

Summary—Net Fiscal Impacts

Pasco County General Fund

Pasco County, FL



Prepared for:
Metro Development Group
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Introduction

WTL+a, a national real estate and economic development consulting firm based in Washington, D.C., with significant project experience throughout Florida, was retained by Metro Development Group (MDG) of Tampa, to conduct an independent peer review of a Fiscal Benefits and Economic Impact Analysis of the proposed Connected City project in Pasco County, FL. That study (completed in May 2016) was prepared by Development Planning & Financing Group, Inc. (DPFG), a multidisciplinary economic and financial services firm, out of their Raleigh, NC office.

At the County's request, WTL+a has conducted additional analyses of Connected City's expected impacts on Pasco County's operations. Specifically, WTL+a analyzed the expected *net* fiscal impacts of the proposed development on the County's General Fund over a 50-year buildout period. Importantly, we note that **this analysis excludes impacts from Connected City on the Pasco County School District operations or funds** (as this is a separate taxing entity and was excluded from the DPFG study).

The following summarizes the findings of this analysis; key findings are supported in the accompanying detailed exhibits.

Methodology, Definitions & Assumptions

This analysis builds off the findings of the DPFG study, and assumes the same development program and land use assumptions as identified in that study, including: land use mix and positioning; building size (in square feet) for retail, office and industrial uses; number of housing units; project timing; lease-up/absorption and sales pace; land and building values; and residential and workforce populations. WTL+a notes that impact estimates could vary considerably if any changes are made to the development program; if market conditions shift; if tax rates or the County's annual operating budget structure shifts; or, if there are other material fluctuations or changes in development phasing, land uses and/or other methodological inputs and assumptions.

Connected City Development Program & Inputs

Connected City's development program is expected to include the following:

- Up to 37,345 housing units, including 26,807 multi-family units and 10,538 single-family homes
- 5.6 million sq. ft. of retail

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- 5.3 million sq. ft. of office space, and
- 1.9 million sq. ft. of industrial space.

Project buildout is proposed over a 50-year period (2016-2065) in three discrete phases—2016-2030 (15 years), 2031-2040 (10 years), and 2041-2065 (25 years). Table 1 below summarizes the land use mix and key development assumptions used in this analysis.

Table 1: Connected City Development Program & Land Use Value Assumptions

Land Use Type	Land Use SF At Buildout	Population At Buildout	Property Value Per Unit / SF	Population Per Unit / SF	Gen. Fund Cost Per Unit / SF
Retail	5,602,000	6,722	\$ 100	833	\$ 0.16
Office	5,285,000	21,140	\$ 53	250	\$ 0.53
Industrial	1,914,000	2,461	\$ 35	778	\$ 0.17
Total - Non-Residential:	12,801,000	30,323			
Multi-family Units	26,807	44,484	\$ 70,000	1.66	\$ 462
Single-family Units	10,538	23,979	\$ 245,550	2.28	\$ 633
Total:	37,345	68,463			

Source: Pasco County FY2016 Adopted Operating Budget; U.S. Census Bureau; ESRI Business Analyst; WTL+a, November 2016.

Key Findings

The current development program and real estate assumptions for Connected City will result in a **favorable net fiscal impact** to the Pasco County General Fund/operating budget. Key findings indicate that:

- As illustrated in Table 4 below, over the 50-year buildout period, cumulative revenues are estimated at \$1.2 billion, or \$24 million per year, while cumulative expenses are estimated at almost \$586,900,000, or \$11.7 million per year. This yields a **positive net fiscal impact of \$613.8 million, or approximately \$12.3 million annually;**
- During an *average* year over the 50-year buildout period, **Connected City will net a General Fund surplus of \$12.3 million per year, stabilizing at \$17.8 million per year at buildout in 2065;**
- Occupants of Connected City’s residential uses are expected to generate both the highest General Fund revenues and expenses. The analysis suggests that residential uses will generate \$1.067

billion in Ad Valorem tax revenues over the 50-year period while creating \$506.4 million in expenses. Thus, **residential uses yield a positive net fiscal impact in the range of \$560.9 million (or \$11.2 million per year);**

- Connected City’s non-residential (commercial) uses (retail, office and industrial) are expected to generate approximately \$133.3 million in Ad Valorem tax revenues over the 50-year period while creating \$80.4 million in workforce costs. Thus, **non-residential/commercial uses generate a positive net fiscal impact of roughly \$52.9 million (or \$1.05 million per year);** and
- Any surplus to the General Fund generated by Connected City may provide an opportunity to enhance or provide additional County services. The surplus may also allow the County to decrease the level of annual General Fund subsidies from other County funding sources.

General Fund Context

This analysis focuses on the expected increase to Pasco County’s General Fund revenues and expenses generated by the development of Connected City. The General Fund accounts for general operations of the County and all transactions which are not accounted for in other funds or account groups. Expenditures within the General Fund include:

- Capital
- Constitutional officers
- Countywide expenditures
- Internal services
- Judicial, legislative and administrative
- Public safety and administration
- Public service, and
- Reserves and refunds

In fiscal year 2016, the adopted General Fund budget totaled \$268,477,736, while Pasco County’s total Operating Budget was \$1.45 billion. **Fully 58% of annual revenue sources for Pasco County’s General Fund come from Ad Valorem property taxes**, which are collected at a 2016 millage rate of \$7.6076 per \$1,000 of assessed property value. The remaining 42% of revenue that funds General Fund operations above come from a variety of other sources.

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Table 2: General Fund Revenue Sources

General Fund Revenue Sources	Total 2016 GF Revenues	Total from County Sources	% of GF Revenues
Ad Valorem Taxes	N/A	\$ 154,718,840	58%
Net Neutral Sources*	N/A	\$ 113,758,896	42%
TOTAL:		\$ 268,477,736	100%

* Net neutral sources include revenues that increase proportionately with costs, including: fund balance, interest on deposits, interfund transfers, intergovernmental, other sources, proprietary sources, and state sources.

Source: Pasco County FY2016 Adopted Operating Budget; U.S. Census Bureau; ESRI Business Analyst; WTL+a, November 2016.

Based on conversations with staff in the County’s Budget Office, for purposes of this analysis WTL+a has assumed that as the General Fund budget rises, Ad Valorem taxes will continue to comprise 58% of the total General Fund budget for the 50-year analysis period. County staff also noted that portions of the County’s annual Operating Budget (excluding the General Fund) are net neutral, meaning that revenues via fees and service charges will increase proportionally with any operating expense increases at the same 42% proportionate rate.

Table 3: General Fund Expenses Per Capita

Population Type	2016	% of 2016 Population	General Fund Cost Per Capita (Weighted)
General Fund Expenses	\$ 268,477,736		
Residents	487,588	77.3%	\$ 278.33
Employees	143,590	22.7%	\$ 132.39

Source: Pasco County FY2016 Adopted Operating Budget; U.S. Census Bureau; ESRI Business Analyst; WTL+a, November 2016.

General Fund Revenues

General Fund revenues are collected via the Ad Valorem Property Tax, and grow in proportion as the development program's land uses are delivered annually over the 50-year buildout of Connected City. As illustrated in Table 4 below, over the 50-year buildout period, cumulative revenues are estimated at \$1.2 billion, or approximately \$24.0 million per year, on average, over the buildout period. Revenues are expected to stabilize at approximately \$40.9 million per year at buildout in 2065.

General Fund Expenses

As illustrated in Table 4 below, cumulative expenses are estimated at almost \$586,900,000, or \$11.7 million per year. The analysis estimates that **each new Connected City resident will create an average of \$483 in additional General Fund expenses**; of this amount, \$278.33 is covered by Ad Valorem property tax revenues with the remainder covered by state subsidies and other net neutral sources. **Each new employee is expected to create \$229 in additional expenses**, with \$132.39 covered by Ad Valorem taxes. In combination, Connected City's residential and workforce population will create estimated average annual County-funded General Fund expenses of \$11.7 million per year, stabilizing at \$23.1 million per year at buildout in 2065.

Net Fiscal Impacts

The analysis suggests that, based on the current development program and value assumptions, Connected City will have a favorable net fiscal impact to Pasco County's annual Operating Budget. During an average year during the 50-year buildout period, **Connected City will net a General Fund surplus of more than \$613.8 million, or almost \$12.3 million per year. This is expected to stabilize at \$17.8 million per year in 2065.** Thus, any surplus to the General Fund generated by Connected City may provide an opportunity to enhance or provide additional County services. The surplus may also allow the County to decrease the level of annual General Fund subsidies from other County funding sources.

Table 4: Expected Net Fiscal Impacts—Pasco County Operating Budget

	Cumulative Fiscal Impact by Development Phase							
	2016-2030		2031-2040		2041-2065		Total: 2016-2065	
	Cumulative	Avg. Annual	Cumulative	Avg. Annual	Cumulative	Avg. Annual	Cumulative	Avg. Annual
General Fund Revenues	\$ 141,874,981	\$ 9,458,332	\$ 220,504,511	\$ 22,050,451	\$ 838,374,886	\$ 33,534,995	\$ 1,200,754,378	\$ 24,015,088
General Fund Expenses	\$ 55,756,912	\$ 3,717,127	\$ 94,197,238	\$ 9,419,724	\$ 436,945,658	\$ 17,477,826	\$ 586,899,808	\$ 11,737,996
Total Net General Fund Fiscal Impacts:	\$ 86,118,068	\$ 5,741,205	\$ 126,307,273	\$ 12,630,727	\$ 401,429,228	\$ 16,057,169	\$ 613,854,570	\$ 12,277,091

Source: Pasco County FY2016 Adopted Operating Budget; U.S. Census Bureau; ESRI Business Analyst; WTL+a, November 2016.

Next Steps

The inputs and assumptions used in this analysis have yet to be vetted with representatives from the client team or Pasco County officials. Once that occurs, the model may be revised, and we will incorporate any subsequent changes and issue a final version. Given that the DPFG study did not examine the fiscal impacts of Connected City on the Pasco County School District, WTL+a recommends that such an analysis be completed to assess the expected impacts that Connected City’s school-age children will have on County schools.