

Twin Buttes Economic Impact Analysis and Fiscal Analysis

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For Lightner Creek Ranch, LLC**

**For presentation to:
Durango City Council
La Plata County Commissioners**

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1.0 ECONOMIC AND FISCAL IMPACTS - SUMMARY

1.1 Fiscal Impacts to the Community (Summary of Findings)

This study is designed to estimate the fiscal impact of the Twin Buttes development on the local community and on the City of Durango. Although there are non-fiscal costs and benefits associated with the development, they are outside of the scope of this study and are estimated in other reports.

The construction and financing of the Twin Buttes development will generate positive fiscal impacts for the local economy and surrounding areas. New construction activities represent a major portion of the project's direct economic effect on the community, which will occur through construction productivity, generating and providing local businesses and households with additional income and new job opportunities. Ongoing economic benefits associated with the increased economic base will continue to support jobs and the City's tax base.

There are both positive and negative fiscal impacts associated with any new development. This study provides the best estimates possible for both the new revenues and new expenditures that will take place due to the development.

The developers plan to make significant in kind donations to the City of Durango, including both land and capital donations. These donations can be put in terms of fiscal (monetary value) that the City will incur if the development takes place.

The following is a summary of the findings of this study:
(These are detailed later in the analysis)

1. The new construction of housing units and commercial buildings will add to the total productivity and output (or sales) of local firms in the construction and related industries. **It is estimated that the increase in output generated for the local economy will be \$273,400,000.**
2. The new construction of housing units and commercial buildings will increase the overall earnings of households in the local economy. **It is estimated that the increase in income generated for the local economy will be \$257,900,000.**
3. The construction activities of the project will create new jobs in the local economy. **It is estimated that 289 more jobs will be created due to the construction of the Twin Buttes development. This translates into approximately 19 jobs per year during the fifteen year build out period.**

4. The project will provide a significant amount of revenue for the Regional Housing Authority (RHA) through a transfer fee program that will continue to support the local affordable/attainable housing project in Durango indefinitely. **It is estimated that the transfer fee program will generate an annual revenue for the RHA of approximately \$2,260,000 at build out (and will continue every year with home sales plus appreciation).**
5. The development **will contribute a surplus of \$2,035,549 to the City's general fund when looking at one-time, nonrecurring revenues and expenditures** that the City will incur due to the development.
6. The development **will create an annual cost over revenue of \$135,591 for the City's general fund** once the development is complete.
7. The developers will make a donation of over 230 acres of valuable land that was purchased by the applicant for dedication as open space to the City of Durango. **This land donation is valued at \$4,500,000.**
8. The developers will make a donation to the local transportation (transit) network with the purchase of a bus. **This bus donation is valued at approximately \$60,000.**

2.0 GENERAL FISCAL IMPACTS

2.1 Contributions to the Local Community and to the City of Durango

Twin Buttes will also provide the community with benefits that are not a direct fiscal impact, such as an improvement in the quality of life of those residents residing in and visiting the sustainable development. The development calls for green belt and open space land designations, providing public access to over 400 acres of untouched forest land. The plan includes redeveloping and improving upon the appearance of a stretch of land along Highway 160 that could be considered as part of the “gateway” into Durango. The development also includes community gardens and nature trails designed to have limited impact upon the wildlife in the area. These land uses do not generate revenues to offset the expense of providing services to them, but they are an important ingredient in the overall concept of smart growth. It is believed that this land use has the potential for a positive impact and will contribute to the quality of life in the City and the greater Durango area. There are also financial contributions the community will benefit from that are not included in the basic fiscal impact for the City’s general government fund.

These important contributions are discussed here and include:

- ❖ Land donation to the City.
- ❖ Transfer fee revenues to the Regional Housing Authority,

2.1.1 Land Donation

In the fall of 2007, the applicant purchased two parcels comprising of approximately 155 acres. These parcels were known as the “Dugan Property” and consist of the upper reaches of the Twin Buttes region. This land is to be included with approximately 75 acres of the McIntyre Ranch Property and is proposed to be dedicated to the City. This 230 acres is has an approximate value of \$4.5 million.¹This land is included in the developer’s plans as Open Space and plan to donate this land to the City of Durango. Although this does not translate into immediate monetary revenue for the City, it will certainly be a valuable asset.

2.1.2 Transfer Fee

The applicant proposes to implement a 1% transfer fee paid by the sellers of the homes in Twin Buttes. The revenue from this transfer fee would be paid to the Regional Housing Alliance for financing programs to make available affordable and attainable homes for local families. The revenue

¹ This land value was determined by the purchase price of the land. Total acres purchased by Twin Buttes Land and Cattle Company, LLC in 2007 = 154 for \$3,000,000. This gives a price per acre of \$19,480. The total number of acres to be dedicated to the City as Open Space is 230. Therefore, 230 x \$19,480 = approximately \$4,500,000.

generated from this fee will be substantial. The following analysis provides three scenarios: one estimates the amount the Housing Authority will receive when all units are sold, assuming that the units are sold initially when all units are completed in year 2024; the second assumes that the units are then sold every 7 years thereafter (until 2045), and the third assumes the units are sold every 10 years thereafter (until 2044).

According to data from the Durango Area Association of Realtors, housing prices in Durango have increased, on average, about 9% per year since 1995. This average includes prices in recent years, which have increased around 15% as the “real estate bubble” took place across the country. Taking that into consideration, a very conservative percentage to use for future price increases in Durango would be about 3% per year.

Scenario One: It is projected that in the year 2024 the transfer fee will generate approximately **\$2,260,000** for the Housing Alliance (excluding Accessory Dwelling Units-ADU’s). Recognizing that some housing units will be sold during the construction phase of the project (from 2009 to 2024), this would mean an **average annual revenue stream of approximately \$150,667.00** for the Housing Alliance during the fifteen year build out period alone (assuming about 6.66% of the housing units will be built each year).

Year	Average Market Value of Units	Number of Units*	Total Market Value	1% Transfer Fee	Fee
2024	\$400,000	565	\$226,000,000	0.01	\$2,260,000

Note:
 *Although there are 595 units in the development, 30 units will be Accessory Dwelling Units and therefore will not be sold separately and therefore, will not generate transfer fees.

Scenario Two: Using the 3% annual appreciation rate, and assuming housing units will be transferred every 7 years (3 transfers), the transfer fee will provide approximately **\$10,400,000 for the Housing Authority over the period of year 2031 to year 2045.**

Scenario Three: Using the 3% annual appreciation rate, and assuming housing units will be transferred every 10 years (2 transfers), the transfer fee will provide approximately **\$7,119,000 for the Housing Authority over the period of year 2034 to year 2044.**

3.0 ECONOMIC IMPACT (Output, Earnings, and Job Creation) OF THE CONSTRUCTION OF TWIN BUTTES

In addition to the fiscal impact on the local economy by Twin Buttes, the construction of Twin Buttes will also create a positive economic impact in the local community. Economists call this the **multiplier effect**. The multiplier effect is an economic concept that suggests that a productive project such as Twin Buttes will generate income for those who reap the benefits of this productivity. This income basically means additional wealth for the community because the income is then spent in other parts of the local economy, generating income for those whose businesses see this new spending. This then generates even more income when this new revenue is spent. For example, in constructing and financing the buildings and infrastructure for Twin Buttes, the developers will spend dollars on local building supplies, gas, and even things like restaurant meals, financial interest, etc. This will also generate new sales tax revenue to the City of Durango. They also hire local workers. The developers are dedicated to using local vendors and workers whenever possible. Each time funds are spent on such items they are captured in the local economy as additional wealth or income.

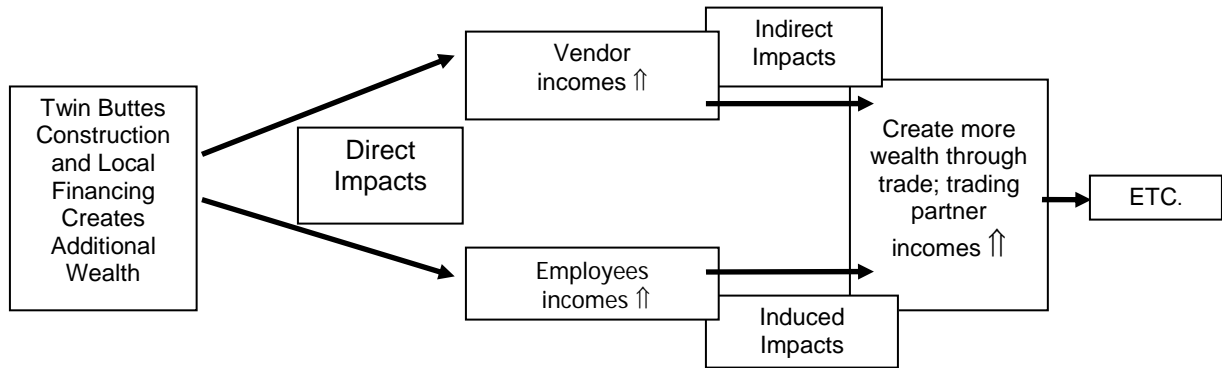
Furthermore, due to the increase in productivity generated by this project, **new jobs will be created for the community**. Not only will there be construction related jobs created for the planned development itself, but the productivity generated by the multiplier effect will also create jobs. Furthermore, there will be jobs created to care for the residential properties, related grounds, and surrounding areas (these jobs are not included in this analysis – it only includes jobs generated from the construction of Twin Buttes). Economists break down these positive effects from a productive project into direct, indirect, and induced effects.

Direct, Indirect, and Induced Effects

Direct effects occur when a developer or contractor spends money in the local economy, generating income for the vendors he or she does business with. Multiplier effects are used to capture the secondary effects of construction spending in a region, including interest paid to finance the project locally. There are two basic kinds of secondary effects:

Indirect effects are the changes in sales or output, income or earnings, and jobs within backward-linked industries in the region, i.e., business that supply goods and services to the construction projects. For example, a contractor might purchase nails from a local home improvement store. Each business that provides goods and services locally benefits indirectly from construction spending. Furthermore, the local banks benefit from the interest and fees paid by the developers through financing the construction.

Induced effects are the changes in sales or output, income or earnings, and jobs in the region resulting from household spending of income earned either directly or indirectly from construction spending or from financing the spending. Employees working for construction firms and banks and backward linked industries spend their income in the local region creating additional sales and economic activity. See the diagram below.



Economists typically estimate indirect and induced impacts by using a multiplier. Multipliers are used to represent the “ripple effects” of money in the economy as it is traded numerous times, generating wealth and income. When determining a multiplier to use, a study should account for the amount of purchases that are made by the construction industry outside of the region being studied. Since Durango is a relatively rural area, some of the spending by construction firms for materials and capital equipment will take place outside of the area (although the developers of Twin Buttes will attempt to buy locally whenever possible). It is estimated by the Homebuilder’s Association of Durango that 80% of what is used by local builders is bought locally. A large amount of direct spending by construction firms in the local area is on their labor force, which in turn becomes earnings for their employees.

The multipliers used in this study were obtained from the Bureau of Economic Analysis (BEA) and were calculated for the Southwest Colorado region.² Three separate multipliers were used for both the construction phase of the project and the financing phase of the project.³

- 1. **The Output Multiplier: 1.72 (construction industry)
1.44 (banking industry)**

The output multiplier estimates how much the investment by the developers of Twin Buttes will add to total productivity or output in the local economy. Obviously, the

² Bureau of Economic Analysis, Regional Input-Output Multipliers, Southwest Colorado Region.

³ It is assumed that the project will be financed by local banks. The Federal Deposit Insurance Corporations reports that as of June 30, 2007, La Plata County had deposits equal to \$1,034,000,000 (most recent number available). Therefore, local banks should be about to finance the project (\$183,994,000) over the 15 year build out period.

initial investment by the developers contributes productivity or output to the area, but when the developers buy products from other local industries, this trading activity also increases the productivity or output of these other industries. The final change in output delivered to final users due to this development is captured by using the multiplier. When making the investment in Twin Buttes, \$1 of construction output by the developers will increase output or sales of firms in the construction industry and related industries by \$1.72. That is, delivering \$1 worth of construction output requires an additional seventy two cents of output. Since the developers will finance the building locally, the interest and fees paid will go to the local finance industry, creating another increase in local productivity. For every \$1 worth of interest and fees paid to the local banking industry, another .44 cents of productivity is generated.

This output increase includes earnings to households employed in construction and related industries, banking and related industries, and also translates into additional jobs.

**2. The Earnings Multiplier: 1.60 (construction industry)
1.59 (banking industry)**

The earnings multiplier estimates the additional income generated from the initial investment by Twin Buttes developers and the interest and fees paid due to local financing. As the developers construct Twin Buttes, they pay their employees and contractors, increasing their earnings. Also, as the developers buy output from local industries, the income or earnings of these vendors and their employees increases. A large portion of this income will generate sales tax revenue for the City's general fund that is not included in the general fund analysis. Furthermore, as the developers pay interest and fees to local banks, the banks pay their employees and vendors, so their earnings increase. The earnings multiplier captures this increase in earnings to the local area. When making the investment in Twin Buttes \$1 of construction output generated by the developers will increase earnings of households in the local economy by approximately \$1.60. When paying interest to the banks, \$1 paid (earnings to banks) generates another .59 cents of earnings.

**3. The Employment Multiplier: 1.80 (construction industry)
1.72 (banking industry)**

The employment multiplier estimates the additional jobs generated from the initial investment by Twin Buttes developers and their financing of the project. As the developers construct Twin Buttes, they need to hire people – this productivity creates jobs. And as these new job holders spend their earnings in local restaurants, grocery stores, sporting goods stores, etc., and they increase the job creation in those industries. Even more jobs are created when the developers

create wealth in other industries by doing business with them as well. For every \$1 million of construction output produced by Twin Buttes developers, it is expected that employment will increase by almost 2 jobs (1.8). Table 1 summarizes the economic impact on the local economy estimated to take place due to the construction of Twin Buttes. Furthermore, local financing also generates jobs in the local banking industry and in those industries the banks do business with. For every \$1 million of interest paid to local banks, 1.7 new jobs are created. Table 2 summarizes the economic impact on the local economy estimated to take place due to the financing of the construction of Twin Buttes. Table 3 summarizes the total economic impact of Twin Buttes to the local economy.

Table 1- Results of Economic Impact Study – New Construction

Construction Spending by Twin Buttes Developers ¹	\$147,195,200
Times the Output Multiplier (1.72)	\$253,175,744
Times the Earnings Multiplier (1.60)	\$235,512,320
Times the Employment Multiplier (1.80) ²	265 (approximate) jobs

¹This was calculated from estimated cost figures provided by the developers. It includes both residential and commercial development and includes both materials and labor costs. It is assumed that 80% of the investment made by the developers will be spent locally. This is the typical estimate made by the Homebuilder's Association of Durango. Therefore, total investment of \$183,994,000 x .80 = \$147,195,200.

²Jobs created per \$1 million dollars spent.

Table 2 - Results of Economic Impact Study – Local Financing

Local Interest/Fees Paid by Twin Buttes Builders <small>See Appendix G</small>	\$14,075,541
Times the Output Multiplier (1.44)	\$20,268,779
Times the Earnings Multiplier (1.59)	\$22,380,110
Times the Employment Multiplier (1.72)	24 (approximate) jobs

Table 3 - Results of Economic Impact Study – Total

Total Output Generated	\$273,444,523
Total Earnings Generated	\$257,892,430
Total Number of Jobs Created	289 (approximate) jobs

Output: The initial amount invested in new construction, coupled with the productivity created for local banks through financing the project, will generate a

total of approximately **\$273,400,000** in productivity (or output). The additional output dollars are generated from direct spending and financing by the construction project as well as by the indirect and induced spending that follows from it.

Earnings: As a result of increasing output or productivity in the local economy by developing Twin Buttes, earnings of households in the local area are expected to increase by approximately **\$257,900,000**.

Employment: The development of Twin Buttes will generate approximately **289 new jobs** in the local economy during the duration of the construction project. It is estimated that the construction project will take place over a fifteen year period. This is an average of approximately 19 new jobs every year while the project is being built. This does not include new jobs generated due to the additional productivity of Twin Buttes and the businesses that will operate in the redeveloped area of Twin Buttes.

4.0 FISCAL IMPACTS ON THE CITY OF DURANGO'S GENERAL FUND

The following analysis is an evaluation of the revenues and expenditures associated with providing general government services to the future residents and businesses of Twin Buttes.

4.1 Fiscal Model

The first step in the fiscal analysis is the evaluation of the revenues and expenditures associated with providing general government services to the future residents and businesses of Twin Buttes. Data was collected from representatives from major City departments and other appropriate entities; including the Durango Fire and Rescue Authority, the Durango Police Department, Public Works Department and the City of Durango Finance Director. Based on the data collected and insight gained, a fiscal impact model was developed.

4.1.1 Methodology

The following outlines the estimating methodologies used in the analysis:

- Case Study – This refers to a specific calculation of the marginal revenues or expenditures derived from the project based on detailed data. Case studies were developed for revenue and expenditure sources when refined calculation methods were available (as an example, property tax revenue was determined based on market value multiplied by the assessment ratio, multiplied by the applicable mill rate).
- Per Capita – This is an average revenue or expenditure measure based on existing levels of revenues or expenditures. This estimating technique is used when more detailed data is not available. The City budget (the 2008 proposed budget was used in this study) is divided by the population to derive an average per capita multiplier. This is then multiplied by the population of Twin Buttes to provide the marginal expenditure the City will incur due to the population of Twin Buttes. For many City expenditures, as the population of the City increases, there is not a proportional increase in expenditures for the City. Therefore, a conservative 50% multiplier was used as per City officials.
- Per Person Served – This is an average revenue or expenditure measure based on the daytime population of a jurisdiction, accounting for the entire residential population, 50 percent of the non-resident employees working in the jurisdiction, and overnight tourists. The assumption is that a portion of the non-resident

employee base and overnight tourists add to the daytime population, impacting some services such as public safety. This estimating technique is used when more detailed data is not available. The City budget is divided by the population served to derive an average persons served multiplier. See footnote seven pertaining to Table 18 for a detailed explanation of this multiplier.

4.2 Revenues

Following are the estimates for the primary revenue streams for Twin Buttes that will impact the General Fund. It is assumed that the project's total build out will take place over a fifteen year period. In year 2024 the project will be complete. The number of residential and commercial units used in the analysis is the number of units that will exist once the project is complete.

As we note later in the Expenditures section of this study, we did not include up front capital expenditures related to water, sewer and roads because they will be mostly offset by fees paid by the developers. We do include water system, sewer system, road maintenance expenditures, and replacement costs for capital expenditures depreciated over 50 years. We include water, sewer, and road impact fee revenue estimates in the appendices of this study, but they are not included in the revenue estimates provided in the main cost/benefit study.

The City of Durango can expect to receive additional revenues due to Twin Buttes from the following sources:

- The City's Share of the La Plata County Road and Bridge Fund
- Sales Taxes
- Property Taxes
- Use Taxes
- Building Permit Fees
- Franchise Fees – Electric, Cable TV
- Water System Sales
- Sewer System Sales
- Other City Revenues

4.2.1 City's Share of the La Plata County Road and Bridge Fund Revenue Estimates

The property values are best estimates based on existing real estate trends in the area. A property tax rate of 7.90%** and a property mill levy of 0.710 mills*** are applied to the total tax base value. The City of Durango receives 50% of this amount generating an estimated annual tax of **\$6,675** at the fifteen year build out.

Table 4 – Road and Bridge Fund Revenue Estimates

Total Market Value*	Tax Rate	Tax Rate Running Balance	Mill Levy	Tax Revenue	City's Share	Tax Estimate
\$238,000,000	7.90%	\$18,802,000	0.00071	\$13,349.42	50%	\$6,674.71
Total Annual Expenditures At the 15 Year Build Out						<u><u>\$6,674.71</u></u>

Notes:

*Total Unit Market Value assumes that the average market value of all units is \$400,000.00 x 595 units.

**Property Tax Rate Source: County Assessor's Office

***Property Mill Levy Source: Edward Murray, County Treasurer's Office

4.2.2 Sales Tax Revenue Estimates

Twin Buttes will provide additional housing for residents in the Durango area. Although some people who move into Twin Buttes might already be residents of Durango, as they move into Twin Buttes, they will make other housing available to new residents. The additional housing will allow an increase in new residents to the area. Therefore, Twin Buttes will generate additional retail sales in the City limits.** These retail expenditures will generate additional sales tax revenues for the City of Durango. Furthermore, the retail spaces that will eventually exist within the Project will generate new sales tax revenues because these businesses will increase the sales tax base for the City.

As Table 5 shows, resident spending and the addition to the tax base by the new businesses in Twin Buttes will generate an estimate of annual sales tax revenues of **\$1,055,512** for the City of Durango when the fifteen year build out is complete.

Table 5 - Retail Sales Tax Revenue from the New Residents and Businesses of Twin Buttes

Residential		
New Annual Expenditures at 15 Year Build Out		\$25,364,441.34
City Sales Tax (%)*	3.00%	\$760,933.24
Portion of County's 1.00% (%)	0.36%	\$91,311.99
Joint City/County Portion (%)	0.11%	\$27,900.89
Total Estimated Sales Tax Revenue	3.47%	<u>\$880,146.11</u>
Commercial		
New Annual Sales at 15 Year Build Out*		\$5,053,773.00
City Sales Tax (%)*	3.00%	\$151,613.19
Portion of County's 1.00% (%)	0.36%	\$18,193.58
Joint City/County Portion (%)	0.11%	\$5,559.15
Total Estimated Sales Tax Revenue	3.47%	<u>\$175,365.92</u>
Total Sales Tax Revenue from New Residents and New Businesses		<u><u>\$1,055,512.03</u></u>

Notes:

*See Appendix C.

**This analysis assumes a 3% vacancy rate in determining the population for Twin Buttes.

4.2.3 Property Tax Revenue Estimates

Annual property tax revenues generated from both residential and commercial property at the fifteen year build out will be approximately **\$59,382**.

Table 6 – Property Tax Revenue Estimates

Total Market Value*	Asses. Rate**	Assessed Value	Mill Levy**	Tax Revenue
\$238,000,000.00	7.90%	\$18,802,000.00	0.002507	\$47,136.61
				<u>\$47,136.61</u>
Total Market Value***	Asses. Rate	Assessed Value	Mill Levy	Tax Revenue
\$20,650,000	29.00%	\$5,988,500.00	0.00251	\$15,031.14
Total After Fifteen Year Build Out				<u>\$15,031.14</u>
TOTAL BOTH RESIDENTIAL AND COMMERCIAL				<u>\$62,167.75</u>
Revenue the City Will Lose****		Assessed Value*****	Mill Levy	Tax Revenue
		\$1,109,814.90	0.00251	<u>\$2,785.64</u>
NET TAX REVENUE				<u><u>\$59,382.11</u></u>

Notes:

*Total Unit Market Value assumes that the average market value of all units is \$400,000.00 x 595 units.

**Property tax rate source: County Assessor's Office and Property Mill Levy source: Edward Murray, County Treasurer's Office.

***The commercial property value determined as follows: the development contains 59,000 square feet of Commercial space; the market value per square foot estimate = \$350.00, therefore, total market value = \$20,650,000. Market Value per square foot estimate from Robert W. Allen, Colorado Certified General Appraiser, Allen & Associates, May 2008. The average value provided by Robert W. Allen for commercial property was \$362 per square foot. Since that number includes high traffic properties sold in the downtown Durango area, we adjusted the price down to \$350 per square foot to take into account the location of the units that will be sold in Twin Buttes.

****Since the City is now receiving property tax revenue from the property as it now exists, this amount should be deducted from the tax revenue they will receive in place of this revenue.

*****The assessed value from 2007 was used as the current value of the property. Using a conservative estimate of an increase in value of 3% per year – the assessed value for year 15, when the project is complete was estimated. This amount times the mill levy provides the estimated tax revenue (annual) that the City would have earned if the development had not taken place.

4.2.4 Use Tax Revenue Estimates

There will be a one-time, non-recurring materials use tax. This study estimates the taxable value based on construction values for residential local trends. Construction material values are calculated assuming 50% of the total construction value. The City's portion of the use tax is 2.0%.

This study assumes that since the builders of Twin Buttes will have donated all of the land that the attainable and affordable housing units will reside, the City should (will) partner with the builders with respect to the use taxes and waive all or some of these taxes (for the attainable and affordable units only). However, for this study we assume the developers pay all of the taxes.

It is estimated that the use tax will generate a one-time, non-recurring use fee revenue to the City of Durango of: **\$1,839,940**.

Table 7 – Use Tax Revenue Estimates – One Time Only Fee

Total Construction Value		\$183,994,000
Materials Value	50.00%	\$91,997,000
Use Tax	2.00%	<u>\$1,839,940</u>

Notes:

*Use Tax: Source - Julie Brown, Durango's Finance Director.

**Materials Value 50%: See Appendix A.

4.2.5 Building Permit Fees

This study estimates building permit fees based on anticipated construction values for the development. The total development construction value has an applied building permit fee. Estimates are based upon a base rate of \$6,327.00 for the first \$1,000,000.00 plus \$3.00 for each additional \$1,000.00 or fraction thereof for building valuation \$1,000,000.00 and up; and \$3,827.00 for the first \$500,000.00 plus \$5.00 for each additional \$1,000.00 or fraction thereof for building valuation between \$500,001.00 to \$1,000,000.00. See Appendix F.

This study assumes that since the builders of Twin Buttes will have donated all of the land that the attainable and affordable housing units will reside, the City should (will) partner with the builders with respect to the building permit fees and waive all or some of these fees (for the attainable and affordable units only). However, for this study we assume the developers pay all of the fees.

This study estimates a one-time, non-recurring building permit revenue to the City of Durango of **\$284,483**.

Table 8 – Building Permit Revenue Estimates – One Time Only Fee

	Estimated Construction Value* Phase One	Estimated Permit Revenues** Phase One	Estimated Construction Value* Phase Two	Estimated Permit Revenues** Phase Two
Number of Single Family Units				
Open Market	\$76,534,500.00	\$89,861.50	\$62,548,500.00	\$75,875.50
Number of Town Houses/Apartments/Accessory Dwelling Units				
Open Market	\$25,012,000.00	\$38,339.00	\$1,924,000.00	\$9,099.00
Attainable	\$4,095,000.00	\$15,612.00	\$2,160,000.00	\$9,807.00
Affordable	\$1,800,000.00	\$8,727.00	\$562,500.00	\$4,139.50
ADU's	\$1,125,000.00	\$6,702.00	\$562,500.00	\$4,139.50
Total Residential Construction Value By Phase	\$108,566,500.00		\$67,757,500.00	
Permit Fee By Phase		\$159,241.50		\$103,060.50
Total Permit Revenue Estimate for Residential Construction				\$262,302.00
Commercial Construction	7,670,000.00	20,997.00		
 TOTAL Permit Fee Revenue for Residential and Commercial				\$284,482.50

Notes:

*See Appendix A

**See Appendix F

4.2.6 Franchise Fee Revenue Estimates

This study includes revenue estimates based on anticipated franchise fee contributions. Cable TV franchise revenues are estimated at \$50.00 per month for 577 residential units. Five percent of these revenues are claimed by the City. Residential electric franchise fees are estimated at \$66.39 per residential unit per month for 577 units. The City claims 4.67 percent of these revenues. Commercial electric franchise fees are estimated to be \$5,711.60 at build out. The total franchise revenue estimate is **\$44,489**.

Table 9 – Franchise Fee Revenue Estimates

	Estimated Monthly Expense**	Number of Months	Estimated Annual Expense	Number of Units*	Total Estimated Expense	City's Franchise Fee (%)	Estimated City Share
Cable TV	50.00	12	600.00	577	346,200	5.00%	17,310.00
Electric - Residential	66.39	12	796.68	577	459,684	4.67%	21,467.26
Total Residential Fees							38,777.26
Electric - Commercial Small Restaurant and Market	1,470.00	12	17,640.00	1	17,640.00	4.67%	823.79
Very Small Misc. Retail	735.00	12	8,820.00	6	52,920.00	4.67%	2,471.36
Large Professional Services	4,312.00	12	51,744.00	1	51,744.00	4.67%	2,416.44
Total Commercial Fees							5,711.60
Total Annual Fee Revenues At 15 Year Build Out							<u>\$44,488.86</u>

Notes:

*See Appendix B. Total units at build out = 595. Assuming a 3% vacancy rate at any given time, total number of units = 577.

**Cable TV estimated monthly expense determined by monthly cable price (Bresnan Communications) of basic cable service = \$29.99 plus premium services (costs depends upon service). Average customer cost = \$50. Residential Electric service estimate based upon the average residential monthly bill of La Plata Electric Association for 2006 = \$66.39, which is 677 kWh per month (La Plata Electric Association Annual Report for 2006). Commercial Electric service estimate based upon information provided by Mark Schwantes of La Plata Electric Association of commercial electric use in Twin Buttes. The average monthly bill for a small restaurant or market is estimated to be \$1,470.00. For a larger service establishment, the estimate is \$4,312.00 per month. These numbers are determined by looking at a sample size of the average amount of kWh used by similar establishments currently in operation. The number of kWh used is then multiplied by the kWh charge of \$0.098 to determine the monthly bill.

4.2.7 Water System Sales Revenue Estimates

Based upon information provided by the City of Durango, it is estimated that new water sales and fixed monthly water fees paid by the residents of Twin Buttes will generate **\$221,730** per year in revenue for the City of Durango.

Table 10 – Water System Revenue Estimates

Item	Unit	Unit Cost*	Quantity	Revenue
Water Sales	Thousand Gallons	2.12	62625.5	\$132,766
Monthly Fixed	Accounts	149.52	595**	\$88,964
Total Annual Water Revenues At 15 Year Build Out				<u><u>\$221,730</u></u>

Notes:

*Unit cost estimates provided by Jack Rogers, Public Works Department, City of Durango.

**Number of units provided by Twin Buttes development plan. Although some units might be vacant at any given time, the fixed monthly water fee would still be paid by the owners of the units not occupied.

4.2.8 Sewer System Sales Revenue Estimates

Based upon information provided by the City of Durango, it is estimated that new sewer sales and fixed monthly sewer fees paid by the residents of Twin Buttes will generate **\$74,042** per year in revenue for the City of Durango.

Table 11 – Sewer System Revenue Estimates

Item	Unit	Unit Cost*	Quantity	Revenue
Sewer Sales	Thousand Winter Gallons	1.95	28560	\$55,692
Monthly Fixed	Accounts	30.84	595**	\$18,350
Total Annual Water Revenues At 15 Year Build Out				<u><u>\$74,042</u></u>

Notes:

*Unit cost estimates provided by Jack Rogers, Public Works Department, City of Durango.

**Number of units provided by Twin Buttes development plan. Although some units might be vacant at any given time, the fixed monthly water fee would still be paid by the owners of the units not occupied.

4.2.9 Other City Revenue Estimates

Based upon information provided by the City of Durango, it is estimated that the City will generate additional revenue from the builders and the population of the Twin Buttes development when using certain City services. Revenues will be generated for the Planning and Community Development department through future planning fees, the Municipal Court through parking ticket revenue and other sources, some recreation divisions of the City through use fees, and for the library through overdue fees and other sources. These revenues are estimated to generate **\$218,024** for the City of Durango on an annual basis at build out.

Table 12 – Other City Revenue Estimates*

Department	Annual Revenue
Planning/Community Development**	\$78,404.00
Municipal Court	\$10,962.00
Recreation Divisions***	\$122,014.00
Library	\$1,644.00
Transportation****	\$5,000.00
Total Annual Revenues at 15 Year Build Out	<u>\$218,024.00</u>

Notes:

*Estimates provided by Julie Brown, Finance Director, City of Durango.

**This includes planning fees, estimated by Mark Williams, Planning and Community Development Department, City of Durango.

***Revenues for 2007 showed that 56% were from City Residents, 44% from Nonresidents. Therefore, although total revenue was = \$217,882.80, only 56% of this can be attributed to new residents of Twin Buttes. So $217,882.80 \times .56 = \$122,014.37$.

****Estimate from the Transportation Division, City of Durango.

4.3 TOTAL REVENUE ESTIMATES

An estimate of the total revenues that will be generated by Twin Buttes is shown in Table 13. This table includes the one-time non-recurring revenue that will be generated from the use taxes and the building permit fees that will be paid by the developers. It also includes the recurring annual revenue stream at the fifteen year build out. This study estimates that the City will receive one-time revenues in the amount of **\$2,124,423** and recurring, annual revenues at the fifteen year build out of **\$1,679,854**.

Table 13 – Total Revenue Estimates

	One Time Revenue	Total Annual Revenue At Fifteen Year Build Out
La Plata County Road and Bridge Fund		\$6,675.00
Sales Tax Revenues		\$1,055,512.00
Property Tax Revenues		\$59,382.00
Use Tax Revenues	\$1,839,940.00	
Building Permit Fees	\$284,483.00	
Franchise Fees		\$44,489.00
Water Sales Revenue		\$221,730.00
Sewer Sales Revenue		\$74,042.00
Other City Revenues		\$218,024.00
Totals	\$2,124,423.00	\$1,679,854.00

4.4 Expenditures

This section of the study deals with those costs associated with Twin Buttes that will impact the General Fund of the City of Durango. As noted earlier in the Revenues section of this study, we did not include up front capital expenditures related to water, sewer and roads because they will be mostly offset by fees paid by the developers. We do include water system, sewer system, road maintenance expenditures, and replacement costs for capital expenditures depreciated over 50 years. We include water, sewer and road impact fee revenue estimates in the appendices of this study, but they are not included in the revenue estimates provided in the main cost/benefit study. The City of Durango can expect to have additional expenditures associated with Twin Buttes in the following areas:

- Public Safety Expenditures, including police and fire
- Expenditures related to Water systems
- Expenditures related to Sewer systems
- General Government Expenditures
- Public Safety Expenditures
- Public Works Expenditures
- Parks and Recreation Expenditures
- Expenditures for the Library
- Transportation Expenditures

4.4.1 Public Safety – Expenditure Estimates

1. Police

The information contained in this table is based upon discussions about the general planned development area around the Highway 160 West corridor with Al Bell, Chief of Police for the Durango Police Department. Additional capital needs for the positions would include equipment such as uniforms, fire arms, protective vests, and two additional patrol cars. Capital costs are one-time costs that will be incurred due to the development. There will also be additional operating costs due to the need for more police officers to patrol the development. The administrative costs of providing police protection to the Twin Buttes development are included in the “Other City Expenditure Estimates” section of this report and are determined on a per capita increase basis. All expenses for police are paid for out of the general fund of the City of Durango. It is estimated that the construction of Twin Buttes will generate a one-time, non-recurring use cost to the City of Durango of **\$88,874** and a recurring cost of **\$130,500** to provide police service.

Table 14 – Public Safety – Estimated Expenditures for Police

Estimated Operating Expenditures	
Additional Residential Persons Served*	1,305
Additional Officers**	2.61
Salary and Benefits Per Officer	\$50,000.00
Total Estimated Salary and Benefits	\$130,500.00
Total Estimated Capital Expenditures	\$88,874.00

Notes: Source, Al Bell, Chief of Police, Durango, Colorado.

*See Appendix B. Assumes a 3% vacancy rate.

**One Officer per 500 Additional Residences

***Capital Expenditures: Equipment, Fire Arms, Uniform, etc \$3,400.00 per Officer x 2.61 Additional Officers = \$8,874.00 plus the cost to buy and equip two additional patrol cars at \$40,000 each = \$80,000.

4.4.2 Fire

The estimate of expenditures for fire protection is broken down into operating expenses and capital expenditures. The operating expenses are determined using a specific formula shown below and are included here as an annual expense (fire service is contracted out by the City to the DFRA). Capital costs (additional equipment, etc.), however, are one-time costs that will be incurred by DFRA but not by the City of Durango. Although these costs are estimated here, they are not included in the overall cost to the City's general fund. It is estimated that the construction of Twin Buttes will generate a recurring cost of **\$136,596** for fire protection.

Table 15 – Public Safety – Estimated Expenditures for Fire

	<u>One-Time Expenditure*</u>
Estimated Capital Expenditures	
Residential	
Phase 1 sq ft	616,600
Phase 2 sq ft	380,400
Commercial sq ft	59,000
Total Development sq ft	1,056,000
Operating Factor Per Sq Ft**	\$0.49
Total Estimated Capital Expenditures	<u>\$517,440.00</u>

Notes:

*These one-time expenditures will be paid by DFRA and are not an expense to the City's general fund.

**Operating Factor per sq ft: Source Dan Noonan, Chief, DFRA.

Market Value**	Assec. Rate*	Acces. Value	Rate*	Annual Operating Expenses
\$238,000,000.00	7.90%	\$18,802,000.00	0.00551	\$103,599.02
Total Annual Residential Expenses at 15 Year Build Out				<u>\$103,599.02</u>
Market Value***	Assec. Rate*	Acces. Value	Rate*	Operating Expenses
\$20,650,000.00	29%	\$5,988,500.00	0.00551	\$32,996.64
Total Annual Commercial Expenses at 15 Year Build Out				<u>\$32,996.64</u>
Total Annual Operating Expenses at Fifteen Year Build Out				<u>\$136,595.66</u>

Notes:

*Rate of assessed value determined from the rate used for assessed values for the years ending 2002-2008. Formula for determining expenditures provided to the City Council by DFRA on November 6, 2007, during public comment discussion regarding the City budget.

**Total Unit Market Value assumes that the average market value of all units is \$400,000.00 x 595 units.

***The commercial property value determined as follows: the development contains 59,000 square feet of Commercial space; the market value per square foot estimate = \$350.00, therefore, total

market value = \$20,650,000. Market Value per square foot estimate from Robert W. Allen, Colorado Certified General Appraiser, Allen & Associates, May 2008. The average value provided by Robert W. Allen for commercial property was \$362 per square foot. Since that number includes high traffic properties sold in the downtown Durango area, we adjusted the price down to \$350 per square foot to take into account the location of the units that will be sold in Twin Buttes.

4.4.3 Water System Expenditures

Water system expenditures include annual operating and maintenance costs, as well as costs to replace depreciated capital determined as annual depreciation of the capital over a 50 year basis. It is estimated that the water system to service the Twin Buttes development will generated an annual expenditure for the City of **\$232,353**.

Table 16 – Water System Expenditures*

Item	Unit	Unit Cost	Quantity	Capital Cost	Replacement Cost	Operation Cost	Maintenance Cost	Total Annual Cost
PIPE								
18"	Feet	\$250	2,000	\$500,000	\$10,000		\$2,179	\$12,179
12"	Feet	\$150	5,000	\$750,000	\$15,000		\$5,446	\$20,446
8"	Feet	\$90	20,000	\$1,800,000	\$36,000		\$21,785	\$57,785
Pump Station								
Pumps	Each	\$10,000	3	\$30,000	\$1,500		\$1,000	\$2,500
Power	Kw-Hr	\$0.0890	527,727			\$46,968	\$0	\$46,968
Station	Each	\$150,000	1	\$150,000	\$7,500		\$2,000	\$9,500
Tank	Each	\$1,000,000	1	\$1,000,000	\$20,000		\$5,000	\$25,000
Meter Reading	Each	\$31	595			\$18,507		\$18,507
Water Treatment	Gallons	\$0.00051	76,905,500			\$39,468		\$39,468
Total Annual Cost of Water Service at 15 Year Build Out								<u><u>\$232,353</u></u>

Note:

*All cost estimates provided by Jack Rogers, Public Works Department, City of Durango.

4.4.4 Sewer System Expenditures

Sewer system expenditures include annual operating and maintenance costs, as well as costs to replace depreciated capital determined as annual depreciation of the capital over a 50 year basis. It is estimated that the sewer system to service the Twin Buttes development will generated an annual expenditure for the City of **\$183,820**.

Table 17 – Sewer System Expenditures

Item	Unit	Unit Cost	Quantity	Capital Cost	Replacement Cost	Operation Cost	Maintenance Cost	Total Annual Cost
Lift Station	Each	\$50,000	6	\$300,000	\$15,000		\$48,000	\$63,000
12" Sewer Pipe	Feet	\$85	5,000	\$425,000	\$8,500		\$3,647	\$12,147
8" Sewer Pipe	Feet	\$85	20,000	\$1,700,000	\$34,000		\$14,588	\$48,588
Sewer Treatment	Gallons	\$0.00078	76,905,500			\$60,085		\$60,085
Total Annual Cost of Sewer Service at 15 Year Build Out								<u>\$183,820</u>

Note:

*All cost estimates provided by Jack Rogers, Public Works Department, City of Durango.

4.4.5 Other City Expenditure Estimates

Similar to the revenues, this study evaluates expenditures for the general fund of the City of Durango. Typical government expenditures (i.e., City Manager, Finance, Human Resources, and administration divisions of other departments) are estimated on a per capita or per person served basis (daytime population). Some of the general government expenditures do not have a direct proportional relationship with increases in development. The estimating multipliers were reduced by 50 percent to account for this relationship. The Parks and Recreation – Recreation Divisions expenditure multiplier was not reduced because of the direct relationship with demand for these services as the population grows. The detailed analysis is shown below in Table 18.

Several department expenditures required unique estimating methodologies. For example, operating expenditures for fire protection were estimated by using DFRA's formula for estimating fees for Fire/EMS services. The amount determined by this formula was put in a separate section (see Table 15) and is therefore not included here. Likewise, additional capital and operating expenditures required (due to the development) for services are estimated on a case analysis basis and not included in Table 18. Estimates for street cleaning, snow removal and street maintenance are based on an average cost per road mile. Similarly, parks/open space maintenance, trails maintenance, and forestry (tree) maintenance are estimated based on the number of acres/miles/trees maintained. All parks that will exist in the Twin Buttes development will be less than five acres in size and will be maintained by the development homeowner's association (HOA). The Durango Public Library is a regional library. Therefore, expenditures were calculated using a daytime population of the city.

The developers have agreed to purchase a bus for the City of Durango Transportation Department at a cost of approximately \$60,000. Therefore, this expenditure will not be incurred by the City.

It is estimated that the "other city expenditures" to service the Twin Buttes development will generate an annual expenditure to the City of **\$1,132,176**.

Please see footnotes to Table 18 for detailed explanations of how the expenditures were derived.

Table 18 – Other City Estimated Expenditures

	City of Durango 2008 Adopted Budget ¹	2008 Population ¹	Per Capita	50% Per Capita ²	Annual Population of Twin Buttes ³	Expenditures
General Government						
Planning/Community Dev. ²	\$1,452,057.00	15,878	\$91.45	\$45.73	1305	\$59,671.70
City Manager ²	\$440,681.00	15,878	\$27.75	\$13.88	1305	\$18,109.61
City Attorney ²	\$195,870.00	15,878	\$12.34	\$6.17	1305	\$8,049.20
Human Resources ²	\$505,689.00	15,878	\$31.85	\$15.92	1305	\$20,781.09
City Clerk ²	\$389,173.00	15,878	\$24.51	\$12.26	1305	\$15,992.91
Municipal Court ²	\$177,093.00	15,878	\$11.15	\$5.58	1305	\$7,277.57
Accounting ²	\$610,192.00	15,878	\$38.43	\$19.22	1305	\$25,075.59
Information Services ²	\$1,240,706.00	15,878	\$78.14	\$39.07	1305	\$50,986.31
Subtotal						<u>\$205,943.97</u>
	City of Durango 2008 Adopted Budget ¹	2008 Estimate of Per Person Served ⁷	Per Capita	50% Per Capita ²	Annual Population of Twin Buttes ³	Expenditures
Public Safety						
Administration (Police) ²	\$1,131,029.00	25,712	\$43.99	\$21.99	1305	\$28,702.41
Communications ²	\$1,243,734.00	25,712	\$48.37	\$24.19	1305	\$31,562.56
Subtotal						<u>\$60,264.97</u>
	Cost Per Mile ⁸	Miles ⁴				Expenditures
Public Works						
Street Maintenance	\$20,307.00	4.8				\$97,473.60
Street Maintenance - Replacement Costs ⁹						\$126,720.00
Street Cleaning (Sweeping)	\$3,360.00	6.3				\$21,168.00
Snow Removal	\$7,149.00	4.8				\$34,315.20
	City of Durango 2008 Adopted Budget ¹	2008 Population ¹	Per Capita	50% Per Capita ²	Annual Population of Twin Buttes ³	Expenditures
Public Works						
Administration ²	\$223,755.00	15,878	\$14.09	\$7.05	1305	\$9,195.12
Engineering ²	\$794,650.00	15,878	\$50.05	\$25.02	1305	\$32,655.82
Subtotal						<u>\$321,527.74</u>

	City of Durango 2008 Adopted Budget ¹	2008 Population ¹	Per Capita	50% Per Capita ²	Annual Population of Twin Buttes ³	Expenditures
Parks & Recreation						
Administration ²	\$242,769.00	15,878	\$15.29	\$7.64	1305	\$9,976.49
Recreation Divisions	\$1,203,476.00	15,878	\$75.80		1305	\$98,912.72
Recreation Center Operations	\$2,250,022.00	15,878	\$141.71		1305	\$184,927.49
Parks	\$1,546,828.00	15,878	\$97.42		1305	\$127,132.54
	Cost Per Acre/Mile/Tree ⁴	Acres/Miles/Trees ⁴				Expenditures
Parks & Recreation						
Additional Parks Maintenance ⁵	\$2,218.00	0				\$0.00
Additional Open Space Maintenance	\$38.00	230				\$8,740.00
Additional Trails Maintenance	\$13,046.00	2.8				\$36,528.80
Additional Forestry (street trees)	\$21.00	312				\$6,552.00
Subtotal						<u>\$472,770.05</u>
	City of Durango 2008 Adopted Budget ¹	2008 Estimate of Per Person Served ⁷	Per Capita	50% Per Capita ²	Annual Population of Twin Buttes ³	Expenditures
Library ⁶	\$853,888.00	25,712	\$66.42	\$33.21	1305	\$21,669.33
Subtotal						<u>\$21,669.33</u>
Transportation ¹⁰						\$50,000.00
Subtotal						<u>\$50,000.00</u>
Total Annual Other City Expenditures At 15 Year Build Out						<u><u>\$1,132,176.06</u></u>

Notes:

1. Source: City of Durango, 2008 Budget. Average Per Capita = The City budget divided by the population. Community Support Services and Non-departmental expenses would not increase as per Julie Brown, Finance Director, City of Durango.
2. Assuming that each additional person served would NOT trigger a proportional increase in administrative cost but would increase costs by 50 percent of existing annual per capita costs.
3. See Appendix B. This analysis assumes a 3% vacancy rate for the development at any given time.
4. Sources: Number of miles, acres, and trees provided by Twin Buttes Development plan. Assuming all roads and trails are completed in first year of build out. Costs per acre for parks, forestry, trails and open space provided by Kevin Hall, Development Manager for Parks, Open Space and Trails. As per Jack Rogers, Public Works Department, City of Durango, the number of miles for street cleaning (6.3) is greater than the number of miles for street maintenance and snow removal because when the City annexes State highways it takes over responsibility for sweeping in accordance with State Statutes. Therefore, when the City annexes one side of a State highway they also annex the responsibility for sweeping. It is estimated that the distance along Highway 160 is about 1.5 miles from the existing City limits to near the Lightner Creek Road where the annexation Terminates.
5. All parks existing in the Twin Buttes development will be under 5 acres and will be maintained by the homeowner's association. Therefore, there will be no park maintenance cost for the City of Durango due to additional park space.
6. Since the Durango Public Library is a regional library that serves a wider population than simply those who live in the city, a per person served (daily) population number is used here. See footnote seven. Also, the County contributes half of the cost of the library.
7. This is an average expenditure measure based on the daytime population of the city, accounting for the entire residential population, non-resident employees working in the city, and overnight tourists. The calculations are as follows:
Per Persons Served = 2008 City Population = 15,878 (Durango City Budget, 2008) + Durango Employees who live outside

Durango = 7,624 (see below) + Tourists = 2,210 (see below) = 25,712. Number of employees who live outside of the city Determined as follows: employment in La Plata County (2007 annual average - most recent annual number available, Colorado Department of Labor & Employment) = 30,496. Assuming 50% work in Durango (probably a conservative estimate) = 15,248. Assume 50% of these Durango employees live outside of Durango = 7,624 additional daytime employees. Tourist population determined as follows: 1700 lodging units x 65% occupancy rate x 2 persons per unit = 2,210. Source: Durango Area Tourism Office.

8. Costs per mile provided by Jack Rogers, Public Works Department, City of Durango.
9. Replacement value determined by assuming road replacement cost in 50 years = 6,336,000 depreciated annually = 126,70. Replacement value and time frame provided by Jack Rogers, Public Works Department, City of Durango.
10. Transportation includes bus service to the redeveloped area in Twin Buttes. Estimate provided by Roy Petersen, Director of General Services and Ann Capela, Transit Manager, City of Durango. Estimate includes annual operating cost of \$50,000.00. **It also includes a one-time expenditure for a new bus = \$59,476 which is not included here because the developers plan to cover the cost of the bus and donate it to the City.**

4.5 Total Expenditure Estimates

An estimate of the city expenditures that will be required in order to service the population of Twin Buttes is shown in Table 19. This table provides the inclusion of the one-time non-recurring capital expenditures and the annual expenditures at the fifteen year build out. This study estimates that the city will incur one-time expenditures in the amount of **\$88,874** and recurring annual expenditures of **\$1,815,445**.

Table 19 – Total Expenditure Estimates

	One Time Expenditures	Total Annual Expenditures at Fifteen Year Build Out
Public Safety Expenditure - Police	\$88,874.00	\$130,500.00
Public Safety Expenditure - Fire		\$136,596.00
Water System Expenditures		\$232,353.00
Sewer System Expenditures		\$183,820.00
Other City Expenditure		\$1,132,176.00
Totals	\$88,874.00	\$1,815,445.00

5.0 Overall Fiscal Impact

Revenues vs. Expenditures

This analysis shows that, when looking at the one-time, nonrecurring revenues and expenditures, the City will incur a **surplus of \$2,035,549**. When looking at the annual expenditures at the fifteen year build out, the City will incur an **annual loss of \$135,591**.

Table 20 – One-Time Revenues vs. One-Time Expenditures	
One-Time Revenues	\$2,124,423.00
One-Time Expenditures	\$88,874.00
Difference (surplus)	\$2,035,549.00

One Time Revenues/Expenditures Comparison
Twin Buttes Development

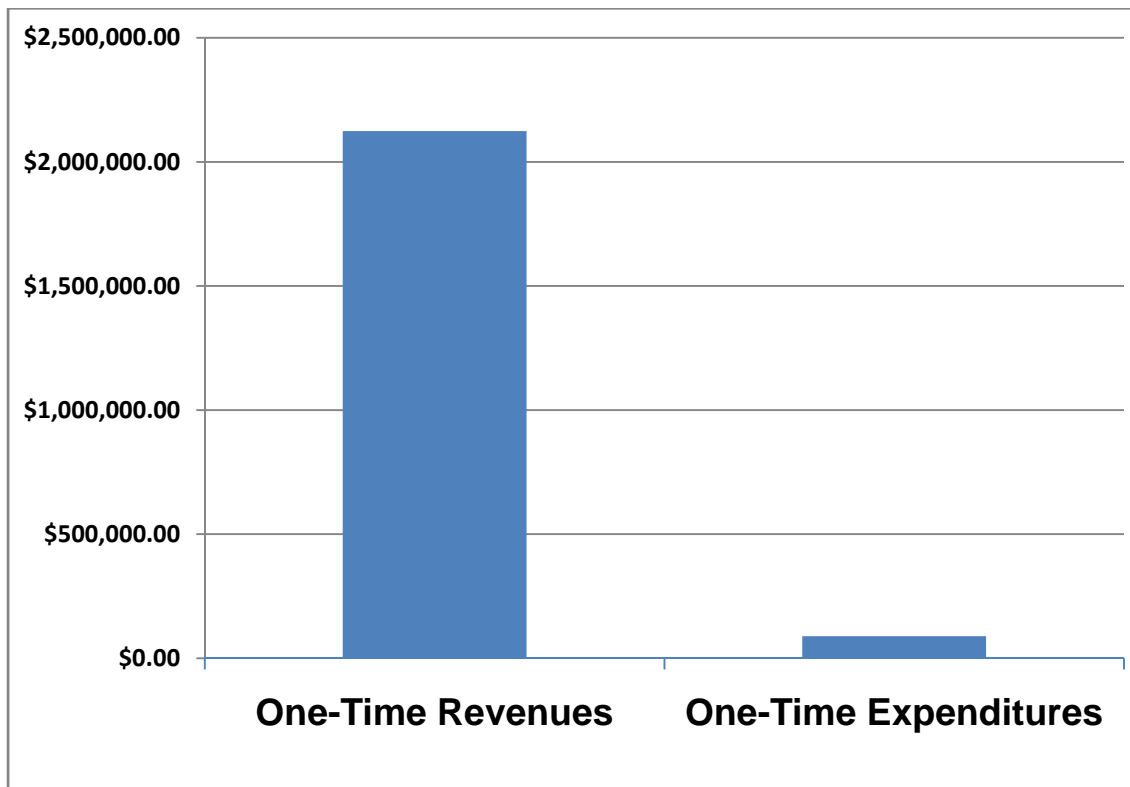
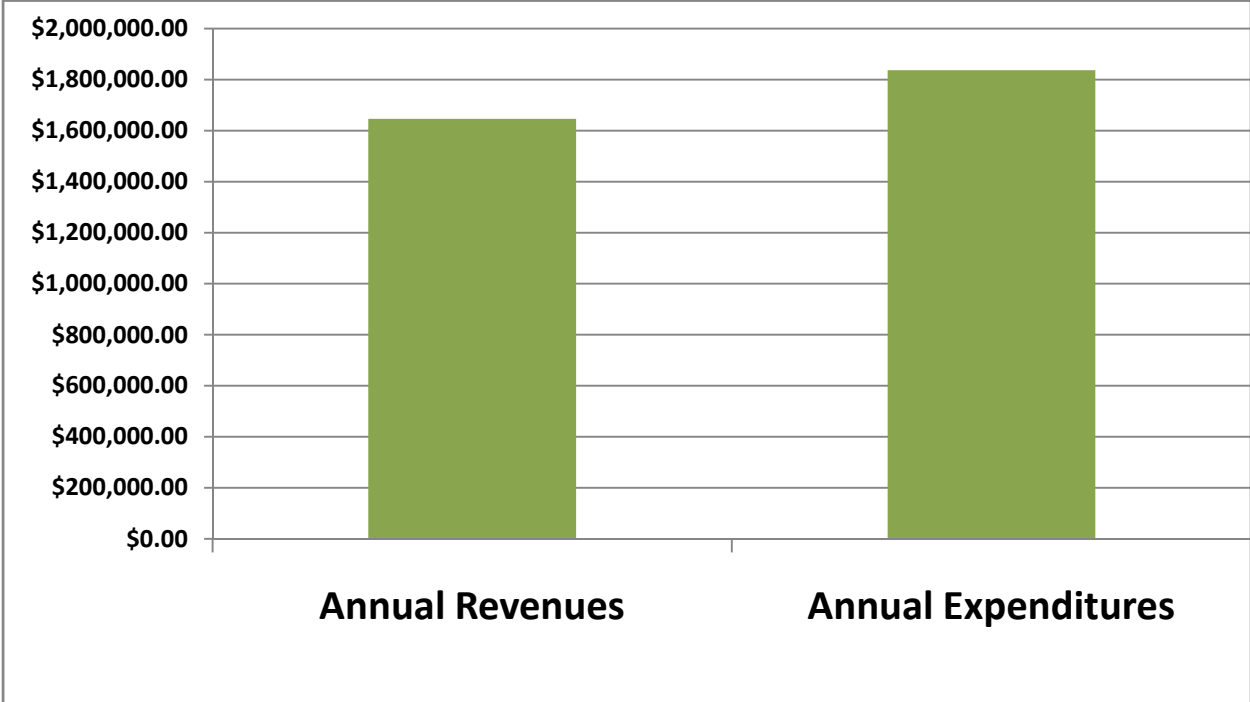


Table 21 – Annual Revenues vs. Annual Expenditures	
Annual Revenues	\$1,679,854.00
Annual Expenditures	\$1,815,445.00
Difference (loss)	\$135,591.00

**Annual Revenues/Expenditures Comparison
Twin Buttes Development**



Appendices

- Appendix A - Estimated Construction Costs
- Appendix B - Estimated Total Residential Population, Twin Buttes
- Appendix C - Estimated Retail Expenditures by Twin Buttes Residents
- Appendix D - Estimated Operating Cost, Fire Services
- Appendix E - Estimated Revenues from Impact Fees
- Appendix F - City Building Permit Fees Table
- Appendix G - Interest and Fees Paid For Local Financing

Appendix A Construction Cost Estimates

	<i>Single Family Detached</i>		<i>Town Houses/Apartments/ADU's</i>			<i>Total Estimated Cost</i>
	<i>Open Market</i>	<i>Open Market</i>	<i>Affordable</i>	<i>Attainable</i>	<i>ADU's</i>	
Phase One						
<i>Artisan Village</i>	149	70	22	14	20	
<i>Tripple East and West</i>	48	3	4	7		
<i>Redeveloped Area</i>		31	6			
Total # of Units	197	104	32	21	20	374
<i>Ave Sq Ft Per Unit</i>	2,100	1,300	450	1,300	450	
Total Sq Ft	413,700	135,200	14,400	27,300	9,000	
<i>Ave Cost Per Foot</i>	\$185	\$185	\$125	\$150	\$125	
Total Cost Phase 1	\$76,534,500	\$25,012,000	\$1,800,000	\$4,095,000	\$1,125,000	\$108,566,500
Phase Two						
<i>West Meadows</i>	99	4	5	25	10	
<i>Solar East and West</i>	62	4	5	7		
Total # of Units	161	8	10	32	10	221
<i>Ave Sq Ft Per Unit</i>	2,100	1,300	450	450	450	
Total Sq Ft	338,100	10,400	4,500	14,400	4,500	
<i>Ave Cost Per Foot</i>	\$185	\$185	\$125	\$150	\$125	
Total Cost Phase 2	\$62,548,500	\$1,924,000	\$562,500	\$2,160,000	\$562,500	\$67,757,500
Total Cost						
Phases One and Two	\$139,083,000	\$26,936,000	\$2,362,500	\$6,255,000	\$1,687,500	<u>\$176,324,000</u>
Commercial						
Commercial Cost Per Square Foot = \$130 x 59,000 =						<u>\$7,670,000</u>
Total Cost						<u><u>\$183,994,000</u></u>

Appendix B

Estimated Total Residential Population Twin Buttes

	Number of Units	Unit Density*	Estimated Total Unit Population
Single Family Units	595	2.26	1345
Total Estimated Development Population (Zero Vacancy Rate)			1345

Assuming on average a 3% vacancy rate – the population at build out = $1345 \times 3\% =$ approximately 40 people. Therefore $1345 - 40 =$ 1305 people.**

Notes:

*Estimated Unit Density: Colorado State Demographer's Office, Average Household Size (of all unit sizes) for Durango, 2006 (most recent estimate available).

**The Colorado Multi-Family Housing Vacancy and Rent Study, First Quarter of 2008, Colorado Division of Housing. This study shows a vacancy rate of 4.5% for the first quarter of 2008. Since the Twin Buttes development will not have a large number of rental properties, this rate was adjusted downward to 3% for the development.

Appendix C

Estimated Retail Expenditures in Twin Buttes Area

Expenditures Due to Increase in Population – Expenditures in the City of Durango

La Plata County Per Capita Personal Income (1)	\$42,609.00
Multiplied by the Population Estimate of total Residential Population in Twin Buttes (2)	1,305
Equals Estimate of Total Personal Income in the Twin Buttes	\$55,604,745.00
Multiplied by the Estimated % of Average Annual Expenditures on Retail Items (54.22%) (3)	0.5422
Equals Estimated Retail Expenditures by Residents of Twin Buttes (4)	\$30,148,892.74
Minus Estimated Expenditures by Residents of Twin Buttes Outside the City of Durango (5)	\$4,784,451.40
Equals Estimated Retail Expenditures by Residents of Twin Buttes in the City of Durango	\$25,364,441.34

Notes:

- (1) Bureau of Economic Analysis, 2006, <http://www.bea.gov/regional/reis/drill.cfm>. This is the most recent statistic available. Since the per capita personal income has increased by an average (per year) of 5.3% in La Plata County over the last ten years 1996-2006, we extrapolate that this average rate will continue into later years, making the 2009 per capita income for La Plata county approximately \$42,609. Although the project will last past 2009, we use this number conservatively to determine annual sales tax revenue per year once the development is complete and the residents have moved in.
- (2) See Appendix B. This assumes an annual vacancy rate of 3% as explained in Appendix B.
- (3) This percent is derived from information on consumer expenditures from the Bureau of Labor Analysis, Consumer Expenditures of 2005, U.S. Department of Labor, February 2007, Report 998. See table below. The numbers in bold are used to determine the percentage spent. Those not in bold are expenditures that do not levy a city sales tax and therefore do not contribute to sales tax revenues.

Average Annual Expenditures	Percent
Food	12.8
Alcoholic Beverages	0.9
Housing minus Shelter (32.7 - 19.98)	13.72
Apparel and Services	4.1
Transportation minus Gasoline	13.7
Healthcare	5.7
Entertainment	5.1
Personal care products and services	1.2
Reading	0.3
Education	2
Tobacco products and smoking supplies	0.7
Miscellaneous	1.7
Cash contributions	3.6
Personal insurance and pensions	11.2
Total Spent on Retail that contribute to city sales tax revenue (bolded items only)	54.22%

- (4) The percentages spent outside of the City of Durango are taken from the Three Springs Fiscal Impact Analysis, Economic Planning Systems, Inc., estimated by a demand analysis study conducted by Applied Development Economics.
- (5) See Table Below.

Retail Expenditures by Residents	\$30,148,892.74	Percent of Retail Dollars Spent Outside of the City of Durango	
Percent of Retail Dollars Spent on:			
Food: 45.52%	\$13,723,775.97	Food: 13.2%	\$1,811,538.43
Apparel: 14.83%	\$4,471,080.79	Apparel: 30%	\$1,341,324.24
Gasoline: 10.34%	\$3,117,395.51	Gasoline: 5%	\$155,869.78
General Merch.: 29.31%	\$8,836,640.46	General Merch.: 16.7%	\$1,475,718.96
Total: 100%	\$30,148,892.74		\$4,784,451.40

Total Expenditures at 15 Year Build Out \$25,364,441.34

Business Description

Grocery and Drug (one firm)

Restaurants and Taverns (one firm)

Other Retail Establishments (six firms x \$425,436 per firm)

Total Sales at 15 Year Build Out

Sales Per Firm*

\$1,954,407.00

\$546,750.00

\$2,552,616.00

\$5,053,773.00

*Note : Based on information regarding retail sales in Durango by type of business contained in "Retail Data for Decision Makers La Plata County Colorado, Region 9 Economic Development District, Ed Morlan, Donna Graves and Joe Keck, August 2006. These are conservative estimates based on 2005 retail sales data per firm based on type of firm

Appendix D Estimated Operating Costs – Fire Services

	One-Time Expenditure
Estimated Capital Expenditures	
Residential	
Phase 1 sq ft	616,600
Phase 2 sq ft	380,400
Commercial sq ft	59,000
Total Development sq ft	1,056,000
Operating Factor Per Sq Ft*	\$0.49
Total Estimated Capital Expenditures	<u>\$517,440.00</u>

Note:

*Operating Factor per sq ft: Source Dan Noonan, Chief. DAFD

					Annual Operating Expenses
Market Value**	Assec. Rate*	Acces. Value	Rate*		
\$238,000,000.00	7.90%	\$18,802,000.00	0.00551		\$103,599.02
Total Annual Residential Expenses at 15 Year Build Out					<u>\$103,599.02</u>
Market Value***	Assec. Rate*	Acces. Value	Rate*		Operating Expenses
\$20,650,000.00	29%	\$5,988,500.00	0.00551		\$32,996.64
Total Annual Commercial Expenses at 15 Year Build Out					<u>\$32,996.64</u>
Total Annual Operating Expenses at 15 Year Build Out					<u>\$136,595.66</u>

Notes:

*Rate of assessed value determined from the rate used for assessed values for the years ending 2002-2008. Formula for determining expenditures provided to the City Council by DFRA on November 6, 2007, during public comment discussion regarding the City budget.

**Total Unit Market Value assumes that the average market value of all units is \$400,000.00 x 595 units.

***The commercial property value determined as follows: the development contains 59,000 square feet of Commercial space; the market value per square foot estimate = \$350.00, therefore, total market value = \$20,650,000. Market Value per square foot estimate from Robert W. Allen, Colorado Certified General Appraiser, Allen & Associates, May 2008. The average value provided by Robert W. Allen for commercial property was \$362 per square foot. Since that number includes high traffic properties sold in the downtown Durango area, we adjusted the price down to \$350 per square foot to take into account the location of the units that will be sold in Twin Buttes.

Appendix E

Estimates of Impact Fee Revenues for Water, Sewer and Roads

As noted in the text of the this study, although consideration is given to capital expenditures related to water, road and sewer systems, because these expenditures will be covered by impact fees paid by the developers, they are not included in this study (the assumption being that the expenditures for these infrastructure items will be just offset by the impact fees collected by the city from Twin Buttes developers). However, for the city’s information, we include estimates of the revenues the city will receive due to these impact fees from the developers of Twin Buttes. Table 22 estimates the road impact fee revenue, Table 23 estimates the water tap and water investment fee revenues and Table 24 estimates the sewer tap and sewer investment fee revenues.

Table 22 – Road Impact Fee Revenue Estimates

<u>Residential</u>		Cost (Fee) Per Unit	Total Fee
	Single Family Units		
	358	\$945	\$338,310
	Multi Family Units*		
	237	\$567	\$134,379
<u>Commercial</u>		Cost (Fee) Per 1,000 Sq. Ft.	Total Fee
	Office/Sq. Ft./1,000		
	38	\$2,418	\$91,884
	Retail/Sq. Ft.**		
	6	\$2,126	\$12,756
	Restaurant/Sq. Ft.		
	15	\$5,368	<u>\$80,520</u>
Total Both Residential and Commercial			<u><u>\$657,849</u></u>

Notes:

*Includes Town Houses, Apartments and Accessory Dwelling Units

**Includes Grocery & Drug Store and other miscellaneous retail stores.

Table 23 – Water Tap and Water Investment Fee Revenue Estimates

	<u>Number Of Units</u>	<u>Tap Size</u>	<u>Water Tap Fee</u>	<u>Total Tap Fee</u>	<u>Water Plant Investment Fee</u>	<u>Total Water Investment Fee</u>	<u>Total Tap & Water Plant Investment Fee</u>
<u>Phase One</u>							
Single Family Units	197	3/4"	\$123.00	\$24,231.00	\$5,582.00	\$1,099,654.00	\$1,123,885.00
Town Houses	116	3/4"	\$123.00	\$14,268.00	\$5,582.00 & \$2,791.00	\$404,695.00	\$418,963.00
Apartment	77	1/2"	\$509.00	\$4,072.00	\$5,582.00 & \$2,791.00	\$25,119.00	\$29,191.00
Accessory Dwelling Units	15	3/4"	\$123.00	\$1,845.00	\$5,582.00	\$83,730.00	\$85,575.00
Totals				\$44,416.00		\$1,613,198.00	\$1,657,614.00
<u>Phase Two</u>							
Single Family Units	161	3/4"	\$123.00	\$19,803.00	\$5,582.00	\$898,702.00	\$918,505.00
Town Houses	8	3/4"	\$123.00	\$984.00	\$5,582.00 & \$2,791.00	\$27,910.00	\$28,894.00
Apartment	6	1/2"	\$509.00	\$509.00	\$5,582.00 & \$2,791.00	\$5,582.00	\$6,091.00
Accessory Dwelling Units	15	3/4"	\$123.00	\$1,845.00	\$5,582.00	\$83,730.00	\$85,575.00
Totals				\$23,141.00		\$1,015,924.00	\$1,039,065.00
Total Phase One and Two				\$67,557.00		\$2,629,122.00	\$2,696,679.00

Notes:

83 individual apartments = 8 units in Phase One and 1 unit in Phase Two

124 town houses = 29 X Four-Plexes in Phase One and 2 X Four-Plexes in Phase Two

Source: Water Plant Investment Fees and Water Tap Fees, Building Planning and Inspection Department

<http://www.durangogov.org/business/construction/water.html#sewerplant>

Table 24 – Sewer Tap and Sewer Investment Fee Revenue Estimates

	<u>Number Of Units</u>	<u>Tap Size</u>	<u>Sewer Tap Fee</u>	<u>Total Tap Fee</u>	<u>Sewer Plant Investment Fee</u>	<u>Total Sewer Investment Fee</u>	<u>Total Tap & Sewer Plant Investment Fee</u>
<u>Phase One</u>							
Single Family Units	197	3/4"	\$15.00	\$2,955.00	\$1,520.00	\$299,440.00	\$302,395.00
Town Houses	116	3/4"	\$15.00	\$1,740.00	\$1,520.00 & \$830.00	\$116,290.00	\$118,030.00
Apartment	77	1/2"	\$15.00	\$1,155.00	\$1,520.00 & \$830.00	\$7,330.00	\$8,485.00
Accessory Dwelling Units	15	3/4"	\$15.00	\$225.00	\$1,520.00	\$22,800.00	\$23,025.00
Totals				\$6,075.00		\$445,860.00	\$451,935.00
<u>Phase Two</u>							
Single Family Units	161	3/4"	\$15.00	\$2,415.00	\$1,520.00	\$244,720.00	\$247,135.00
Town Houses	8	3/4"	\$15.00	\$120.00	\$1,520.00 & \$830.00	\$8,020.00	\$8,140.00
Apartment	6	1/2"	\$15.00	\$90.00	\$1,520.00 & \$830.00	\$1,520.00	\$1,610.00
Accessory Dwelling Units	15	3/4"	\$15.00	\$225.00	\$1,520.00	\$22,800.00	\$23,025.00
Totals				\$2,850.00		\$277,060.00	\$279,910.00
Total Phase One and Two				\$8,925.00		\$722,920.00	\$731,845.00

Notes:

83 individual apartments = 8 units in Phase One and 1 unit in Phase Two

124 town houses = 29 X Four-Plexes in Phase One and 2 X Four-Plexes in Phase Two

Source: Sewer Plant Investment Fees and Sewer Tap Inspection Fees, Building Planning and Inspection Department

<http://www.durangogov.org/business/construction/water.html#sewerplant>

Appendix F City Building Permit Fees Table Effective 12/3/2007

TOTAL VALUATION	FEE
\$1 to \$500	\$24
\$501 to \$2,000	\$24 for the first \$500; plus \$3.00 for each additional \$100 or fraction thereof, to and including \$2,000
\$2,001 to \$40,000	\$69 for the first \$2,000 plus \$11 for each additional \$1,000, or fraction thereof, to and including \$40,000.
\$40,001 to \$100,000	\$487 for the first \$40,000 plus \$9 for each additional \$1,000, or fraction thereof, to and including \$100,000.
\$100,001 to \$500,000	\$1,027 for the first \$100,000 Plus \$7 For Each Additional \$1,000 or fraction thereof, to and including \$500,000.
\$500,001 to \$1,000,000	\$3,827 for the first \$500,000 plus \$5 for each additional \$1,000, or fraction thereof, to and including \$1,000,000.
\$1,000,001 to \$5,000,000	\$6,327 for the first \$1,000,000 plus \$3 for each additional \$1,000, or fraction thereof, to and including \$5,000,000.
\$5,000,001 and up	\$18,327 for the first \$5,000,000 plus \$1 for each additional \$1,000, or fraction thereof.

1. Inspections outside of normal business hours (minimum charge - 2 hour)	\$47/hour ¹
2. Re-inspection fees assessed under provisions of Section 305.8	\$47/hour ¹
3. Inspections for which no fee is specifically indicated (minimum charge - ½ hour)	\$47/hour ¹
4. Additional plan review required by changes, additions or revisions to plans (minimum charge - ½ hour)	\$47/hour ¹
5. For use of outside consultants for plan checking & inspections or both	Actual Costs ²
¹ Or the total hourly cost to the jurisdiction, whichever is greatest. This cost shall include supervision, overhead, equipment, hourly wages and fringe benefits of the employees involved. ² Actual costs include administrative and overhead costs.	

Appendix G

Interest and Fees Paid For Local Financing⁶

Total Amount Financed	10% Per Month/12 Months ¹	Interest Rate ²	Interest Paid/Month	Times 12 Months	Loan Fee Rate ³	Loan Fee	Total ⁴
\$183,994,000	\$18,399,400	5.75%	\$1,057,966	\$12,695,586			\$12,695,586
\$183,994,000					0.75%	\$1,379,955	\$1,379,955
Total Interest and Fees for Local Financing							<u>\$14,075,541</u>

Notes:

1. Assume that each loan is a 12 month loan (line of credit) - 10% of which is used each month. Interest is then paid at the end of each month.
2. Assume the interest rate is the prime plus 3/4 percent.
3. A loan fee is assessed to each loan = .5 to 1% of the value of the loan for processing. This study assumes a fee of .75%.
4. This total is the interest paid plus the loan fee. This is a conservative estimate because it leaves out other costs of processing a loan that will spent locally - such as an inspector fee, title company fees, etc.
5. All assumptions used in this analysis were corroborated by Ron Corkish, President, Pine River Valley Bank and Eric Jones, loan officer, First National Bank of Durango.
6. It is assumed that the project will be financed by local banks. The Federal Deposit Insurance Corporations reports that as of June 30, 2007, La Plata County had deposits equal to \$1,034,000,000 (most recent number available). Therefore, local banks should be about to finance the project (\$183,994,000) over the 15 year build out period.