

Technical Memorandum:

Fiscal Impact Assessment of Proposed Redevelopment of St. Mary's Villa—Revised Development Program 701 S. Bethlehem Pike Upper Dublin Township

Prepared for:

Endeavor Property Group, LLC

Prepared by:

Urban Partners

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Urban Partners has been asked to update its independent review of the likely fiscal impact of the proposed redevelopment of the St. Mary's Villa property at 701 S. Bethlehem Pike, Upper Dublin Township, PA. The current use is a tax-exempt youth residential service facility housing approximately 72 teenagers, 25 of whom attend Upper Dublin schools. The proposed new use involves a mixed housing project with 104 for sale units, largely but not exclusively targeted to the over-age 55 market and 250 rental senior independent living units.

The site is the former historic grounds of the Lindenwold Estate in Ambler. In 1936, the Sisters of the Holy Family of Nazareth moved their orphanage for boys to this location. In recent years, the facility has provided residential services for abused and neglected children and has also provided a day school for students from surrounding school districts in need of special education services. After a 2013 merger, the facility is operated by the Philadelphia Health Management Corporation.

Current Use

The current facility provides residential-based services to 72 youth. Programs offered at the facility deal with academic issues, family relationships, and the skill development necessary for the students to re-enter the public school system. 25 of the 72 youth attend Upper Dublin schools (2013-2014 school year). The facility employs 140 staff with an average salary of \$30,000.

Fiscal Impact of Current Use

Local Tax Revenues

Upper Dublin Township

It is estimated that Upper Dublin Township receives the following revenues from the current residential service facility:

Real Estate Tax (5.525 mils):

None. The property is exempt from real estate taxes.

Earned Income Tax:

The current payroll at the facility is estimated at \$4.2 million. Prior reviews of Earned Income receipts indicate that Upper Dublin Township will retain Earned Income Tax revenue from approximately 20% of employees. This yields total EIT payments of \$8,400, with half, or \$4,200, being available to the Township.

Emergency Services Tax

The Township receives \$52 per employee under the Emergency Services Tax. This totals \$7,300 annually.

Total Annual Revenues to Upper Dublin Township

Earned Income Tax	\$ 4,200
Emergency Services Tax	\$ 7,300

Total Estimated Annual Revenue \$11,500

Upper Dublin School District

Similarly, Upper Dublin School District receives the following current revenues from this property:

Earned Income Tax:

As noted above, the School District receives an estimated \$4,200 annually from the EIT.

Local Service Costs Impacts

Upper Dublin Township

On **Table 1**, we have summarized the Township’s expenditures for 2015. Municipal government expenditures are largely influenced by two factors: (1) general government, public safety, and most service expenditures vary generally based on the number of people or households in a community; (2) the maintenance of streets & roads and the cost of capital investment is more heavily influenced by the mass of developed property. As shown on Table 1, Upper Dublin’s municipal budget for 2015 is projected at \$26,616,422, of which approximately 2,664,000 is for maintenance of streets & roads and other infrastructure, \$2,408,000 is for sanitation, \$1,500,000 is special capital expenditures for stormwater and economic development, and the remaining \$20,045,000 is expenditures for general government, public safety, etc.

From these broad budget categories, we estimate that Streets & Roads expenditures are approximately \$442 per developed acre; general government/public safety expenditures are about \$698 per person, and sanitation expenditures are \$263 per household. In calculating the general government/public safety expenditure rate, we have allocated \$2.4 million of these expenditures to non-residential property.

Table 1
Township Expenditure Analysis (2015 Dollars)

Township Budget 2015	Estimated Streets & Roads/Infrastructure	General Government/Public Safety	Sanitation	Stormwater & Economic Development	Estimated Streets & Roads/Infrastructure	General Government/Public Safety	Sanitation	Per Household Expenditure	Per Capita Expenditure
	2015	2015	2015	2015	2015	2015	2015	2015	2015 (1)
									Per Capita
									2015 (2)
	\$26,616,422	\$2,663,601	\$2,408,097	\$1,500,000	\$2,664,000	\$2,408,000	\$1,500,000	\$442	\$698
									\$263

Footnotes:

(1) Based on 6,024 developed acres

(2) \$2,400,000 of General Government/Public Safety Expenditures Allocated to Business Property

From a municipal cost viewpoint, the current use includes both residential and employment-based costs. The site includes 45 acres of developed property resulting in estimated streets & infrastructure expenditures by about \$19,900 annually. The 72 residents and 140 staff require general government/public safety expenditures of approximately \$72,700. Total Township service costs are estimated at \$92,600 annually.

Upper Dublin School District

Net service costs for Upper Dublin School District (UDSD) regarding the youth residents of St. Mary's Villa are quite complex. One portion of these children attends Upper Dublin schools; a second group is served at St. Mary's Villa and these services are paid for by UDSD. Based on current occupancy, 25 students are being educated in Upper Dublin schools while 47 are receiving services on-site at St. Mary's Villa.

For the youth being served on site at St. Mary's Villa, UDSD has in recent years made payments to St. Mary's Villa averaging \$1.536 million annually. Theoretically, these payments would be fully reimbursed by a combination of payments from the Philadelphia School District and the State of Pennsylvania. Actual reimbursements have averaged 82% of payments made by UDSD, resulting in an average annual net cost to UDSD of approximately \$280,000. In addition, there have been significant lags in these partial reimbursements resulting in implicit interest costs to UDSD in the range of \$10,000 to \$15,000 annually.

Regarding those students attending Upper Dublin schools, aggregate expenditures for UDSD for the 2013-14 year are \$85,502,835, or \$20,048 per child. Of this total, \$13,161,075 is provided by state and federal sources, or \$3,086 per child. The local cost of school services is \$16,962 per child. 25 of the 72 resident youth at St. Mary's Villa attend Upper Dublin schools, generating service costs to the school district of \$424,000 annually, at 2013-14 costs. Based on previous practice, we assume that most or all of this expenditure will be billed to the Philadelphia School District. Recent history indicates that Philadelphia will pay on average 94% of billed amounts, but with an average delay of six months. This suggests that the net cost to UDSD for educating these 25 in-school children would be about \$35,000 including implicit interest costs for delays in payment.

Taken together, the net service cost to Upper Dublin School District is estimated conservatively at \$325,000 annually.

Net Local Fiscal Impact

The net fiscal impact of the current use at St. Mary's Villa is:

- for Upper Dublin Township, revenues of \$11,500 versus costs of \$92,600, or a ***net loss of \$81,100 annually***;
- for Upper Dublin School District, revenues of \$4,200 versus net costs of \$325,000, or a ***net fiscal loss of \$320,800 annually***.

Proposed Use: Cost, Resident, & School Attendance Assumptions

The proposed 354-unit development includes a 250-unit senior independent living facility and 104 sales housing units. The senior independent living facility includes 150 one-bedroom units and 100 two-bedroom units. The target market for this complex is older seniors, generally over 75 years of age. The market value of this senior complex is estimated at \$50,000,000. Based on the Montgomery County common level ratio of 1.78 for real estate tax purposes, the likely assessed value will be \$28,100,000 at 2015 ratios and valuations.

Estimated average household size for this 250-unit apartment complex is 1.3 persons (yielding 325 persons total). No children under age 18 are anticipated to reside in the independent living facility.

The 104 units of sales housing include 32 carriage homes projected to sell for an average of \$650,000; 47 larger townhomes projected to sell for \$575,000; and 25 smaller townhomes at projected to sell for \$545,000. All units will be three-bedrooms. Based on these anticipated sale prices, the market value for the 104 sales units will be \$61,450,000. Based on the Montgomery County common level ratio of 1.78 for real estate tax purposes, the likely assessed value will be \$34,525,000 at 2015 ratios and valuations.

As an independent assessment of population and school enrollment impact, the “Who Lives in New Jersey?” guide to demographic multipliers produced by David Listokin et al of the Center for Urban Policy Research at Rutgers University provides a basis for calculating the resident and school enrollment impacts of specific development projects. These factors are applied to the proposed sales housing development program as shown on **Table 2**.

Table 2: Resident Characteristics--St. Mary's Villa Redevelopment
Rutgers Center for Urban Policy Research Factors Analysis

	Estimated Residents (1)	Estimated School Age Children (1)	Estimated Public School Enrollment (1)
32 Carriage Homes 3-Bedroom		7898	
72 Townhomes 3-Bedroom		1762017	
250 Senior Apartments (2)		325	
Total		5792925	

Footnotes:

(1) From Factors In "Who Lives In New Jersey Housing," November, 2006

(2) Urban Partners; U.S. Census 2010

Based on this analysis and the discussion above of the senior apartment complex, the expected resident population in this development is 579 persons, with 29 of them being of school age and 25 being expected to attend Upper Dublin schools.

The “Who Lives in New Jersey?” guide, however, provides an analytical approach based on statewide factors. For a community with especially attractive schools, such as Upper Dublin, there may be more significant impacts from incremental housing development. On **Table 3**, we have considered a more localized analysis of demographic impact. As reported in the 2010 U.S. Census, owner-occupied homes in Upper Dublin had an average of 0.76 residents per bedroom. Applying this factor, we estimate additional population in the 104 owner-occupied units is 238 persons. Adding these to the 325 persons in the senior apartments, we estimate the total on-site population at 563 persons.

**Table 3: Resident Characteristics--St. Mary's Villa Redevelopment
Localized Bedroom-Count Analysis**

	Estimated Residents (1)	Estimated School Age Children (2)	Estimated Public School Enrollment (3)
32 Carriage Homes 3-Bedroom	73		1412
72 Townhomes 3-Bedroom	165		3226
250 Senior Apartments (2)	325		
Total	5634638		

Footnotes:

- (1) 2.81 Population Per Household & 3.68 Bedrooms Per Household for Owner Occupied Units In Upper Dublin (U.S. Census--2010)
- (2) Estimated .222 School-Age Children per bedroom beyond the first bedroom in Upper Dublin (American Community Survey 2007-11; U. S. Census--20
- (3) Public-School Enrollment Ratio in Upper Dublin of .820 of School-Age Children

In general, the extent to which children reside in new housing developments is heavily determined by the type of housing units provided. For instance, subdivisions with a large percentage of three-, four-, and five-bedroom homes will likely house a significant number of school-age children. On the other hand, a complex of one-bedroom apartments will house very few children—it is almost always true that no children sleep in the first bedroom in any housing unit. Based on these relationships, the strongest predictor of school-aged children in a new housing development is the number of bedrooms *after the first bedroom*.

The 2010 census reported that Upper Dublin had 9,625 housing units with 5,182 school age children (age 5-17). Utilizing ratios for bedroom counts derived from the 2007-11 American Community Survey, we estimate that these 9,625 housing units contained 32,940 bedrooms, or 23,315 bedrooms after the first bedroom. As a result the ratio of school age children to bedrooms beyond the first bedroom was 0.222 (5,182 divided by 23,315). Applying this ratio to the proposed 104 new residential units yields this analysis:

- this proposed unit mix includes 312 bedrooms or 208 bedrooms after the first bedroom;
- at a ratio of .222 school-age children per bedroom beyond the first bedroom, these 208 “bedrooms after the first” yield 46 children ages 5 through 17.

During the 2009-2010 school year, approximately 4,250 children attended Upper Dublin schools. That is, the ratio of public school students to children ages 5 through 17 was 0.820. Applying this ratio to the 46 anticipated school-age children results in an anticipated increased attendance of 38 students.

Fiscal Impact of Proposed Redevelopment

Local Tax Revenues

Upper Dublin Township

Upper Dublin Township can anticipate the following revenues due to this proposed development:

Real Estate Tax (5.525 mils):

As noted above, the anticipated assessed value of the senior complex is \$28,100,000, while the 104 homes would have aggregate assessed value of \$34,525,000. Based on this total \$62,625,000 assessed value, Township real estate tax revenues will be \$346,000.

Earned Income Tax:

Estimating earned income for the likely occupants of this development is complicated by several factors: (1) for the senior occupants of the independent living facility, a significant portion of their earnings are non-taxable for EIT; (2) this will also be true for many of the owners of the for-sale units, especially as larger numbers of these owners retire--initially these buyers may have larger shares of taxable income; and (3) many of the buyers of the for-sale units will be purchasing with significant equity investment—hence, there is no tight relationship between purchase price and annual earnings. Given this uncertainty, we will be conservative in our analysis: (1) for the 250 senior apartments, we will assume an average of \$20,000 per household in taxable earnings in 2015 dollars; (2) for the 104 owner-occupied units, we will assume gross annual earnings of 21% of the sales prices of the units with, on average over several years, 30% of earnings being taxable for EIT purposes.

With these assumptions and assuming a 4% vacancy rate, we estimate the gross taxable income (in 2015 dollars) for the 250 senior apartments at \$4.8 million. This yields total EIT payments from these apartments of \$48,000. Similarly, for the 104 owner-occupied units, we estimate the gross taxable income at \$3.87 million. This yields total EIT payments from these owner-occupied units of \$38,700. Finally, the complex will likely employ a staff of 15 with a payroll of approximately \$450,000. Assuming that Upper Dublin Township will retain Earned Income Tax revenue from approximately 20% of employees, this yields total EIT payments of \$900. Total EIT payments are estimated at \$87,600, with half available for the Township and half for the School District.

Real Estate Transfer Tax

The initial sale of the 104 owner-occupied units is expected to occur over a three-year period and yield total estimated sales prices of \$61,450,000. This will yield \$614,500 in real estate transfer taxes—half each for the Township and the School District. After that initial sales period, homes will resell periodically; in Upper Dublin that resale frequency has historically been 7.3% of units annually. Based on that rate of resale and measuring at 2015 prices, annual resales of homes should be in the range of \$4.49 million annually, yielding \$44,900 per year in real estate transfer taxes.

Total Annual Revenues to Upper Dublin Township

Real Estate Tax	\$346,000
Earned Income Tax	\$ 43,800
Real Estate Transfer Tax	\$ 22,400
Other	\$ 35,700

Total Anticipated Annual Revenue \$447,900

School District

Similarly, Upper Dublin School District can anticipate the following incremental revenues due to this proposed development:

Real Estate Tax (31.4099 mils):

Based on the \$62,625,000 assessed value discussed above, School District real estate tax revenues will be \$1,967,000.

Earned Income Tax and Real Estate Transfer Tax:

As noted above, the School District will receive an estimated \$43,800 annually from the EIT and an annualized average of \$22,400 from the real estate transfer tax, in addition to \$307,200 in real estate transfer taxes from the initial sale of the 104 owner-occupied units.

Total Annual Revenues to Upper Dublin School District

Real Estate Tax	\$1,967,000
Earned Income Tax	\$ 43,800
Real Estate Transfer Tax	\$ 22,400

Total Anticipated Annual Revenue \$2,033,200

Local Service Costs Impacts

Upper Dublin Township

Utilizing the ratios from Table 1 above, the site's 45 acres of developed property will continue to result in estimated streets & infrastructure expenditures by about \$19,900 annually. The estimated 563-579 residents require general government/public safety expenditures of approximately \$393,000 to \$404,100. The new households will not increase sanitation costs because of private trash hauling for the complex. Total Township service costs are estimated at \$412,900 to \$424,000 annually.

Upper Dublin School District

Above, we have estimated the number of students for the school district from this development to be 25 to 38 students. This would generate a marginal cost to the school district of \$425,000 to \$646,000 annually, at 2015 local costs of \$17,000 per child.

Net Local Fiscal Impact

The net fiscal impact of the proposed 354-unit development is:

- for the Township, revenues of \$447,900 versus costs of \$412,900 to \$424,000, or a ***net fiscal gain of \$23,900 to \$35,000 annually***;
- for the School District, revenues of \$2,033,200 versus costs of \$425,000 to \$646,000, or a ***net fiscal gain of \$1,387,200 to \$1,608,200 annually***.

Anticipated Net Local Fiscal Impact From Redevelopment

The net fiscal impact from the change of use of St. Mary's Villa from a youth residential service facility to a predominantly senior 354-unit residential development is:

Upper Dublin Township

For the Township, the current use generates a net fiscal loss of \$81,100 annually; the proposed use will create a net fiscal gain of \$23,900 to \$35,000. As a result, there will be a ***total fiscal gain to the Township from redevelopment of \$105,000 to \$116,100 annually***.

Upper Dublin School District

For the School District, the current use generates a net fiscal loss of \$320,800 annually; the proposed use will create a net fiscal gain of \$1,387,500 to \$1,608,200 annually. As a result, there will be a ***total fiscal gain to the School District from redevelopment of \$1,708,300 to \$1,929,000 annually***.