

# **FISCAL IMPACT ANALYSES OF PROJECT BLOOM - RETAIL**

**USING LOCI™,**

**A WEB-BASED FISCAL IMPACT MODEL FOR LOCAL GOVERNMENT**

---

FINAL REPORT

Prepared for:

Decide DeKalb Development Authority  
125 Clairemont Avenue, Suite 150  
Decatur, GA 30030

May 4, 2016



**Table of Contents**

Key Results.....1

Introduction and Background.....3

Data Requirements .....4

    Community Profile .....4

    Project Profile .....5

Fiscal Impact Results .....7

## Key Results

North Decatur Square, LLC is planning a mixed-use development with a retail component in DeKalb County. The location is at 1625 Church Street just outside the Decatur city limits. Accordingly, an impact on Decatur will not be assessed; therefore this report treats the location as unincorporated.

The fiscal impact analysis was performed for the DeKalb County government and the county school system. The two jurisdictions, with and without inducements, and for 10- and 20-year time horizons are shown in Tables A1 and A2 below. Both the undiscounted (Gross) net revenue and the discounted (NPV) net revenue are included in the tables. Net revenues take into account changes in all revenues accruing to each jurisdiction and all increases in expenditures (service costs) for each jurisdiction.

<b>Table A1: Results - all Scenarios - Totals Over 10 Years</b>			
	<b>County</b>	<b>School</b>	<b>Total All Governments</b>
Gross Net Revenues without Inducement	\$4,046,724	\$7,602,913	\$11,649,637
Gross Net Revenues with Inducement	\$2,784,614	\$6,118,040	\$8,902,654
NPV without Inducement	\$3,457,732	\$6,499,752	\$9,957,484
NPV with Inducement	\$2,333,462	\$5,177,047	\$7,510,509

<b>Table A2: Results - all Scenarios - Totals Over 20 Years</b>			
	<b>County</b>	<b>School</b>	<b>Total All Governments</b>
Gross Net Revenues without Inducement	\$8,040,054	\$15,073,933	\$23,113,987
Gross Net Revenues with Inducement	\$6,777,944	\$13,599,060	\$20,377,004
NPV without Inducement	\$5,992,407	\$11,241,812	\$17,234,219
NPV with Inducement	\$4,868,137	\$9,919,107	\$14,787,244

In all cases, the Gross and NPV (present value of net revenues) values are very positive. With the inducement included, the DeKalb County government should realize an NPV of \$2.3 million over 10 years and \$4.9 million over 20 years. The county school system should see an NPV of \$5.2 million over 10 years and \$9.9 million over 20 years. The larger NPVs for the school system

are a result of the Education Local Option Sales Tax, of which the county school system collects 93 percent. The HOST limits sales taxes accruing to the county and cities for capital projects. Most of the HOST goes to property tax relief for homeowners.

Table A3 below displays the sum of property taxes accruing to each jurisdiction and taxes saved by the developer, over 20 years. All inducement values (Tax Benefit to the Company) in Table A3 are based on real property. The “Tax Benefit to the Community” values include real property taxes as well as property taxes paid by households forecast for each jurisdiction. The household forecast is determined from the number of new jobs created by the project, commuting patterns, and a household per job ratio.

<b>Table A3: Property Tax Totals over 20 Years</b>			
	<b>DeKalb County</b>	<b>School System</b>	<b>Total</b>
Tax Benefit to the Company	\$849,060	\$998,918	\$1,847,978
Tax Benefit to the Community	\$6,932,188	\$8,005,066	\$14,937,253

The “Tax Benefit to the Community” values in Table A3 are not discounted and are therefore comparable to the “Gross Net Revenues” in Table A2. Gross net revenues include property taxes and forecasted expenditures (as do the NPVs). They also include revenue streams other than property taxes, such as sales taxes, franchise fees, service fees, and fines, among others. Although the county can expect to accrue about \$6.9 million in tax revenue after giving up \$849,060 in inducement (see Table A3), it will also see a rise in service costs due to the growth in households.

## **Introduction and Background**

---

The Decide DeKalb Development Authority contracted with Robert Lann Consulting, LLC to conduct a fiscal impact analysis of Project Bloom, a mixed-use development. The project has been divided into two parts: multi-family residential and retail. This document reports the results of the retail fiscal impact analysis.

The fiscal impact analysis is conducted using the LOCI™ fiscal impact model. This model was developed at Georgia Tech in 1999 and has been used extensively throughout the U.S. since then. It is now a product of the Economic Impact Group, LLC and one of its developers is Robert Lann, principal at EIG and an independent consultant.

The next section of the report will discuss the data requirements of the model, sources for all data, and how various calculations were made to develop estimates required by the model. The last section presents the fiscal impact results over 10-year and 20-year periods. Construction impacts are not included because they are transitory and from a fiscal impact standpoint, only result in sales tax revenue when items are purchased in DeKalb County and subject to sales tax or when construction workers spend part of their income on taxable items in the county. These amounts are typically small in comparison to other revenue streams generated by the project. Also, no construction data was received from the developer.

## Data Requirements

---

The fiscal impact model is driven by two data profiles; one for the local jurisdiction, called a community profile, and one for the project, called a project profile. Data for the community profile comes from a variety of federal, state, and local sources in the public domain. Not all data can be obtained for the same year and typically; the most recent information is at least lagged by one year. Given this, the primary information for the community profiles is for the year 2014 for the county and its school system.

### Community Profile

The fiscal impact software requires a community data profile for each local jurisdiction to be analyzed. In this case, there are two profiles required to run the complete analysis; one for DeKalb County government and one for the DeKalb County school system. Community profiles include data on tax rates, tax digest, retail sales, effective buying income, local government finances, commuting patterns, jobs, wages and salaries, and households, among other information. For schools, enrollment and local expenditures are also needed.

Key data in the community profile are tax rates and local government finances. The former are available from the Georgia Department of Revenue and the latter are available from the Georgia Department of Community Affairs (DCA). Both sources can be obtained online. The DCA data is from their Report of Local Government Finances where all local governments submit annual revenues and expenditures following a uniform chart of accounts. Table 1 contains the revenue and expenditure data by category for DeKalb County.

School districts in Georgia receive funding from local, state, and federal sources. The LOCI™ model estimates the change in local revenues, which primarily includes property taxes and sales taxes, the latter if an Education Local Option Sales Tax is in effect. Therefore expenditures need to reflect what local revenues support. To do this, we use reported annual local revenues from the Georgia Department of Education as a proxy for local expenditures. That value is \$424,904,509 for 2014. With enrollment in 2014 at 98,773 average cost per pupil comes to \$4,302.

**Table 1: Revenues and Expenditures, 2014**

<b>Revenues</b>	<b>DeKalb County</b>	<b>Per Household</b>
Property Taxes	\$303,380,521	\$990
Sales Taxes	\$89,158,926	\$291
Franchise fees	\$0	\$0
Liquor licenses	\$1,909,745	\$6
Alcohol taxes	\$4,017,279	\$13
Fines	\$34,002,910	\$111
Permits	\$6,381,544	\$21
Services	\$18,585,562	\$61
Occupational tax	\$21,057,206	\$69
Miscellaneous	\$141,285,801	\$461
<b>Total/Average</b>	<b>\$619,779,494</b>	<b>\$2,021</b>
<b>Expenditures</b>		
General government	\$205,542,704	\$670
Health	\$23,143,082	\$75
Social welfare	\$10,206,301	\$33
Public safety	\$228,550,438	\$745
Courts	\$63,156,891	\$206
Public works	\$45,487,545	\$148
Recreation and Library	\$28,170,152	\$92
Miscellaneous	\$27,655,452	\$90
<b>Total /Average</b>	<b>\$631,912,565</b>	<b>\$2,061</b>

Source: Georgia Department of Community Affairs website

## Project Profile

A project profile requires, at a minimum, the number of jobs, average pay, and investments, by year. Other information for the construction phase can be used to capture sales taxes during construction but these data are optional. Jobs are expected to reach a total of 321 jobs at full operation. All jobs are estimated to pay an average annual salary of \$32,112.

The company plans to spend \$43.8 million on real property split between retail at \$37.2 million and restaurants at \$6.6 million. The building value is held constant assuming appreciation equal to inflation.

Under the bond deal structured for this project, the Decide DeKalb Development Authority

agrees to reduce a percentage of the property taxes the owners would otherwise pay over a 10-year period. The county unincorporated M&O millage rate of 20.17 mills is used to estimate the county tax inducement values. The school millage of 23.73 is used to estimate the school system inducement values. There is a small bond millage for unincorporated property but bond millage is not included in the fiscal impact analysis because debt service is not included on the expenditure side. Millage rates are for 2015, obtained from the DeKalb County tax assessor's office.

Table 2 shows property values for the project, the value of property tax inducements to the company in each jurisdiction, and the property tax benefit to each jurisdiction. The property taxes accruing to each jurisdiction includes its share of real and personal property taxes after the inducement is applied. Sales taxes are not included in these values.

Table 2: Facility Property Taxes - Developer Savings and Net to Each Jurisdiction								
Year	Real Property	40% Assessed Value	DeKalb County			DeKalb School System		
			20.17 Mills County	Developer Savings	Net to the County	23.73 Mills School	Developer Savings	Net to the School
1	\$43,757,970	\$17,503,188	\$353,039	\$229,476	\$123,564	\$415,351	\$269,978	\$145,373
2	\$43,757,970	\$17,503,188	\$353,039	\$123,917	\$229,123	\$415,351	\$145,788	\$269,563
3	\$43,757,970	\$17,503,188	\$353,039	\$110,148	\$242,891	\$415,351	\$129,589	\$285,761
4	\$43,757,970	\$17,503,188	\$353,039	\$96,380	\$256,660	\$415,351	\$113,391	\$301,960
5	\$43,757,970	\$17,503,188	\$353,039	\$82,611	\$270,428	\$415,351	\$97,192	\$318,159
6	\$43,757,970	\$17,503,188	\$353,039	\$68,843	\$284,197	\$415,351	\$80,993	\$334,357
7	\$43,757,970	\$17,503,188	\$353,039	\$55,074	\$297,965	\$415,351	\$64,795	\$350,556
8	\$43,757,970	\$17,503,188	\$353,039	\$41,306	\$311,734	\$415,351	\$48,596	\$366,755
9	\$43,757,970	\$17,503,188	\$353,039	\$27,537	\$325,502	\$415,351	\$32,397	\$382,953
10	\$43,757,970	\$17,503,188	\$353,039	\$13,769	\$339,271	\$415,351	\$16,199	\$399,152
11	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
12	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
13	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
14	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
15	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
16	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
17	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
18	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
19	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
20	\$43,757,970	\$17,503,188	\$353,039	\$0	\$353,039	\$415,351	\$0	\$415,351
Total				\$849,060	\$6,211,727		\$998,918	\$7,308,095

## Fiscal Impact Results

---

The fiscal impact analysis was run for each of the two jurisdictions – DeKalb County government, DeKalb County school system – with and without the inducement. A 10-year time horizon and a 20-year time horizon were used for each scenario. This resulted in a total of 8 analyses.

Table 3 contains the results for each 10-year analysis and Table 4 contains the results for each 20-year analysis. The statistic used in LOCI™ to summarize the project’s fiscal impact is the NPV or present value of net revenues (net revenues are total revenues minus total expenditures in each year of the analysis). A three percent real (without inflation) discount rate is used to calculate the NPV. Also of interest are gross, undiscounted, net revenues over each time period. These values are also shown in the following two tables.

<b>Table 3: Results - all Scenarios - Totals Over 10 Years</b>			
	<b>County</b>	<b>School</b>	<b>Total All Governments</b>
Gross Net Revenues without Inducement	\$4,046,724	\$7,602,913	\$11,649,637
Gross Net Revenues with Inducement	\$2,784,614	\$6,118,040	\$8,902,654
NPV without Inducement	\$3,457,732	\$6,499,752	\$9,957,484
NPV with Inducement	\$2,333,462	\$5,177,047	\$7,510,509

<b>Table 4: Results - all Scenarios - Totals Over 20 Years</b>			
	<b>County</b>	<b>School</b>	<b>Total All Governments</b>
Gross Net Revenues without Inducement	\$8,040,054	\$15,073,933	\$23,113,987
Gross Net Revenues with Inducement	\$6,777,944	\$13,599,060	\$20,377,004
NPV without Inducement	\$5,992,407	\$11,241,812	\$17,234,219
NPV with Inducement	\$4,868,137	\$9,919,107	\$14,787,244

All results are well in the positive range indicating that the project is fiscally sound for the county and the county’s school system. Even with the inducement included, the NPV is very positive for both jurisdictions. Sales taxes play an important role in the school system results because the county school system gets 93 percent of the 1 percent ELOST. Only a small portion

of the county’s HOST sales taxes goes to the county and the cities for capital projects.

The values in Tables 3 and 4 are net revenues, which means they are total revenues offset by expenditures forecast for each jurisdiction. Of total revenues, the largest portion comes from property taxes. Table 5 shows total property taxes accruing to each jurisdiction after accounting for the inducement and the tax benefit to the company due to the inducement.

<b>Table 5: Property Tax Totals over 20 Years</b>			
	<b>DeKalb County</b>	<b>School System</b>	<b>Total</b>
Tax Benefit to the Company	\$849,060	\$998,918	\$1,847,978
Tax Benefit to the Community	\$6,932,188	\$8,005,066	\$14,937,253

The “Tax Benefit to the Community” values in Table 5 are not discounted and are therefore comparable to the “Gross Net Benefits” in Table 4. Gross net revenues include property taxes and forecasted expenditures (as do the NPVs). They also include revenue streams other than property taxes, such as sales taxes, franchise fees, service fees, and fines, among others. Although the county can expect to accrue about \$6.9 million in tax revenue after giving up \$849,060 in inducement it will also see a rise in service costs due to the growth in households.