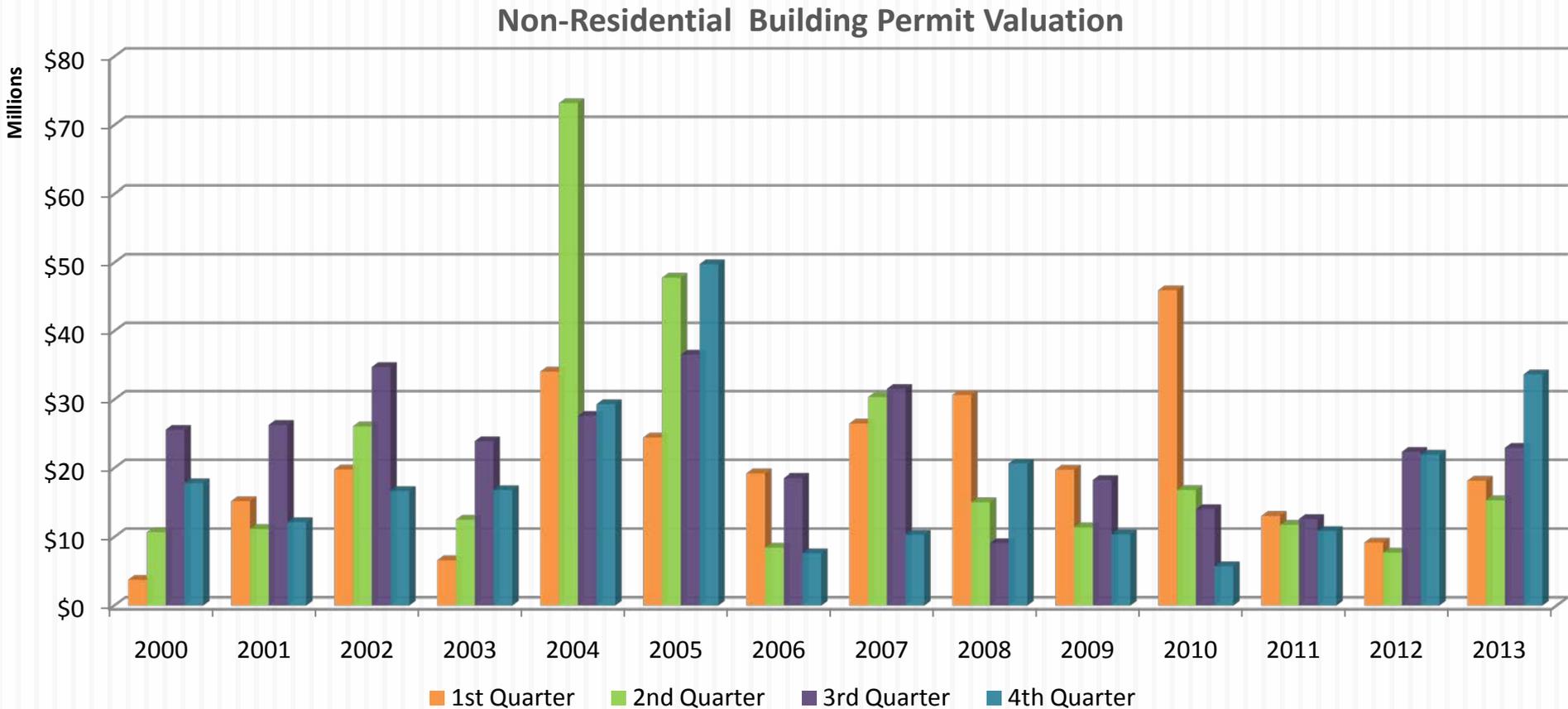
New Construction

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- ***Cold Creek Industrial Lot #2 - large project example***
 - Construction of 27,500 square feet
 - Value of construction – \$2.25m
 - Applicant reports 10 new jobs and \$5m in annual sales
 - Fees waived
 - Application fees – \$48,111
 - Traffic Impact Fees - \$42,754
 - Estimated potential revenue
 - Taxable retail sales (2014-2018) - \$45,185
 - One-time construction sales - \$16,637
 - Projected property tax (2014-2018) - \$12,683
 - Total potential all revenue - \$74,505

Historical Valuation Data from 2000 to 2013

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Totals

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- Fees waived or to be waived– June to December 2013 (Q3 & Q4)
 - Application fees (waived at time of permit application)- \$366,925
 - Traffic Impact Fees (to be waived at time of building permit issuance) - \$1,262,767
 - Total all fees waived or to be waived - \$1,629,692
- Applicants report 359 new jobs and \$127m in annual sales
- Estimated revenue
 - Taxable retail sales (2014-2018) - \$875,390
 - One-time construction sales – \$192,191
 - Projected property tax (2014-2018) - \$183,009
 - Total potential all revenues - \$1,250,590

Takeaways from the Data

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- Tenant improvements, especially larger ones, appear to provide net gains
- Depending on the TIF's and annual taxable sales, potential revenue for new construction is mixed
- Depending on the Department of Revenue sales tax tables, annual sales figures can be skewed by outlier data (e.g. ProPac Pharmacy - \$26m)
- Traffic Impact Fees waived have a significant impact on the 'Return on Investment'