

Independent Assessment

of the

Twin Buttes Economic and Fiscal Impact Analysis

And

Twin Buttes Cost / Benefit Analysis

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Prepared by

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For the



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Introduction

An economic impact analysis examines the implications of a project in terms of output, earning and job creation. A fiscal impact analysis determines the public revenues that are generated by a particular development such as Twin Buttes. RICHARD CAPLAN & ASSOCIATES (RCA) was retained by the City of Durango to perform the following:

- I. **Evaluate the *Twin Buttes Economic Impact Analysis and Fiscal Analysis* –**
This first phase evaluates the findings and conclusions of the Twin Buttes Economic Impact Analysis and Fiscal Analysis (hereinafter referred to as the *Twin Buttes Impact Study*) prepared by Fort Lewis College professors Deborah Walker, Ph.D. and Simon G. Walls, Ph.D. for Lightner Creek Ranch, LLC dated September, 2008. This study provides an analysis upon full build out of the proposed Twin Buttes residential and commercial development.

- II. **Prepare a Cost / Benefit Analysis of Twin Buttes –**
This analysis of the proposed Twin Buttes development project planned in Durango evaluates the annual fiscal impact of the proposed development during the first 15 years of its existence. This term is based on the assumption that the project will be completely constructed and occupied by the end of year 15.

This assessment and cost/benefit analysis are based on the conceptual development plan submitted by Lightner Creek Ranch LLC. Other key assumptions incorporated into these assessments are:

- Financial projections are in 2008 dollars;
- The City of Durango 2008 Budget was used as a basis for municipal service levels and projected cost of services except where noted; and
- Revenue projections are based on the city's adopted 2008 tax rates, permit and fee schedules.

To the extent possible or quantifiable, all major factors influencing the economic and fiscal impact of the proposed Twin Buttes development are given consideration in these studies.

I. **Evaluation of the *Twin Buttes Economic Impact and Fiscal Analysis***

This assessment of the *Twin Buttes Economic Impact and Fiscal Impact Analysis* (*Twin Buttes Impact Study*) is presented in four parts:

- A. Executive Summary
- B. Major Areas of Concurrence with the Twin Buttes Impact Study
- C. Adjustments to the *Twin Buttes Impact Study*
- D. Summary of Findings and Conclusions

This review of the projected economic and fiscal impacts seeks to evaluate and validate, where appropriate, these findings and conclusions. There are extensive calculations, assumptions and findings presented in the September 2008 *Twin Buttes Economic Impact Analysis and Fiscal Impact Analysis*. This review evaluated all major financial assumptions, projections and conclusions including the 24 tables in the *Twin Buttes Impact Analysis*.

A. Executive Summary

The *Twin Buttes Impact Study* concluded that the proposed Twin Buttes development in Durango would result in significant new revenues to the city. This review either validates or challenges these findings and addresses key underlying assumptions in the applicant's impact analysis.

The September, 2008 *Twin Buttes Impact Study* submitted on behalf of Lightner Creek Ranch, LLC reflects several modifications, additions and input offered by RCA after review of an August 2008 Draft and incorporated by the authors into the September 2008 version of the economic and fiscal analysis. RCA appreciates the applicant's cooperation. Because the proposed development is subject to further review by city officials and other possible modifications to the plan, changes in density, mix of units and other details of the project may alter the ultimate development and the subsequent economic and fiscal impacts.

The key findings of the *Twin Buttes Economic Impact Analysis and Fiscal Analysis* concluded:

- *There are both positive and negative fiscal impacts associated with any new development.*
- *The new construction of housing units and commercial buildings will add to the total productivity . . . of local firms in the construction and related industries . . .*

increase the overall earnings of households in the local economy and create new jobs in the local economy.

- *The development will contribute a surplus of \$2,036,331 to the city’s general fund when looking at one-time, non-recurring revenues and expenditures. (Twin Buttes Impact Study page 5)*
- *The development will create an annual cost over revenue of \$114,907 for the city’s general fund once the development is complete. (Twin Buttes Impact Study page 5)*
- *The initial amount invested in new construction, coupled with productivity created for local banks will generate a total of approximately \$273,400,000 in productivity (output) . . . \$257,000 in earnings . . . and approximately 289 (total) new jobs. (Twin Buttes Impact Study pages 11 - 12)*

To begin, it must be stated that the methodology used by the authors of the *Twin Buttes Impact Study* is valid and a majority of the assumptions are reasonable. In summary, the aspects of the *Twin Buttes Impact Study* in which RCA finds major agreement and differences are summarized in the following Table A (“Summary of Major Area of Agreement and Needed Adjustments to Impact Study”) and described and analyzed in Parts I and II of this document.

Table A
Summary of Major Areas of Agreement and Needed Adjustments to Impact Study

Major Assumption	<i>Twin Buttes Impact Study</i> Reference	RCA Assessment
1. 15 years to Twin Buttes build out development	Page 14	Concur with <i>TB Impact Study</i> finding
2. TB population forecast	Appendix B	Concur with <i>TB Impact Study</i> finding
3. Average 3% appreciation of residential units	Page 7	Concur with <i>TB Impact Study</i> finding
4. Average assessed value of residential units: \$400,000	Page 7	Concur with <i>TB Impact Study</i> finding
5. Twin Buttes HOA will maintain local parks	Page 31	Concur with <i>TB Impact Study</i> finding
6. Construction and earnings multipliers and economic impact projections	Pages 9 – 10	Concur with <i>TB Impact Study</i> finding

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

Major Assumption	<i>Twin Buttes Impact Study</i> Reference	RCA Assessment, Adjustment
1. No second home ownership intended in Twin Buttes	Appendix C	Allowance for 2 nd home ownership omitted reduces projected annual sales tax collections; Reduction in annual sales city tax collections of \$114,155
2. Use and impact related permit fees paid for affordable and attainable units	Table 7	No provision for discounted or waived permit fees overstates one-time revenues; Potential reduction of \$516,806 in one-time revenues
3. General Fund capital outlay	Table 18	No allowance for general government expenses increases annual expenditures; Increase of \$85,212 per year
4. Potential improvements to Twin Buttes open space	Table 18	No allowance for trails and/or other improvements; Increase of \$30,000 per year for average annual maintenance cost per acre in the Cost / Benefit Study (see Part II)
5. Public Safety – Police capital expenditures	Table 14	Allowance for vehicles and equipment are one time only; Increase for vehicles replacement every 3 years during 15 year period (years 4,7,10,13)
6. Public Transit capital expenditures	Table 18	Contribution for vehicle is one time only; Increase for replacement every 5 years during 15 year period (years 6,11)
7. One-time Revenues	Table 20	Park fee (if applied) and School in-lieu fee are not included increasing one-time fiscal impact

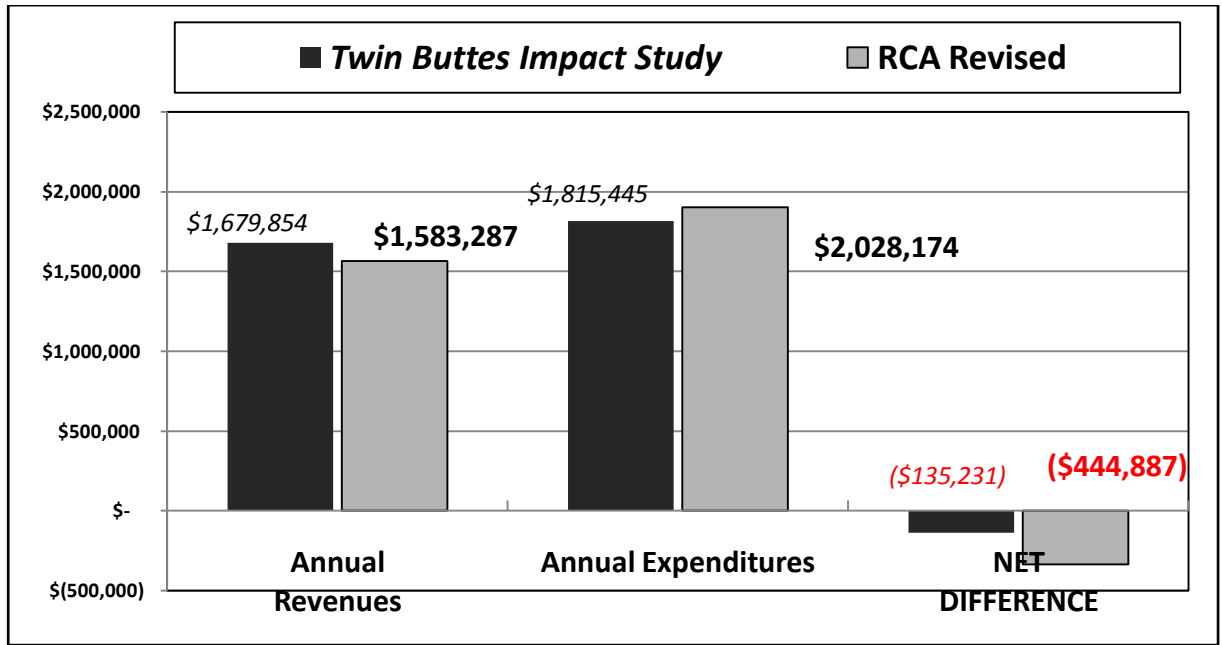
These findings are described in more detail in Table Q (“Annual Expenditures for Twin Buttes Year 15”) in Section II of this study. In summary, this assessment found the *Twin Buttes Impact Study* to overstate annual revenues to the City of Durango in year 15 by \$96,567 and understated annual expenditures by \$85,212 resulting in **an annual cost to the City of Durango of \$444,887 as compared to an annual cost of \$135,231** estimated in the *Twin Buttes Impact Study*. (See Table B – “City of Durango Revenues & Expenditures Annual Difference and 15 Year Total” and Graph B.)

The net cost to the City of Durango over 15 years is projected to be **\$3.58 million** as compared to **\$1.38 million** projected in the *Twin Buttes Impact Study*. The following section reflects the analysis of these revenues and expenditures on an annualized basis over the entire 15 year period.

Table B
City of Durango Revenues & Expenditures Annual Difference and Year 15 Total

	Annual Revenues	Annual Expenditures	Net Annual Impact - Year 15	Total Years 1 - 15
<i>Twin Buttes Impact Study</i>	\$1,679,854	\$1,815,445	(\$135,231)	(\$1,388,096)
RCA Revised: Cost /B. Study	\$1,583,287	\$2,028,174	(\$444,887)	(\$3,581,342)
Total Difference	(\$96,567)	\$212,296	\$309,2967	\$2,193,246

Graph B
Revenues & Expenditures Difference Year 15



B. Major Areas of Concurrence with the *Twin Buttes Impact Study*

The *Twin Buttes Impact Study* includes several findings and critical assumptions that are reasonable towards understanding the significance of Twin Buttes. More specifically, the *Twin Buttes Impact Study* findings include the following:

1. **15 Year Absorption of the Residential Units** – The *Twin Buttes Impact Study* assumes a 15 year absorption period for the project. An accelerated or slower building and sale of the residential units will favorably or unfavorably impact the fiscal impacts result in the costs and benefits analysis. However, RCA concurs that a 15 year time frame is reasonable given La Plata County and the city’s recent population growth rates. The city’s population grew by 12.0 percent during the 1990’s.
2. **Twin Buttes Population Forecast** - The *Twin Buttes Impact Study* forecasts 1,305 full time residents upon sale or lease of all housing units in year 15. This forecast assumes an overall average of 2.26 persons per household, the latest average household size figure published for Durango by the State of Colorado Demography Office in 2008. The average household size reflects a countywide figure that recognizes the mix of all household types.

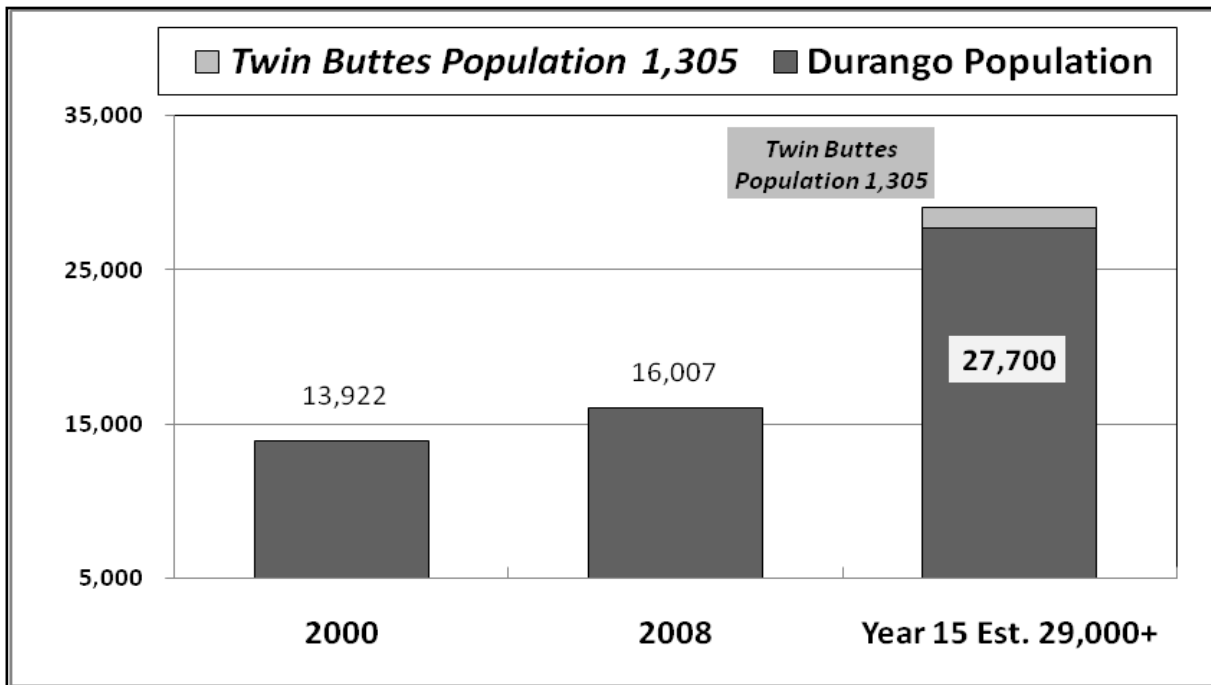
By 2030, the City of Durango *Comprehensive Plan Update 2007* projected Durango’s population to be approximately 33,950, or approximately 29,000 in 2025, an increase of approximately 13,000 residents from 16,007 reported by the U.S. Census in 2007. Based on this forecast, the Twin Buttes development would represent less than 10 percent of the citywide projected population growth by 2030. As Twin Buttes is the largest residential development planned at this time in Durango, this 4.5 percent share of the city’s projected population growth in the next 15 years is realistic. (See Table C and Graph C – “Twin Buttes and City of Durango Population Projection 1990 - 2030.”) These population projections assume Twin Buttes will accommodate its initial residents beginning in 2010.

Table C
Twin Buttes and City of Durango Population Projection 1990 - 2030

Year	Durango Population	Twin Buttes Population	Twin Buttes Percent of Projected Growth	Twin Buttes Percent of 2025 Durango Population
1990	12,430	0	N / A	N / A
2000	13,922	0	N / A	N / A
2007	16,007	0	N / A	N / A
2025 (est.): Year 15	29,000	1,305	10.0% of new residents by 2025; 7.2% of 2030 population	4.5% of total population in 2025; 3.8% of 2030 projected population
2030 (est.)	33,950	1,305		
Net Change by 2025	12,993	1,305		

Source: U.S. Census Bureau 2007; City of Durango *Comprehensive Plan Update 2006*; *Twin Buttes Economic and Fiscal Analysis*, September 2008.

Graph C
Durango Population 2000 – 2025



3. **Appreciation of Residential Units' Value** – For purposes of projecting the proposed one percent real estate transfer fee to the Regional Housing Authority, the *Twin Buttes Impact Study* states that “*the assessed value of the houses and land is conservatively estimated to increase at three percent per year.*”

Despite the recent decline in average home values, this projected appreciation in home value is reasonable given the almost doubling of residential values in Durango since 2000. Since 1995, the average annual increase for homes and condominiums in Durango has been 8.8% and 8.4% respectively. (See Table D – “Durango Average Home and Townhome Values 1995 – 2008”.)

Table D
Durango Average Home and Townhome Values 1995 - 2008

Year	Durango Single Family Homes		Condos/Townhomes	
	Average Sales Price	Annual Change	Average Sales Price	Annual Change
1995	\$170,540	N / A	\$115,132	N / A
1996	\$187,044	10%	\$104,066	(10%)
1997	\$177,365	(5%)	\$104,897	1%
1998	\$191,110	8%	\$116,629	11%
1999	\$194,438	2%	\$121,965	4%
2000	\$241,880	24%	\$136,559	12%
2001	\$245,533	2%	\$140,283	3%
2002	\$276,995	13%	\$158,765	13%
2003	\$307,119	11%	\$171,504	8%
2004	\$344,017	12%	\$250,122	46%
2005	\$402,464	17%	\$280,184	12%
2006	\$474,240	18%	\$311,105	11%
2007	\$444,968	(6%)	\$280,194	(10%)
2008 (2 nd Qtr.)	\$468,436	N / A	\$275,992	N / A
1996 – 2007 Average Annual Change		8.8%	N / A	8.4%

Source: Durango Association of Area Realtors.

4. **Average Assessed Value of Residential Units** – The overall average housing price (including condominiums) used for projecting property taxes in the *Twin Buttes Impact Study* is \$400,000. The asking sales price for new single family units currently offered at two active residential subdivisions in Durango exceed the combined average housing price (including condominiums) used in the *Twin Buttes Impact Study*.

As of the date of this study, the lowest asking sales price for a new single family home in Durango’s Tierra Vista development is \$495,000 and \$549,000 for a new home at Villas at Hillcrest. The single family units in Twin Buttes are expected to be comparable in size and features as the new units for sale in these two active Durango residential developments. Therefore, the proposed combined average value of \$400,000 for all housing units in Twin Buttes is reasonable.

5. **Homeowners Association Maintenance of Small Parks in Twin Buttes** – The City of Durango’s policy requires homeowners associations to maintain new parks of five acres or less. The neighborhood parks planned within the Twin Buttes development

incorporate this requirement. In the event that this policy is modified by a future Durango City Council, the cost of such park maintenance in Twin Buttes may be required to be assumed by the city. No city cost is included in the *Twin Buttes Impact Study*.

- 6. Use of Construction and Earnings Multipliers** - There are various methodologies used to estimate the multiplier effect of new construction, resident’s expenditures, earnings and related spinoff investment on a community and a region. Alternative methodologies and resulting economic impacts each have strengths and weaknesses, but the merit of a multiplier effect is indisputable. The *Twin Buttes Impact Study* utilizes the U.S. Bureau of Economic Analysis, a commonly used and valid methodology.

The *Twin Buttes Impact Study* multiplier ranges from 1.44 to 1.80 depending on the earnings and employment aspect of the local economy being measured. (See Table E – “Summary of Twin Buttes Economic Impact Multipliers“.) Although some of the earnings and expenditures tied to the multiplier will be spent outside Durango, the projections with regard to construction related sales tax and sales tax generated by new household consumption on Durango are reasonable.

In summary, these economic impacts over the 15 year construction period of the Twin Buttes project total \$273.4 million in output, \$257.8 million in earning and 289 jobs, or an annual average of \$17.2 million and 19 additional jobs as summarized in Table E (“Summary of Twin Buttes Economic Impact Multipliers”).

Table E
Summary of Twin Buttes Economic Impact Multipliers

Economic Factor	Amount	Output Multiplier; Total	Earnings Multiplier: Total	Employment Multiplier: Jobs
Construction Spending	\$147,195,200	x 1.72	x 1.60	x 1.80
SUB-TOTAL		\$253,173,744	\$235,512,320	265 jobs
Loan Interest / Fees Paid	\$14,075,541	x 1.44	x 1.59	x 1.72
SUB-TOTAL		\$20,268,779	\$22,380,110	24 jobs
15 YEAR TOTAL		\$273,444,523	\$257,892,430	289 jobs
ANNUAL AVERAGE		\$18,229,635	\$17,192,828	19 jobs (a)

(a) Excludes 17 full-time municipal employees discussed in Section II – Cost/Benefit Study.
 Source: U.S. Bureau of Economic Analysis; *Twin Buttes Impact Study*.

C. Adjustments to the *Twin Buttes Impact Study*

This portion of this assessment describes the significant changes to the *Twin Buttes Impact Study*. This section addresses these important issues that influence the findings of the *Twin Buttes Impact Study* and warrant comment and adjustment to the projections.

1. **Second Home Ownership in Twin Buttes** – The *Twin Buttes Impact Study* and project developer expect the target buyers to be existing La Plata County residents and therefore all future Twin Buttes residents to be full time residents. However, according to a July 2006 study of the impact of second homes in La Plata County prepared for Region 9 Economic Development District of Southwest Colorado, Inc., a total of 17 percent of the residential units in La Plata County are non-locally owned. This percentage represents an average of all housing unit types within La Plata County.

Non-local homeowners split their time (and retail expenditures) between their primary place of residence and their second home in Durango. According to the Region 9 second home study, the median amount of time the persons in a non-locally owned home spends in the Durango area is approximately 60 days annually. An interview conducted on behalf of this study with a Durango based real estate market analyst expressed the opinion that the rate of second home ownership in Twin Buttes will mirror the La Plata County average. Therefore, to the extent that 17 percent of the single family and condominium open market units are used as second homes by non-full time residents, the resulting retail sales generated by seasonal Twin Buttes residents will be lower than projected in the retail sales expenditures presented in the *Twin Buttes Impact Study*.

In Part II of this document, *Twin Buttes Cost / Benefit Analysis*, annual sales tax projections have used a discount of 17 percent to the sales tax projections generated by the residents of Twin Buttes 470 open market homes. This revised projection excludes the affordable, attainable and ADU units planned in Twin Buttes under the assumption that these 125 units will be occupied year around. The net result of incorporating the average for second homeownership in the *Twin Buttes Impact Study*, the projected annual retail sales and sales taxes remitted by the City of Durango are reduced by 13 percent. The result of this adjustment is reflected in Part II of this document *Cost / Benefit Analysis*. (See Table N – “City of Durango Sales Tax Projections Year 15”.)

2. **Use Tax, Investment and Impact Related Fees Assessed on Twin Buttes Affordable and Attainable Housing Units** – The revenue projections in the *Twin Buttes Impact Study* assume that the use tax, impact and related fees are applied and collected for the 42 affordable and 53 attainable housing units. (Table F illustrates the amount of these fees for the affordable units in Twin Buttes.) This policy is under discussion by the Mayor and the Durango City Council. If some or all of these fees are waived or discounted, the total projected one-time revenues generated by Twin Buttes will be reduced by as much as \$516,806.

The following Table F indicates the amounts included in the *Twin Buttes Impact Study* assuming the affordable and attainable housing units are subject to all of these fees.

Table F
Affordable and Attainable Housing Permit Fees

Housing Unit Type	Affordable Units	Attainable Units	TOTAL
Fee / Number of Units	42 units	53 units	95 units
Building permit fees	\$ 12,867	\$ 25,419	\$ 38,286
Use taxes	\$ 23,620	\$ 62,550	\$ 86,170
Water investment fee	\$ 117,222	\$ 147,923	\$265,145
Sewer investment fee	\$ 34,860	\$ 43,990	\$ 78,850
Water tap fee	\$ 21,378	\$ 26,977	\$ 48,355
Total	\$ 209,947	\$ 306,859	\$516,806
AVERAGE FEES PER UNIT	\$ 4,999	\$ 5,790	\$ 5,440

3. **Potential Improvements and Increased Maintenance Costs for the Twin Buttes Open Space** - As of the date of this review, the specific improvements to the proposed Twin Buttes open space have yet to be finalized. The extent of the future open space trail system, trail kiosks, public restrooms and/or other user amenities included in the Twin Buttes open space will impact the cost of municipal services to maintain this land.

More extensive improvements will influence the amount of public use and, therefore, increase the cost of maintenance, as well as police services and fire mitigation. The *Twin Buttes Impact Study* uses an average of \$38 per acre based on the current average city-wide cost per acre for maintaining city owned open space.

Based on this average, the cost of maintaining the 230 acres of Twin Buttes open space is projected in the *Twin Buttes Impact Study* to be \$8,740 annually. However, the cost of fire mitigation recently completed in 2008 for the Dalla Mountain Park resulted in a cost of \$1,250 per acre. The annual maintenance fee in the annual capital expenditures in Part II of this document (Table Q – “Annual Expenditures Year 15”) has been adjusted based on required fire mitigation once every decade on the Twin Buttes open space at the rate of \$1,250 per acre resulting in a total cost of \$287,500 over 10 years, or an average of \$28,750 annually. This amount has been rounded to \$30,000 annually in anticipation that some of the 52 other mitigation measures suggested in the Ecosphere Wildlife Management Plan will be required.

4. Allowance for General Fund General Government Capital Improvements – The *Twin Buttes Impact Study* includes one-time general government capital expenditures for police and fire operations and system wide for water and sewer improvements through payment of the water and sewer investment fees. However, the city’s capital outlay for general government for years 2009 through 2013 is budgeted at \$10.4 million, or an annual average of \$2,073,550. There is no accounting for a pro-rated share of these other capital expenditures in the *Twin Buttes Impact Study*. Consequently, a per capita expenditure is added to the projected total annual expenditures. An allowance for this amount is calculated and incorporated in Part II - Twin Buttes Cost/Benefit Analysis of this document.

5. Potential Changes to Property Tax Rates and Revenues Generated – Although the City of Durango property tax rate has remained unchanged since 2000, the levy for other taxing entities serving the proposed Twin Buttes development have fluctuated, ranging from an increase of 80 percent for the Animas Mosquito Control District to a decline in the Durango School District 9R. (See Table G – “Property Tax Rates within Twin Buttes.”) Consequently, property tax payments generated by the Twin Buttes development will fluctuate in the future based on factors beyond control of the developer and future home owners but are unforeseen at this time.

For purposes of the *Twin Buttes Impact Analysis*, the City of Durango’s property tax rate is projected to be at the current rate, 2.507. To the extent that the city’s tax rate changes in the future, the projected fiscal impact will be altered. Future changes in the property tax rate among taxing jurisdictions serving Twin Buttes will also alter the projected fiscal impact.

Table G
Property Tax Rates within Twin Buttes

Taxing Entity	2000 Tax Rate	2008 Tax Rate	Net Rate Change 2000 - 2008
City of Durango	2.507	2.507	0%
La Plata County	8.500	8.500	0%
Southwest Water Conservancy	0.314	0.207	(34%)
Durango School District 9R	21.052	14.556	(31%)
Animas Fire Protection District	4.344	5.207	20%
Animas Mosquito Control	0.550	0.990	80%
Florida Water Conservancy	n/a	0.860	n/a

Source: La Plata County Assessor.

These revenue projections are based on the current property tax rates and taxing jurisdictions attached to the Twin Buttes property. The property tax rate for the Animas Fire Protection District will be modified as a result of annexation and de-annexation associated with the AFPD and DFRA.

D. Summary of Findings and Conclusions

In conclusion, although the methodology used by the authors of the *Twin Buttes Impact Study* is valid and a majority of the assumptions are reasonable, **the *Twin Buttes Impact Study* overstates annual revenues of the project and understates annual expenditures resulting in an annual cost to the City of Durango of \$444,887 as compared to an annual cost of \$135,231 in year 15** stated by the *Twin Buttes Impact Study*. The following Section II Cost / Benefit Analysis of Twin Buttes reflects a detailed analysis of these revenues and expenditures on an annualized basis over a 15 year period.

II. Cost / Benefit Analysis of Twin Buttes

The economic question commonly surrounding growth is whether the local taxes paid by new development will cover the amortized costs of providing new infrastructure and the additional cost of public services. Typically, exactions, local impact fees, investment and in-lieu fees and developer contributions reduce the total cost so that the expanded local tax base can carry any remaining infrastructure costs as well as annual operational costs.

However, there are specific factors within any development that influence the economic and fiscal impacts and the costs of providing municipal services to development, especially a project the size and scale of Twin Buttes. Major factors influencing economic and fiscal impacts include a combination of the following:

- a) **Local Tax Structure** – The local sales and use tax rates, the presence of water and sewer investment fees, road impact fees and property tax rates determine the “return” to the local community. Because of the City of Durango’s tax and fee structures, the amount of sales and use tax rates generated by Twin Buttes and the projected number of additional residents in the new units and patronizing the Twin Butte’s commercial component, there is a broad range of revenues that contribute to the city’s revenue base.
- b) **Type of Land Uses** - The types of land use (residential, commercial, public use, etc.) create differing levels of municipal service demands. Although the Twin Buttes development is predominantly residential, the proposed inclusion of some retail commercial development enhances the project’s fiscal impact.
- c) **Residential Mix** – The size, value and type of residential development (single family, apartments, accessory dwelling units, etc). are also important factors. Lower residential density tends to be more costly in providing certain public services on a per capita basis than higher density residential. The higher the assessed value of the residential units, the greater amount of revenue generated by property taxes.
- d) **Development Site Physical Conditions** - The physical characteristics of the site planned for development and the surrounding terrain influence the on-going cost of drainage and road maintenance, snow plowing and other public works services. The development’s terrain influences the amount and frequency of such routine items as cleaning culverts, drainage basins, etc.
- e) **Proximity to Existing Services and Facilities** - The location within the city and the development’s proximity to existing public facilities, fire stations or municipal services determines police and fire department response times, etc. Twin Buttes location within Durango will require a longer response time and, therefore, slightly higher cost to provide certain services than residential or commercial development closer to Downtown Durango.

- f) **Location / Road Miles** - The distance required to provide public transit and the drive for persons in their private vehicles to school, employment or for routine shopping impacts the amount of driving by new residents and, therefore, the maintenance demand on city roads and public trails. Twin Buttes distance from the existing city limits to Lightner Creek Road will increase public transit and private vehicle travel.
- g) **Local Market and National Economic Conditions** – The area’s housing market and growth patterns, as well as the national, state and regional economies, will influence not only the sales price of the housing units offered in the Twin Buttes development, but the pace of residential development. To a degree, a municipality’s development policies and planning practices influence the success of a project. However, national economic conditions, including second home purchases, consumer confidence, interest rates, etc. will strongly influence the success of a major development. Because of the 15 year build out period anticipated for Twin Buttes, economic cycles will factor into the rate of residential development. However, the projected 15 year time frame for Twin Buttes is anticipated to be able to accommodate market fluctuations including economic downturns.

Costs to be incurred and associated with state and county government agencies and private utility providers are not included in this analysis. For example, the off-site road improvements to Highway 160 and other potential road improvements will be required, but allocation of the costs between the public (city and state) and private sectors have yet to be determined. Some of these costs may be recovered by adjusting the city’s road impact fee in the future and/or ensuring that a fair share contribution be obligated by the developer as a part of the Twin Buttes approval process for road improvements directly associated and/or impacted by future Twin Buttes residents.

This analysis projects the estimated costs and benefits on the City of Durango for the development and its residents. The costs are based on the city’s adopted 2008 Budget and 2008 municipal service levels. This study does not address environmental or social impacts associated with the proposed development. With this said, this Cost/Benefit Analysis of Twin Buttes is presented in six parts:

- A. Executive Summary
- B. One-Time Fiscal Impacts
- C. Annual Cost / Benefit of Twin Buttes – Revenues & Expenditures
- D. Economic Impact of Twin Buttes
- E. Other Fiscal Impact Issues
- F. Conclusions

A. Executive Summary

Twin Buttes is expected to provide a significant fiscal and economic impact on the City of Durango and the La Plata County economy. The proposed development will generate a considerable amount of new property and sales taxes, one-time use taxes, revenues from building related fees and permits, as well as contribute open space to the community, a meaningful asset to the residents and visitors of Durango.

As noted Part I, a majority of assumptions and conclusions in the *Twin Buttes Impact Study* are reasonable. However, the *Twin Buttes Impact Study* overstates fiscal impacts to Durango in a number of areas and tends to minimize or dismiss elements of outlay, especially capital costs, as a result of the development of Twin Buttes. More specifically, this Cost / Benefit Analysis calculates the proposed fiscal and economic impacts generated by the Twin Buttes development from three perspectives:

1. One-time revenues to the City of Durango during the project’s build out are projected to total \$6.8 million including a payment of approximately \$480,000 to the Durango School District (see Table K – “Summary of One-Time Revenues”);
2. On-going annual costs to City of Durango will be in excess of benefits by \$44,489 in the first year and increase to \$444,887 by year 15 (expenditures and revenues) and **a total cost of \$3,581,342 over a 15 year period** (see Table J – “Twin Buttes Annual Fiscal Impact Years 1 -15”); and
3. Economic impacts during the anticipated 15 year construction period will total \$531 million and average 19 new jobs and \$35.4 million on Durango’s economy annually.

A detailed summary of these calculations on an average annual basis and at year 15 year basis is presented in the following Table H – “Summary of Twin Buttes Economic and Fiscal Impacts.”

Table H
Summary of Twin Buttes Economic and Fiscal Impacts

Economic Impact	Annual Average (Years 1 - 15)	Total Years 1 – 15
Durango Employment	19 jobs	289 jobs
Output Generated	\$18,229,635	\$273,444,523
Earnings Generated	\$17,192,828	\$257,892,430
Total Economic Impact	\$35,422,463	\$531,336,953
Fiscal Impact	Year 15	Total Years 1 – 15
City of Durango Employment	17 jobs	
City Revenues	\$1,583,287	\$12,745,460
City Expenses	(\$2,028,174)	(\$16,326,802)
NET Fiscal Impact	(\$444,887)	(\$3,581,342)
One-Time Fiscal Impact	\$6,538,519	

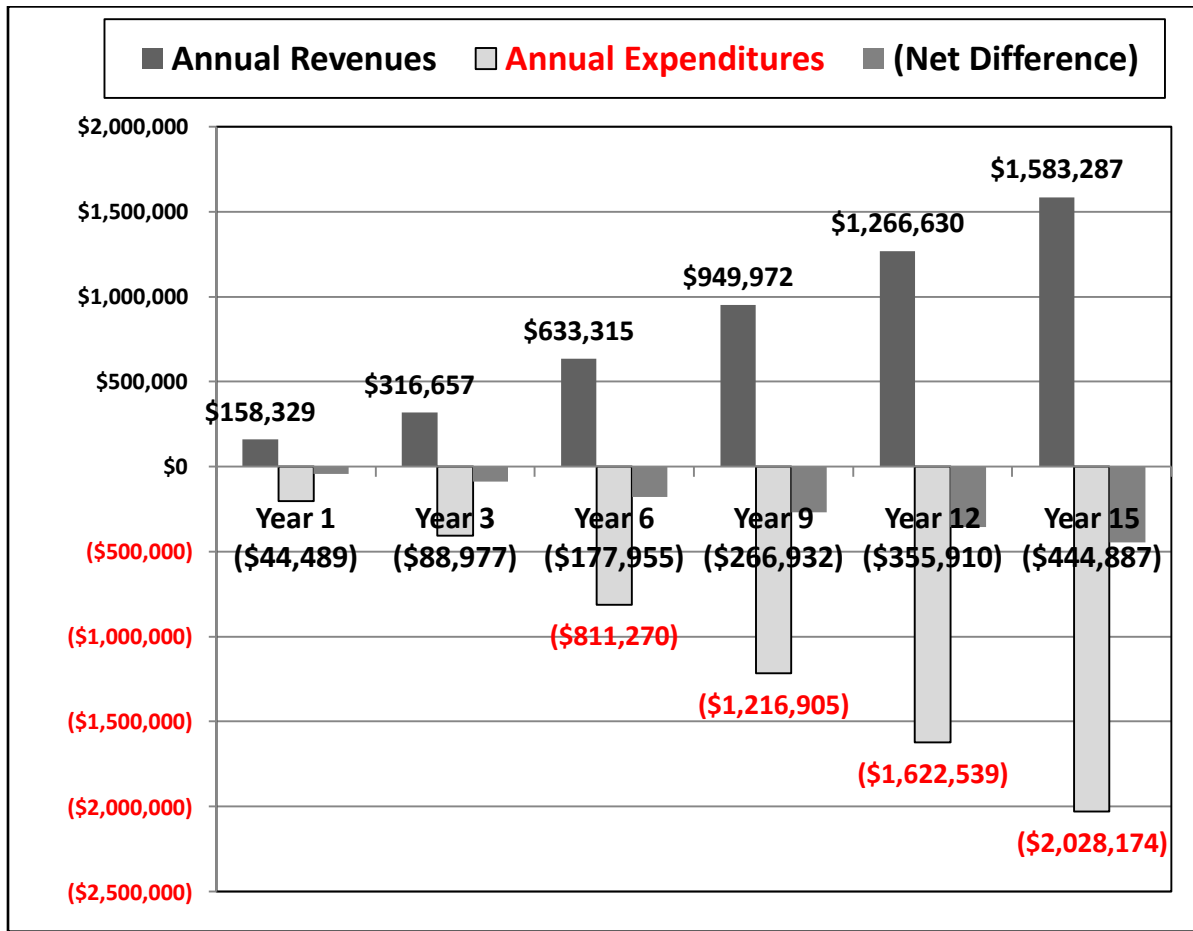
Note: One-time expenditures are annualized and incorporated into annual fiscal impact average

The net annual cost to the City of Durango increases from \$44,489 in the first year of development to an annual deficit projected to be \$444,489 in the 15th year, averaging a net cost of \$238,756 over the 15 year projection period. Table J and Graph J (“Twin Buttes Annual Fiscal Impact Years 1 – 15”) presents the city’s annual revenues and expenditures.

Table J
Twin Buttes Annual Fiscal Impact Years 1 – 15

Year	Annual City Revenues	Annual City Expenditures	Net Difference
1	\$ 158,329	(\$ 202,817)	(\$44,489)
2	\$ 237,493	(\$ 304,226)	(\$66,733)
3	\$ 316,657	(\$ 405,635)	(\$88,977)
4	\$ 422,210	(\$ 540,846)	(\$118,637)
5	\$ 527,762	(\$ 676,058)	(\$148,296)
6	\$ 633,315	(\$ 811,270)	(\$177,955)
7	\$ 738,867	(\$ 946,481)	(\$207,614)
8	\$ 844,420	(\$1,081,693)	(\$237,273)
9	\$ 949,972	(\$1,216,905)	(\$266,932)
10	\$1,055,525	(\$1,352,116)	(\$296,591)
11	\$1,161,077	(\$1,487,328)	(\$326,251)
12	\$1,266,630	(\$1,622,539)	(\$355,910)
13	\$1,372,182	(\$1,757,751)	(\$385,569)
14	\$1,477,735	(\$1,892,963)	(\$415,228)
15	\$1,583,287	(\$2,028,174)	(\$444,887)
TOTAL YEARS 1 - 15	\$12,745,460	(\$16,326,802)	(\$3,581,342)
15 Year Annual Average			(\$238,756)

Graph J
Twin Buttes Annual Fiscal Impact Years 1 – 15



B. One-Time Fiscal Impacts

The City of Durango has an assortment of non-recurring fees and revenues assessed on new development that serve to off-set municipal services required during the planning and construction of the development, such as plan check and building inspection. Other one-time fees contribute to a share of the cost of road, water and sewer capital improvements. These one-time building, impact and investment revenues are driven by a combination of factors including the value of the new construction, the number and type of residential units, the size of commercial development, the size of the new water and sewer lines required to service the development and other directly attributable factors.

The water and sewer investment fees are based on a fair share assessment for such off-site improvements as water storage tanks, system-wide water or sewer lift stations, etc. The following Table K and Graph K (“Summary of One-Time Revenues”) summarizes these \$6.5

million in one-time revenues to the City of Durango and the Durango School District from Twin Buttes, the basis for assessment and the projected amount generated by the existing fee schedule and Twin Buttes development as currently proposed.

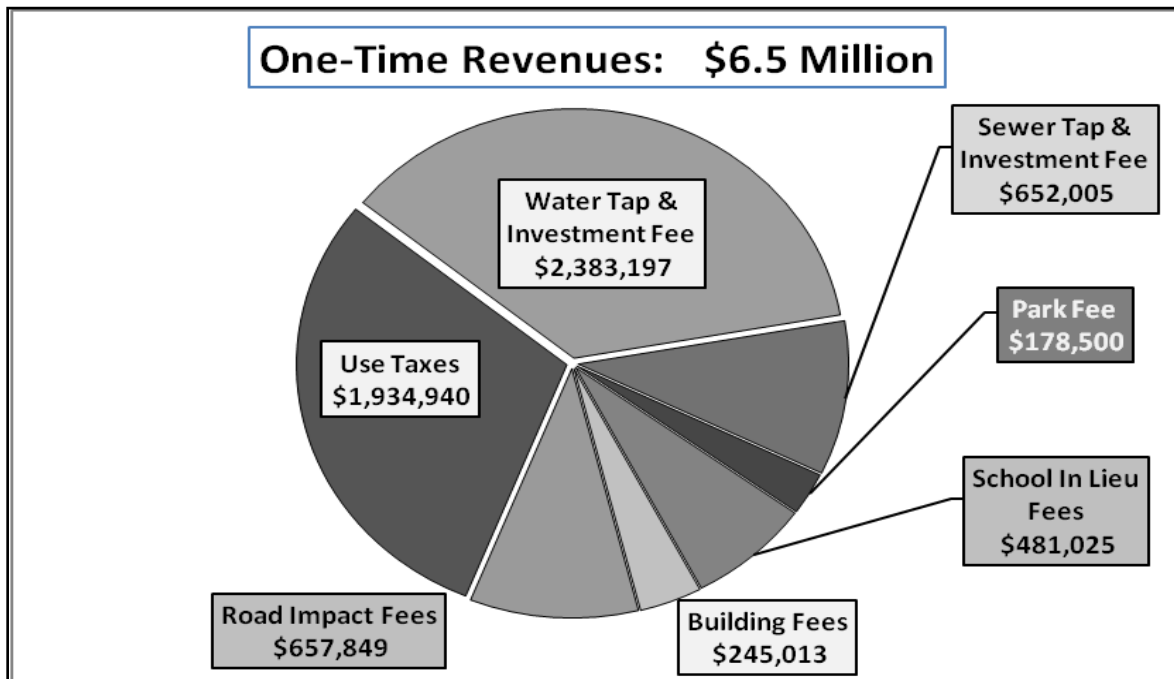
Table K
Summary of One-Time Revenues

Revenue Source	Basis for Fee	Total Twin Buttes	End Use
Use Tax	Tied to \$91.9 million in construction materials (a)	\$1,939,940	General Fund
Building Permit Fees	Based on value of construction (b)	\$245,013	General Fund
Water Tap & Plant Investment	Based on number and type of units and size of water lines required	\$2,383,197	Water Fund
Sewer Tap & Plant Investment	Based on number and type of units and size of sewer lines required	\$652,995	Sewer Fund
Road Impact Fee	Based on number and type of units and amount of commercial square footage	\$657,849	Road Impact Fund
Park Fee	Based on the type of housing unit	\$178,500	Park Fund
School In-Lieu Fee	Based on the type of housing unit	\$481,025	Durango School District
TOTAL ONE-TIME REVENUES		\$6,538,519	

- (a) Estimate on \$91.9 million in construction materials as indicated in the *Twin Buttes Impact Study* on page 18.
- (b) Estimate based on \$184 million in construction value as noted in *Twin Buttes Impact Study* page 19 discounted by fees anticipated to be refunded for the development's affordable and attainable housing units. (See Table F – "Affordable and Attainable Housing Permit Fees.")

In the event that one or more of the neighborhood parks in Twin Buttes is dedicated to the city, some or the entire City of Durango one-time \$178,500 fee for parks may not be required as was the case with the Three Springs project.

Graph K
Summary of One-Time Revenues



It should be noted that these one-time fees are subject to periodic adjustments during the course of the 15 year development period. However, such changes will be adjusted based on the costs of providing municipal services and/or cost of capital improvements for water, sewer and roads. In addition to these one-time revenues, Lightner Creek Ranch, LLC has also proposed to dedicate 230 acres of open space for public use and make a one-time contribution of one public transit vehicle valued at \$60,000 to the public transit system.

C. Annual Cost / Benefit of Twin Buttes

1. Annual Revenues

The city's revenue and expenditure projections utilize several approaches (per capita, per housing unit, per commercial square footage, etc.) depending on the availability of published data, prevailing residential and commercial market values, and per capita revenues and expenditures as budgeted by the city in 2008. These are then all calculated based on projected number of new residents and businesses at Twin Buttes. RCA agrees with the *Twin Buttes Impact Study* methodology. However, there are differences with certain assumptions as presented in Table A ("Summary of Areas of Agreement and Needed Adjustments") included in the calculations and omissions of certain costs and revenues. Those differences in property and sales taxes are described in more detail in the following pages.

City Property Taxes

The applicant anticipates that the 595 residential units will be completed and occupied over a 15 year period. For purposes of this analysis, it is assumed that occupancy will begin in 2010 and all residential units will be occupied by 2025. The 595 residential units and proposed 59,000 square feet of new commercial development are projected to generate \$59,333 annually to the City of Durango upon completion using the City of Durango’s 2008 adopted property tax rate, 2.507. (See Table L – “City of Durango Annual Property Tax Revenue”.) Approximately 76 percent of the projected property taxes will be generated by the residential component and 24 percent from the proposed commercial component of the development.

Table L
City of Durango Annual Property Tax Revenues

Housing Type	Units	Average Market Value	Total Value	Estimated Average Sales Price	Market Value
Single Family Detached	358	\$ 388,500	\$139,083,000	\$ 550,000	\$ 196,900,000
Townhomes	112	\$ 240,500	\$ 26,936,000	\$ 278,093	\$ 31,146,416
Affordable	42	\$ 56,250	\$ 2,362,500	\$ 56,250	\$ 2,362,500
Attainable: I	21	\$ 195,000	\$ 4,095,000	\$ 195,000	\$ 4,095,000
Attainable: II	32	\$ 67,500	\$ 2,160,000	\$ 67,500	\$ 2,160,000
ADU's	30	\$ 56,250	\$ 1,687,500	\$ 56,250	\$ 1,687,500
Total Residential Value (a)	595		\$176,324,000		\$ 238,351,416
Combined Average Price Per Unit				\$400,591	
Total Commercial Value (b)	59,000 square feet		\$7,670,000	N / A	\$20,650,000
TOTAL MARKET VALUE					\$259,001,416
Residential Total Property Taxes					\$47,206
Commercial Property Taxes					\$15,013
(Less Existing Property Taxes)					(\$2,786)
NET TOTAL PROPERTY TAXES					\$59,433

(a) Source: *Twin Buttes Impact Study*.

(b) Source: *Twin Buttes Impact Study* page 17 deemed to be reasonable that appraises the new commercial at \$350 per square foot, and \$2,786 current property taxes on Twin Buttes parcels.

There are a number of taxing jurisdictions that use the property taxes, the largest being La Plata County and Durango School District 9R. The City of Durango receives approximately eight percent of the total property taxes paid on a typical property tax bill in Durango. The non-city balance will generate approximately \$698,000 in year 15 and be remitted to the other property taxing jurisdictions serving Twin Buttes upon build out of the development as summarized in Table M – “Total Annual Property Tax Revenues All Jurisdictions – Year 15”.

Table M
Total Annual Property Tax Revenues All Jurisdictions – Year 15

Taxing Jurisdiction	Property Tax Rate	Annual Revenues
City of Durango	2.507	\$59,433
Durango School District 9R	14.556	\$345,076
La Plata County	8.500	\$201,508
Animas Fire Protection (a)	5.207 (a)	\$123,441
Animas Mosquito Control	0.990	\$23,470
Southwest Water Conservancy	0.207	\$4,907
TOTALS	31.967	\$757,835

(a) The property tax rate for the Animas Fire Protection District will be modified as a result of annexation and de-annexation associated with the AFD and DFRA.

City of Durango Sales Taxes

Sales taxes will be generated by the Twin Buttes residents and the businesses located within the 59,000 square feet of commercial development in Twin Buttes. The city sales and use tax rate for the General Fund is two percent. The total sales and use tax rate for the City is three percent including one-half of a percent of sales and use tax that goes to the recreation complex/trails; the other one-half percent is split between POST and capital improvements. The city also receives a portion of the joint city/county sales tax estimated to be 0.47 percent resulting in a combined total of 3.47 percent sales tax rate remitted to the city.

Sales tax receipts are projected based on the 2008 average La Plata County per capita income, \$42,609, as calculated from data provided by the U.S. Bureau of Economic Analysis. The types of expenditures for residents in Twin Buttes are then adjusted for the following:

- a. The housing units and thus number of residents will average 3% vacancy rate;
- b. Approximately 17% of the single family detached homes will be occupied by seasonal residents who will spend an average of 60 days annually in Durango;

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- c. Approximately 46 percent of resident’s expenditures will not be subject to sales tax and a portion of their expenditures will be spent outside of the Durango city limits; and
- d. Residents of the attainable housing units per income is 80% of the countywide median per capita income.

The annual sales taxes remitted to the city from the Twin Buttes residents upon build out in year 15 is estimated to be \$1,055,511, or 83 percent of the total sales taxes with an additional \$175,365 in sales taxes generated annually by the new commercial establishments in Twin Buttes. Table N – “City of Durango Sales Tax Projections Year 15” presents the basis for these sales tax projections.

Table N
City of Durango Sales Tax Projections Year 15

Housing Unit Type:	Open Market	Affordable	Attainable	ADU	TOTAL
Total Units:	470	42	53	30	595
Total Residents (a)	1,031	92	116	66	1,305
Full Time Occupancy Rate (b)	83%	100%	100%	100%	N / A
Full Time Residents	856	92	116	66	1,130
Seasonal Occupancy Rate (b)	17%	0%	0%	0%	N / A
Seasonal Residents	175	none	None	none	175 persons
Est. Sales Per Capita (c)	\$42,609	\$42,609	\$34,087	\$42,609	N / A
Full Time Occupant Sales (d)	\$9,769,588	\$2,125,439	\$2,143,921	\$1,524,772	\$25,563,720
Seasonal Occupant Sales (e)	\$674,865	\$0	\$0	\$0	\$674,865
TOTAL SALES	\$20,444,453	\$2,125,439	\$2,143,921	\$1,524,772	\$26,238,585
Non-Local Sales (f)	(\$3,244,414)	(\$337,295)	(\$340,228)	(\$241,972)	(\$4,163,909)
NET LOCAL SALES from Residents	\$17,200,039	\$1,788,145	\$1,803,694	\$1,282,799	\$22,074,677
X 3.47% Durango Sales Tax Collections =					\$765,991
TOTAL TWIN BUTTES COMMERCIAL SALES: \$5,559,150					
X 3.47% Durango Sales Tax Collections =					\$192,903
TOTAL CITY SALES TAX COLLECTIONS					\$958,894

- (a) Assumes a 3% residential vacancy factor
- (b) Adjusted for countywide second home owner occupancy rate per Region 9 Economic Development District of Southwest Colorado 2006
- (c) Adjusted for attainable housing residents earning 80% of the county median income
- (d) Adjusted based on the estimated amount spent per capita, 54.22%, subject to sale tax. (Detailed in Appendix C of the *Twin Buttes Impact Study*.)
- (e) Adjusted for average non-local residents spending an average of 2 months annually in Durango
- (f) Adjusted for 15.87% of sales occurring outside of the City of Durango
- (g) Source: Region 9 Economic Development District average retail sales in 2005 adjusted 10% to 2008 dollars for grocery store, \$2,149,848; restaurant, \$601,425; and 6 other retail businesses totaling \$2,807,878.

Franchise Fees

The City of Durango collects a five percent franchise fee for cable television and 4.67 percent franchise fee for electric services for all residential and commercial customers in the city. Upon build out of the Twin Buttes development, franchise fees are projected to generate \$44,489 annually. (See Table O – Annual Franchise Fees.”)

Table O
Annual Franchise Fees

Franchise	Fee Rate	Average Annual Utility Expense	Occupied Units; Businesses	Total Estimated Expense	Franchise Fee
Cable TV	5.00%	\$600 per unit	577	\$346,200.	\$17,310.
Electricity - Residential	4.67%	\$797 per unit	577	\$459,684.	\$21,467.
Electricity - Commercial Total	4.67%	\$15,288 per business	8	\$122,304.	\$5,712.
ANNUAL TOTAL					\$44,489.

Note: Estimates are based on and deemed valid from *Twin Buttes Impact Study* page 20.

La Plata County Road and Bridge Fund

The City of Durango also receives 50 percent of the property tax revenues generated by the countywide mill levy (0.00071) earmarked for road and bridge improvements. Based on a total market value of \$259 million for the completed Twin Buttes development, the city will receive approximately \$6,675 annually upon build out of the project from this tax.

Other Annual Municipal Revenues

In addition to municipal revenues tied to property and sales taxes and franchises fees, the city collects other revenues from an assortment of sources ranging from municipal fines levied for zoning violations, traffic fines, recreation department event and registration fees, business licensing fees on the new businesses in commercial development, library fines, transit grants, etc. that further contribute to the General Fund. The *Twin Buttes Impact Study* (page 23) has incorporated and accurately prorated these supplemental general fund revenues based on either a per capita basis or using best estimates from consultation with Durango city staff. These revenues generated by the additional Twin Buttes residents are projected to total approximately \$218,024 annually as summarized in Table P (“Other City Revenues from Twin Buttes”).

Table P
Other City Revenues from Twin Buttes

Department; Function	Estimated Annual Revenue
Planning / Community Development	\$78,404
Municipal Court	\$10,962
Parks and Recreation: Recreation Center	\$79,309
Facilities, Programs, Events (a)	\$42,705
Library	\$1,644
Transportation Fares	\$5,000
TOTAL Other City Revenues	\$218,024

(a) Based on per capita total revenues of \$93.49 for full-time Durango residents only excludes 44% of annual recreation revenues generated by visitors.
 Source: *Twin Buttes Impact Study* Table 12; City of Durango Finance Director, Community Development Department, Public Transit staff.

2. Annual Expenditures

The cost of the City of Durango serving the residential, commercial and open space elements of Twin Buttes has been projected over a 15 year period. These projections assume that 10 percent of the costs and revenues will occur during the first year of development; thereafter, for years 2 through 15, revenues and expenses will be equally allocated.

The following Table Q (“Annual Expenditures for Twin Buttes Year 15”) projects the annual expenditures upon complete build out of Twin Buttes based on services per resident. The annual cost for Twin Buttes maintains the ongoing municipal service levels for the City of Durango. This cost benchmarks the current municipal levels of services at no less than the

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prevailing levels. The cost of increased service levels are apportioned to Twin Buttes on a per capita basis, except where noted.

The capital projections apportion planned general government capital improvements which have not been included in the *Twin Buttes Impact Study*. These costs are based on a five year average (2009 – 2013) proposed in the City of Durango’s 2008 Budget. The calculation is allocated to Twin Buttes on a per capita basis or as noted in Table Q. This five year average capital allocation assumes that additional capital improvements will be required in the future because of the city’s increased population and size generated by Twin Buttes and that Twin Buttes’ 1,305 residents will assume a per capita share for such improvements.

The annual public transit figure is increased by \$40,000 based on an estimate provided by the Director of General Services representing a fair share of the estimated \$78,000 annual operational costs to serve the Twin Buttes area with public transit. The annualized cost for police services, public transit and general government reflect adjustments from the *Twin Buttes Impact Study* as noted in Table A – “Summary of Major Areas of Agreement and Needed Adjustments” in Part I of this document and as footnoted following Table Q.

Table Q
Annual Expenditures for Twin Buttes Year 15

General Fund Expenditure	Basis for Estimate	Twin Buttes Impact Study		Cost / Benefit Analysis	
		Annual	Capital	Annual	Capital
General government	Per capita	\$205,944	\$0	\$205,944	\$0
Police (a)	Per capita	\$130,500	included	\$130,500	\$26,667
Public Safety – Fire	Per sq. foot of buildings	\$136,596	included	\$136,596	Included
Sewer System	Per unit	\$183,820	included	\$183,820	Included
Water System	Per unit	\$232,353	included	\$232,353	Included
Public Safety	Per capita	\$60,265	\$0	\$60,265	\$0
Public Works	Per capita; lane mile (b)	\$321,528	\$0	\$321,528	\$0
Parks and Recreation (c)	Per capita, acres, miles	\$472,770	\$0	\$502,770	\$0
Library	Per service area	\$21,669	\$0	\$21,669	\$0
Public Transit (d)	Per capita	\$50,000	\$11,895	\$108,955	\$11,895
General government capital outlay (e)	5 year average	n / a	\$0	n / a	\$85,212
Annual Sub-Total		\$1,815,445	\$11,895	\$1,904,400	\$123,774
TOTAL: One-Time / Annual @ Year 15			\$1,827,340	\$2,028,174	
TOTAL Years 1 – 15					\$16,326,802

- (a) Assumes capital equipment for two Police Department vehicles will be replaced every 3 years and Public Transportation vehicle will be replaced every 5 years with credit allowed for a \$60,000 one-time contribution by Twin Buttes for one new transit vehicle.
- (b) Public Works assumes an average cost per mile for Twin Buttes 4.8 miles of roads and per capita cost for administration and engineering support.
- (c) Twin Buttes open space maintenance is assumed \$1,250 per acre every 10 years for fire mitigation and allowance for anticipated trails, kiosks and other amenities incorporated into the Twin Buttes open space.
- (d) Assumes an average of \$52.84 per capita expenditure for public transit for Twin Buttes based on a 2008 public transit fund operating budget of \$1,677,977.
- (e) Based on the average budgeted for years 2009 - 2013 of \$2,073,55, or \$131 per capita x 50% adjusted for non-residents times projected 1,305 Twin Buttes residents.

D. Economic Impact of Twin Buttes

The *Twin Buttes Impact Study* includes the induced economic impact on the community. These impacts are the effects of dollars in the local economy generated by the construction and financing of the development. Given an average of no more than 50 residential units built annually, the construction workers, construction materials and financing can be satisfactorily supported by the Durango economy.

The *Twin Buttes Impact Study* uses a multiplier effect ranging from 1.44 to 1.80 depending on the aspect of the local economy being measured. (See *Twin Buttes Impact Study* pages 8 - 12.) Although some retail expenditures that are tied to the multiplier will be spent outside of Durango, the U.S. Bureau of Economic Analysis regional input-output multipliers for Southwest Colorado used in the analysis are sound. Therefore, the projections with regard to construction related sales tax and sales tax from household consumption on Durango (See Table R – “Twin Buttes Economic Impact Summary”) are reasonable.

In addition to the directly induced economic impact of these dollars, there are further multiplier effects from 3 or 4 to as many as 7 times within a local economy. These secondary multipliers are subject to many factors and widely debated. Therefore, they have not been included in either the *Twin Buttes Impact Study* or this Cost/Benefit Analysis. In summary, these economic impacts over the 15 year construction period of the Twin Buttes project total \$273.4 million and 289 jobs, or an annual average of \$17.2 million and 19 additional jobs as presented in the following Table R.

Table R
Twin Buttes Economic Impact Summary

Economic Factor	Total Amount	Output Multiplier	Earnings Multiplier	Employment Multiplier
Construction Spending (a)	\$147,195,200	x 1.72	x 1.60	x 1.80
SUB-TOTAL		\$253,173,744	\$235,512,320	265 jobs
<hr/>				
Interest / Fees Paid (a)	\$14,075,541	x 1.44	x 1.59	x 1.72
SUB-TOTAL		\$20,268,779	\$22,380,110	24 jobs
<hr/>				
15 YEAR TOTAL		\$273,444,523	\$257,892,430	289 jobs
ANNUAL AVERAGE		\$18,229,635	\$17,192,828	19 jobs (b)

(a) Source: U.S. Bureau of Economic Analysis; *Twin Buttes Impact Study*.

(b) Excludes 17 full-time municipal employees discussed in Section II – Cost/Benefit Analysis in Table U.

E. Other Fiscal Impact Issues

Value of Open Space

The developer estimates the value of the 230 acre open space dedication as approximately \$4.5 million based on a proportional cost of the recent purchase of land in Twin Buttes. According to La Plata County, 408 acres of the land encompassing the development are currently assessed at an average of \$7,262 per acre for the Twin Buttes parcels. (See Table S - “Twin Buttes Parcels Data 2008”.) At this average assessed value, the value of the 230 acres is less than one-half this value, or approximately \$1.7 million.

However, the *Twin Buttes Impact Study* states that the land was acquired at a higher average value per acre. Regardless of the value assigned to the open space, there is no dispute that there is a significant value associated with the proposed dedication. This value is not included in the total amounts presented in Table R (“Twin Buttes Parcels Data 2008”) but represents additional value to Durango offsetting the property taxes now generated as privately held property. Table S summarizes the current assessed values of the parcels in the Twin Buttes project.

Table S
Twin Buttes Parcels Data 2008

Parcel Number	Address	Appraised Land Value	Improvements Value	Assessed Value	Acres	Average Assessed Value per Acre
5661-261-00-001	20091 W US HWY 160	\$605,270	\$188,040	\$63,150	3.86	\$156,968
5661-231-00-035	None available	\$481,870	\$0	\$139,740	74.50	\$6,468
5661-252-00-011	20403 W US HWY 160	\$420,090	\$42,990	\$36,860	11.23	\$37,408
5661-242-00-053	None available	\$893,400	\$0	\$250,090	79.47	\$11,242
5661-243-00-064	20451 W US HWY 160	\$296,290	\$187,930	\$38,540	0.87	\$338,617
5661-243-00-065	20453 W US HWY 160	\$264,940	\$98,910	\$105,510	0.78	\$338,365
5661-234-00-367	None available	\$3,330	\$0	\$970	237.58	\$14
TOTAL		\$2,965,190	\$517,870	\$634,860	408.3	\$7,262

Source: La Plata County Assessor.

Real Estate Transfer Fee

The development proposes to implement a one percent real estate transfer fee to be paid by sellers of Twin Buttes homes, excluding the ADU units. The transfer fee revenue is intended to be earmarked for the Regional Housing Authority to support affordable and attainable housing. The transfer fee will be an important generator of new revenues for the Regional Housing Authority on behalf of affordable housing in the community and are projected to reach \$2.4 million over the first 15 years, or an annual average of \$164,167.

The following Table T (“Real Estate Transfer Fees Years 1 – 15”) projects the revenues to be generated from the proposed real estate transfer fee during the first 15 years of the project’s life. These assume the transfer fee is imposed upon start of development in year 1 and that the initially constructed units will begin to be turned over in ownership before the entire Twin Buttes development is completed.

Table T
Real Estate Transfer Fees Years 1 - 15

Year	Residential Unit Sales	New Unit Sales Revenues	Twin Buttes Unit Resale Revenues	TOTAL TRANSFER FEES
1	\$ 14,916,000	\$ 149,160	\$0	\$ 149,160
2	\$ 29,832,000	\$ 149,160	\$0	\$ 149,160
3	\$ 44,748,000	\$ 149,160	\$0	\$ 149,160
4	\$ 60,266,667	\$ 149,160	\$0	\$ 149,160
5	\$ 75,333,333	\$ 149,160	\$0	\$ 149,160
6	\$ 90,400,000	\$ 149,160	\$0	\$ 149,160
7	\$ 105,466,667	\$ 149,160	\$0	\$ 149,160
8	\$ 120,533,333	\$ 149,160	\$0	\$ 149,160
9	\$ 135,600,000	\$ 149,160	\$0	\$ 149,160
10	\$ 150,666,667	\$ 149,160	\$0	\$ 149,160
11	\$ 165,733,333	\$ 149,160	\$ 14,916	\$ 164,076
12	\$ 180,800,000	\$ 149,160	\$ 29,832	\$ 178,992
13	\$ 195,866,667	\$ 149,160	\$ 44,748	\$ 193,908
14	\$ 210,933,333	\$ 149,160	\$ 60,267	\$ 209,427
15	\$ 226,000,000	\$ 149,160	\$ 75,333	\$ 224,493
TOTAL YEARS 1 - 15		\$2,237,400	\$225,100	\$2,462,500
Annual Average Real Estate Transfer Fee Revenues				\$164,167

This proposed real estate transfer fee is proposed to continue generating further revenues to the Regional Housing Authority indefinitely as home ownership changes and home values increase. The *Twin Buttes Impact Study* projects a total of more than \$7 million from years 2031 to 2045 depending upon the rate of property turnover. Since this proposed transfer fee is not formally established, appropriate legal actions by the city are necessary to insure that this transfer fee is made permanent.

Solid Waste Fees

The city collects fees monthly for trash collection services. However, the Solid Waste Fund is designed to operate as an enterprise “pay-as-you-go” basis so that monthly customer charges offset the cost of collection, recycling and make an annual contribution to the solid waste equipment capital reserve. Therefore, the annual revenues to be collected from the

residents and commercial businesses in Twin Buttes are revenue neutral and do not positively nor negatively impact the City of Durango.

Durango School District Impact

Around 13 to 14 percent of the city's school aged population attends public school. Based on Twin Buttes housing 1,305 new residents, more than 175 additional students will be added to the Durango School District upon build out of the development's residential component.

The Durango school in-lieu fees projected from the residential units will generate a total of \$481,025 over 15 years based on the adopted school fee of \$945 per single family unit and \$245 per multi-family unit. These fees are lower than the \$1,142 average school fees collected in other Colorado jurisdictions that are up to \$2,280 in Boulder according to a National Impact Fee Survey 2007 prepared on behalf of the National Clearinghouse for Educational Facilities.

The Twin Buttes development will be generating an increased amount of property taxes to the Durango School District. Although this analysis does not attempt to determine the costs associated with accommodating new students residing in Twin Buttes, it is reasonable to conclude that the existing school in-lieu fees paid by the developer will not be sufficient to offset potential capital and/or on-going educational costs.

It is our understanding that members of the Twin Buttes development team and Durango School District representatives are negotiating additional financial related assistance over and above the adopted school fees to compensate for this impact. Such additional assistance from the Twin Buttes development (building financing and/or a school site, etc.) is warranted.

City of Durango Municipal Employment

The City of Durango currently has 304.5 full time employees. The number of the city's full time personnel will be required to increase as a result the projected 1,305 new Twin Buttes residents. The number of additional municipal employees will vary based on the type of services required.

On average, the City of Durango has 19 employees for every 1,000 residents. Based on the prevailing per capita average for municipal services expected to be most directly impacted by the demand for services, it is projected that the City of Durango will require a total of 17 new full-time employees upon build out of Twin Buttes. Part-time employees will also be required to be added, especially in parks and recreation and public transit.

Table U
Existing and Projected City of Durango Personnel Count

City Fund / Department	2008 Budgeted Personnel	City of Durango Full-time Personnel per 1,000 Population	Population Driven Service Increase	Additional Full-time Personnel from 1,305 Twin Buttes Residents
Administration	34	2.1	No	0
Planning / Community Development	13	0.8	Yes	1.0
Police	68	4.3	Yes	2.6
Communications	19	1.2	Yes	1.6
Public Works	27	1.7	Yes	2.2
Parks and Recreation	32	2.0	Yes	2.6
Library	21.5	1.4	Yes	1.8
Buildings and Plant	4.5	0.3	No	0
Internal Service Funds	11.5	0.7	Yes	0.9
Water	16	1.0	Yes	1.3
Parking	5	0.3	No	0.0
Sewer	12	0.8	Yes	1.0
Airport	16	1.0	No	0.0
Solid Waste	8	0.5	Yes	0.7
Public Transit	17	1.1	Yes	1.4
TOTAL FULL-TIME EMPLOYEES	304.5	19.2	N / A	17+

Source: City of Durango 2008 Budget.

Durango Visitor Impact

The Twin Buttes project is expected to have minimal impact on visitor spending except for second home owners as calculated in the projected sales tax revenues. The 59,000 square feet of commercial development and predominantly neighborhood uses and location within the development minimize the attraction and expenditures of non-residents to the future Twin

Buttes businesses. Consequently, the commercial development associated with Twin Buttes is unlikely to increase or attract many visitors.

Twin Buttes improved parks are intended to serve Twin Buttes residents, not catering to visitors. Although the proposed open space will be available to visitors, given the amount of other public lands in and around Durango, the proposed Twin Buttes open space, by itself, is not expected to increase visitation to Durango. Although Durango visitors will utilize the Twin Buttes trails, hiking and climbing opportunities, the open space will unlikely be the major purpose for visitors to come to Durango. Therefore, Twin Buttes is not expected to generate any measurable direct economic impact from Durango visitors.

F. Conclusion

Twin Buttes will have a significant economic and fiscal impact on Durango. A majority of assumptions and conclusions in the *Twin Buttes Impact Study* are reasonable. However, the *Twin Buttes Impact Study* overstates fiscal impacts to Durango in a number of areas and omits some capital costs as a result of the potential development of Twin Buttes.

The assessed value of the improved properties, property taxes, job creation, local sales taxes and projected number of residents and employees resulting from Twin Buttes are based on the conceptual development plan as submitted by Lightner Creek Ranch, LLC and under review by the city.

Finally, it should be noted that there is also a multiplier effect of City of Durango expenditures, not included in these economic projections, which will further contribute to the Durango economy. They are not incorporated into this cost/benefit analysis because they do not have a directly quantifiable impact on the City of Durango, and the frequency of dollar turnover is routinely subject to wide interpretation.

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Attachment: Richard Caplan Resume

RESUME – RICHARD CAPLAN

RICHARD CAPLAN & ASSOCIATES

1987 – present

Owner, Principal

Since 1986, own consulting firm specializing in impact studies, financial and development analysis, strategic planning, to cities, counties and public non-profit associations. Provide management consulting services and projects to more than 100 counties and cities including management assessments and strategic planning for municipalities, counties and multi-jurisdictional entities.

A sample of economic and fiscal impact studies include:

- **Bellevue, Idaho** – Evaluate the impacts of three major developments on municipal services and recommend impact fee schedule.
- **Wichita, Kansas** – Evaluate the economic impact of a new freeway bypass on the cities and counties served by the 12 mile ring highway
- **Blaine County, Idaho** – Conduct a peer review of developer's prepared economic impact study to recommend mitigation fees for the county government.
- **Vallejo, California** – Determine the long term economic impact on the city from the redevelopment of a former naval base into a 1,000+ acre major mixed use project.
- **Tonganoxie, Kansas** – Project the economic impact on the city and county of a new Interstate Highway interchange.
- **Lawrence, Kansas** – Determine the community impacts from the development of a range of new recreation facilities planned for the city.

Community developments projects include:

- **Topeka, Kansas** - Richard Caplan & Associates prepared a comprehensive economic development strategy for this state capital which was experiencing stagnant growth and a negative image for development. The firm has prepared similar citywide economic development plans for other small municipalities and Kansas, Missouri and California.
- **San Bernardino, California** - The older downtown decided that a cultural and entertainment center was vital to the revitalization of the area. The firm prepared feasibility studies and financing strategies for several major components of the center leading to significant reinvestment in the area.
- **Mid-America Regional Council of Governments, Kansas City, Missouri** - The firm was engaged by the council to coordinate the preparation of a regional economic development policy emphasizing an innovative approach to induce metropolitan area-wide cooperation to reduce unnecessary "bidding wars" and development competition between neighboring cities. The plan was adopted by a majority of the local jurisdictions and has led to a new era of inter-governmental cooperation in the area of economic development.

Economic development strategies have been performed for the following communities:

- **Redlands, California** - Richard Caplan & Associates advised the city's redevelopment agency on revitalization, public financing and marketing strategies for the major transformation of the city center into a successful mix of office, hotel and retail uses. The historic downtown has experienced a major turnaround since completion of the plan.

- **Lawrence, Kansas** - The firm successfully led the effort to redevelop the abandoned riverfront area into an outlet and office center including the city's first parking garage. RCA also assisted the historic downtown with preparation of the plan for a major mixed use redevelopment which includes establishment of the city's first tax increment financing (TIF) district
- **Independence, Missouri** - The historic downtown area and surrounding neighborhood had been experiencing years of decline. Caplan & Associates was part of a planning team engaged to prepare a comprehensive revitalization plan which included residential rehabilitation, construction of new housing, commercial and office market assessment and redevelopment strategies.
- **Palm Desert Redevelopment Agency, Palm Desert, California** - As the owner of the largest undeveloped site in the community, the City of Palm Desert engaged the firm to assist in the feasibility studies, economic assessment and master planning of the more than 400 acres of vacant ground which now includes a mix of land uses featuring a new public golf course, time-share units, a resort hotel, a neighborhood commercial center and a cluster of single family homes.
- **Hoopa Indian Tribe Development Corporation, Eureka, California** - For four years, Caplan & Associates advised the tribal council on strategies that resulted in tourism initiatives and other strategies to expand the Hoopa tribe's economic base in the scenic redwood forest near the Oregon border.

Tourism studies and services in the following communities:

- Napa, California
- Palm Desert, California
- North Lake Tahoe, California
- Mammoth Lakes, California
- Branson Area, Missouri
- National Park Service
- Clear Lake, Iowa
- Vail, Colorado

Laventhol & Horwath, San Francisco

1984 - 1987

Public Sector Services Manager

Managed firm's public sector consulting practice including management and financial consulting for firm's Northern California office. The national consulting firm was the nation's largest hotel consulting firm, offered diverse public financial management and development related consulting services to the public and private sectors; also conducted financial feasibility studies, and prepared alternative financing scenarios and market studies planning for alternative land uses.

Vail, Colorado

1979 - 1984

City Manager

Served as city manager of mountain resort municipality routinely demanding balanced environmental protection with servicing visitor-based industry. Vail is ranked as the national winter and summer recreation destination in the nation. The full service municipality of 4,500 permanent residents was incorporated in 1972 and operates with 150+ employees and approximately 150 seasonal employees and a \$36 million annual budget. Other key efforts:

- Developed and implemented tourist, recreation and community diversification strategies.
- Initiated and successfully implemented public plaza renovation project; acquired and developed major parks.

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

- Successfully recruited first national hotel chains to city including setting up joint venture conference center between large hotel with area community college.
- Initiated and implemented major open space acquisition program after adoption of a real estate transfer tax.
- Balanced staffing and resources between summer and winter tourism.
- Founding president for resort communities association to improve understanding and support of state legislature for expanding public recreation facilities, affordable housing, transportation and tourism enhancement.

Simi Valley, California

1972 - 1979

Assistant City Manager

Simi Valley's population of 110,000 persons has a municipal budget of \$80 million and approximately 300 employees serve the city. City incorporated in 1969 without a municipal property tax creating need for innovative financing approaches by staff and elected officials. Simi Valley received ICMA Management Innovation Award in 1976. Successfully led effort to secure California state park designation and funding for Santa Susana Mountain State Park surrounding City of Simi Valley. Other key efforts included:

- Served as Assistant City Manager and budget officer for rapidly growing city prior to and after passage of Proposition 13 reducing existing property taxes and limiting the imposition of new taxes.
- Successfully helped organize and manage city's first downtown improvement program and redevelopment project.
- Managed city's first CDBG program and city/county joint powers authority leading to development of the community's civic center complex.
- Performed key role in diversifying bedroom community to a well balanced municipality.

EDUCATION

- M.A. Public Policy; University of California, Berkeley
- B.A. University of California, Berkeley; Major: Political Science; honor student