

FISCAL ANALYSIS
FOR THE
DRAFT COMPREHENSIVE PLAN

CITY OF SPOKANE, WASHINGTON
PLANNING SERVICES DEPARTMENT

AUGUST 2000

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1. INTRODUCTION AND SUMMARY

Summary

Fiscal impact analysis is a planning tool that can help estimate the incremental public expenditures and revenues resulting to a city from future growth. Expenditures refer to the public costs of operating and maintaining city services and facilities, such as police and fire service, parks, road maintenance, and general governmental services (e.g., planning, finance), required to support planned growth. Revenues include funds that accrue primarily to the city's general fund from taxes (e.g., property taxes, sales taxes, business licenses, utility taxes), fees/permits, and intergovernmental revenues generated by growth. The balance between costs or expenditures and revenues indicates whether a certain type, amount, or mix of development will be more likely to generate a fiscal surplus or deficit to the city. The focus is on identifying the relative differences among alternatives, not the exact costs or revenues from any individual alternative. This information can be used, along with information about environmental and social impacts, to help identify trade-offs and assist in the choice of a preferred course of action.

Fiscal analysis is usually based on information drawn from a city's annual budget, historical patterns of costs and revenues, and plans or estimates of future conditions. Different methods and assumptions can be used to project these costs/expenditures and revenues into the future. In some cases, the analysis relies on average costs per person to estimate future municipal costs. This approach provides a reasonable estimate, but it may not reflect efficiencies that come from serving a larger population. Efficiencies may also come from large investments in capital facilities that may be triggered by an increment of population. In other situations, fiscal analysis employs case studies of different types of development or infrastructure to identify costs. In general, choices of assumptions used in the analysis are conservative.

The fiscal analysis for the Draft Comprehensive Plan is based on the different types, amounts, and patterns of future development included in three draft land use alternatives: Current Patterns, Centers and Corridors, and Central City. It provides a limited test or "snapshot" of the relative costs and revenues that could result from implementation of the Comprehensive Plan over a 20-year period. The fiscal analysis only examines public costs and revenues accruing to the City of Spokane; private costs and fiscal effects to other jurisdictions are not evaluated.

The Current Patterns Alternative (Alternative 1) produced a net fiscal deficit (annual revenues less than annual expenditures.). This was the result when all three types of planning areas were combined—the existing city plan sub-areas, the joint planning areas, and the designated areas for addition to the IUGA. The Centers and Corridors and Central City Alternatives both produced small annual net fiscal surpluses. The alternative that emphasized a pattern of future growth concentrated in the central city (Alternative 3) produced a slightly larger net fiscal surplus. The "one time during construction" revenues to the city were roughly the same amount for each alternative spread over the twenty-year planning horizon.

When the existing planning sub-areas in the city and the joint planning areas (JPA) were combined, the Central City Alternative (Alternative 3) produced a net fiscal surplus, as did the Centers and Corridors Alternative (Alternative 2), the latter surplus was smaller. The Current Patterns Alternative (Alternative 1) produced a net fiscal deficit. The areas that are proposed as additions to the IUGA, taken as a group, produced a net fiscal surplus with the Centers and Corridors Alternative and net fiscal deficits with the two other alternatives. These results are sensitive to changes in the underlying assumptions for the three alternatives but the results would most likely not change unless the relative magnitudes of incremental growth for the alternatives changed relative to each other.

These conclusions are preliminary and will be refined as the city continues to refine its Comprehensive Plan.

Purpose of Analysis

The fiscal analysis of the three land use alternatives being considered in the Draft Comprehensive Plan is an “experiment” that analyzes which of the three alternatives will most likely provide better fiscal performance for the City of Spokane. The fiscal comparison uses many simplifying assumptions to focus on the three land use alternatives being considered. It is possible that the three projections of different patterns of residential and non-residential growth will have different impacts on the city’s general fund. The locations, amounts, and types of housing units and levels and patterns of economic activity associated with an alternative can influence both taxes and other revenue sources, as well as the level and patterns of expenditures for city services.

This report’s measure of the potential differential impact of the city’s growth is the net fiscal return that will result with each alternative. Net fiscal return is a comparison of the estimates of tax and other revenues generated and the levels of city general fund expenditures. The city’s general fund is the focus of the fiscal analysis. A financial model is used to estimate potential costs and revenues. Most capital costs are excluded (See Draft Comprehensive Plan/EIS, Volume 2, Capital Facilities and Utilities). Cost and revenue impacts to other governmental entities (e.g. county, schools, and special purpose districts) are not part of the analysis. The model is a set of assumptions, data, and relationships that were formulated specifically for this analysis for the City of Spokane.

These estimates of the financial future are based on many assumptions, especially those related to the amount and location of future growth. Other assumptions relate to translating the Comprehensive Plan’s alternative patterns of growth into economic and real estate values, which drive many taxes. State laws, local policies, and regulations also influence revenue estimates. City budget policies will affect general fund expenditures and influence the fiscal balance. The fiscal analysis is sensitive to these and similar assumptions and influences. The current and existing city budgets and input from city departments were used to estimate projected expenditures.

The primary objective of the analysis is to provide a fiscal comparison of the alternatives. The information from the fiscal analysis is useful for other reasons including:

- ◆ Fiscal surpluses make it easier to fund capital facilities in the city and
- ◆ may reduce the need to borrow for capital facilities.
- ◆ Different mixes or patterns of residential and/or commercial/industrial land use may provide different net fiscal returns to the city.
- ◆ Different densities of development may have different fiscal implications.
- ◆ Current levels of services could be revisited to affect the fiscal surplus/deficit.

A key use of the fiscal analysis is to assist the community in making informed decisions about the alternatives that are being considered in the City of Spokane’s Draft Comprehensive Plan. Along with information from the environmental impact analysis, the fiscal performance of each alternative can help the City of Spokane choose how to grow in the future.

The fiscal analysis of the City of Spokane’s Draft Comprehensive Plan is presented in three sections. The first section is an introduction and summary of results. The second section describes the methods and assumptions used in the fiscal analysis in detail. This second section along with the first introduction and summary section will be of interest to those who are as concerned with how the analysis was done as much as the results. The third section, which is intended to be an appendix, is composed of two parts: a detailed line-by-line description of the fiscal analysis model and the tables that show the detailed numerical results and intermediate steps.

Interpretation and Use of Results

The fiscal analysis is based on local and generally accepted economic and real estate value assumptions. These assumptions are a way to simplify a complex reality that includes a local web of real estate and economic activity, a large number of persons/household behaviors, a background of national and regional economic trends, a past history of public-private actions, and a myriad of state, federal, and local regulations and laws.

The time horizon for the Comprehensive Plan and, therefore, the fiscal analysis is twenty years. Much will change over twenty years. The current city budget, which is the source for many of the assumptions in the fiscal analysis, is itself the product of many assumptions and policy decisions limited by state laws, policies, and administrative directives. Over time many of these parameters may change. Some city departments also provided input related to patterns and levels of city services. The reality of the various economic, real estate, and other assumptions will also change over time.

In the face of these many variables and the time period of the analysis, the most useful interpretation of the fiscal analysis results serves as a test than can add information for the community's choice of a land use alternative. There is no specific proposal for annexation or change of city policy being considered at this time with this fiscal analysis. The details or general financial policies of the city and its budget are not being evaluated or tested. The current budgetary and revenue policies of the city are assumed to carry forward over the timeframe of this fiscal analysis.

The results should not be considered as predictions of specific amounts or budget projections. This fiscal analysis does not provide a specific estimate for budget planning. The results are "order of magnitude" estimates given the many assumptions about complex trends and conditions at a distant point in time. It is not appropriate to use the analysis to make inferences about city policies other than the Comprehensive Plan alternatives, such as specific annexations or other specific revenue, budget, or borrowing decisions. Application of the results to policy discussions other than the choice of an alternative land use pattern to guide future city planning would be severely limited and not appropriate.

The fiscal analysis methodology is incremental. It does not take into account the budget/revenues associated with the amount and pattern of development that already exists in the city. Some indirect local municipal service costs/expenditures may not change with more growth. It does not estimate the current tax base and revenue that would be associated with lands that could be annexed to the city in the Joint Planning Area and other areas that may be designated as future additions to the city. The fiscal analysis is general and not specific for each sub-area. Many simplifications were made so that the focus would remain on the Comprehensive Plan alternatives being considered. For example, the fiscal analysis uses an average price of a single-family home to estimate certain taxes. The average single-family home price in any given sub-area could vary considerably. The fiscal analysis of the plan alternatives is very limited for making specific annexation decisions.

TABLE 1 SUMMARY OF THE CITY OF SPOKANE'S COMPREHENSIVE PLAN ALTERNATIVES*

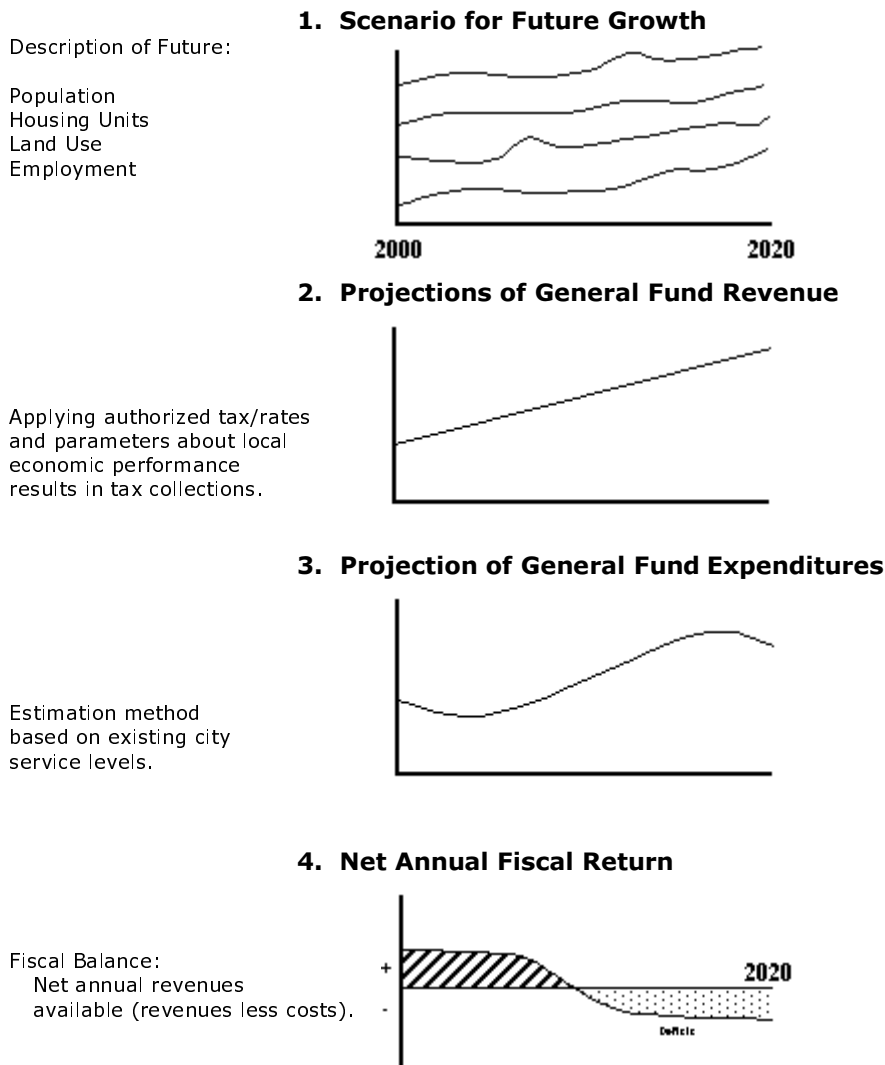
	Current Patterns	Centers and Corridors	Central City
Population	85,191	75,062	73,760
Employment**	23,522	23,546	23,546
Single-Family Residential Units	28,334	21,378	22,433
Multifamily Residential Units	9,098	14,011	12,049
Hotel Rooms	1,253	1,253	1,253
Commercial/Industrial Square Feet (1,000s)	12,720	12,725	12,725

*These amounts are increments of new growth for 2000-2020.

**Includes private employment in hotel, office, industrial, and retail space only. Employment in medical, school, agricultural, mining, and forestry activities are not included.

Source: Dwelling units and employment from City Planning staff: single-family is 2.5 persons per unit, downtown multifamily is 1.2 persons per unit, and other multifamily is 1.6 persons per unit.

Figure 1 Fiscal Analysis Model



The estimation¹ of a fiscal surplus (or deficit) is not an assurance that one or the other will actually occur. What the fiscal model tests is the likelihood that one alternative will have a better or worse fiscal performance. The model's results are very sensitive to the assumptions. Over time, the actual values of real estate and economic activity could produce results at variance with the estimates. The market forces for a community ultimately and profoundly influence the amount and patterns of revenues. In addition, the decisions of the legislature (and occasionally the courts) also influence the revenue and/or expenditure side of the general fund's performance. The city has the most control over the expenditure side of the general fund through its budget process. The political climate that translates community needs into public costs is a complex and changing process.

Land Use Alternatives

Table 1 summarizes the principal quantitative assumptions in the city's projections for the Draft Comprehensive Plan alternatives. The population growth for the alternatives varies based on the amount and mix of housing units. Employment growth, representing future economic activity in the community, is projected. Alternatives range within 1 percent of the high and low. The primary difference among alternative scenarios is the split between types of residential units. The Current Patterns Alternative envisions approximately 25 percent multifamily units. The Centers and Corridors Alternative plans approximately 40 percent multifamily units, while the Central City Alternative includes 35 percent multifamily units.

The population assumptions used in the fiscal analysis are somewhat different from those used in the Draft Comprehensive Plan and Draft Environmental Impact Statement. The city is continuing to refine its projections as the Comprehensive Plan evolves. Despite these discrepancies, the analysis presents a useful comparison of order of magnitude differences in costs and revenues. An updated set of numbers will be used to evaluate a preferred alternative in the Final EIS. Changes in the magnitude, location, and/or relative patterns of projected future growth could influence the results of the fiscal returns analysis and could change the fiscal performance among alternatives could change.

Fiscal Analysis Model

The fiscal analysis model is an adaptation of many financial models used in public and private sector decision-making situations. The model is composed of four sectors, which are represented graphically in Figure 1, "Fiscal Analysis Model."

1. Scenario for Future Growth

The projected alternative land use scenarios are described as in Table ,1 "Summary of the City of Spokane's Comprehensive Plan Alternatives." This part of the model also includes a set of economic and real estate assumptions. The model includes future growth assumptions for the three categories of sub-areas that the city's draft plan contemplates: the existing city, unincorporated joint planning areas designated by Spokane County in the Interim Urban Growth Area (IUGA), and areas that are proposed to be added to the city's urban growth area.

Changes in these factors will result in different net fiscal returns to the city (provided in the fourth part of the model).

2. Projections of General Fund Revenue

The model estimates revenues that would be associated with each alternative in two ways: tax and other revenues that only accrue once during the construction phase of new development and tax and other revenues that would occur annually in some stabilized or "typical" year after the

¹ A city in Washington State is not allowed to run a deficit. In reality, taxes would be raised or expenditure levels lowered.

comprehensive plan’s growth scenarios have occurred. Growth is assumed to occur evenly over the 20-year period. The timing of annexing additional areas into the city would affect the net fiscal returns.

Many of the “assumptions” in the revenue analysis are fiscal rules that cities in this state are required to use. Tax rates and tax bases, as well as the methods for collection, are a product of statutory and constitutional mandate. Cities do have some choice of fiscal instruments (primarily, the type of taxes, some tax rate levels, and other revenue sources). Spokane’s choices are as reflected in its 2000 budget. The tax rates and revenue devices currently in use are assumed.

TABLE 2. REVENUES AND EXPENDITURES (ONE-TIME) DURING CONSTRUCTION PERIOD (1999-2019) (\$1,000S)			
	Current Patterns	Centers and Corridors	Central City
Revenues			
Sales Taxes	\$23,303	\$21,038	\$21,076
Development Fees	\$36,353	\$39,495	\$38,336
Total Revenues	\$59,656	\$60,533	\$59,412
Real Estate Excise Tax Fund	\$11,175	\$9,735	\$9,777
*Real Estate Tax Revenue goes directly into the Real Estate Excise Tax Fund where it is used for capital expenditures.			

3. Projection of General Fund Expenditures

New households and businesses generate the need for the city government to provide public services. This section of the fiscal model estimates expenditures needed to provide these services. The fiscal analysis focuses on the general fund budget only. Assumptions are based on information obtained from city departments as well as current city budget and financial policies. The Capital Facilities and Utilities elements of the DEIS (Draft Environmental Impact Statement) provide a more detailed discussion of how the city intends to meet the projected needs of its citizens for the next twenty years. A continuation of current levels of city services is assumed. Some service levels may actually vary among the three alternatives based on information from departments and that information is contained in relevant sections of the DEIS.

4. Net Annual Fiscal Return

The fourth part of the model calculates the results. The sum of all revenue estimates and expenditures/costs of service estimates are combined to generate a net fiscal return to the city’s general fund for each of the three alternatives. The results also include revenues to the city from new construction (occurring only once), some special funds that are of interest, and increased debt capacity. A result of more revenues exceeding costs/expenditures indicates that the alternative is likely to produce a fiscal surplus. An excess of public service expenditures over revenues would signal a potential deficit.

TABLE 3 ANNUAL REVENUES AND EXPENDITURES AT 2020 * (\$1,000S)			
	Current Patterns	Centers and Corridors	Central City
Revenues			
Sales Taxes	\$8,564	\$8,547	\$8,547
Property Taxes	\$15,976	\$13,916	\$13,976
Utility Taxes	\$13,130	\$12,121	\$12,021
Intergovernmental Revenue	\$1,447	\$1,276	\$1,251
Park User Fee	\$1,022	\$901	\$885
Admissions Tax Revenue	\$426	\$375	\$369
Business Tax and Licenses	\$729	\$729	\$729
Miscellaneous Revenue	\$14,041	\$12,874	\$12,843
Total	\$55,335	\$50,739	\$50,615
Expenditures			
Police Services	\$15,586	\$11,200	\$10,192
Criminal Justice	\$2,647	\$1,904	\$1,733
Fire Suppression and EMS	\$12,452	\$10,799	\$11,210
Park and Recreation Fund	\$4,482	\$4,110	\$4,099
Library Fund	\$3,874	\$3,552	\$3,543
Street Fund	\$3,874	\$3,552	\$3,543
General Government Expenditures	\$17,885	\$14,514	\$14,488
Total	\$60,780	\$49,630	\$48,809
Revenues	\$55,335	\$50,739	\$50,621
Expenditures	\$60,780	\$49,630	\$48,809
Surplus/(Deficit)	\$(5,444)	\$1,110	\$1,806
Special Funds			
Hotel/Motel Fund	\$595	\$595	\$595
Parks and Recreation Fund**	\$5,505	\$5,011	\$4,985
Street Fund***	\$8,406	\$7,707	\$7,688
Increase in Debt Capacity	\$100,582	\$87,614	\$87,997
<p>*This is the amount that would accrue to the city's General Fund and select special funds during a typical stabilized year after the growth forecast in the Comprehensive Plan has occurred.</p> <p>**The Parks and Recreation Fund is primarily composed of the General Fund contribution and user fees. The estimated total for the Parks and Recreation Fund under each alternative is the sum of the anticipated user fees and General Fund contribution for that alternative.</p> <p>***The Street Fund is composed of the General Fund contribution and miscellaneous revenues, such as excise taxes, penalties/interest, and service charges. These miscellaneous revenues are equal to approximately 1.17 percent of the value of the General Fund contribution. The estimated total for the Street Fund is the sum of the General Fund contribution and the estimate for miscellaneous revenues.</p>			

TABLE 4 SUMMARY OF NET FISCAL RETURNS BY AREA AND ALTERNATIVE (\$1,000)						
	Cumulative (One-Time) During Construction Period			Stabilized Year (Annual) * at Buildout		
	Current Patterns	Centers and Corridors	Central City	Current Patterns	Centers and Corridors	Central City
Revenue						
City of Spokane	\$34,636	\$43,079	\$40,743	\$34,481	\$35,715	\$35,571
Joint Planning Areas	\$14,711	\$10,757	\$10,751	\$11,546	\$8,632	\$8,632
Proposed Additions to the IUGA	\$10,309	\$6,697	\$7,918	\$9,310	\$6,393	\$6,412
Total Revenue	\$59,656	\$60,533	\$59,412	\$55,337	\$50,740	\$50,615
Expenditures						
City of Spokane	N/A	N/A	N/A	\$39,645	\$35,814	\$33,292
Joint Planning Areas	N/A	N/A	N/A	\$11,728	\$7,771	\$7,955
Proposed Additions to the IUGA	N/A	N/A	N/A	\$9,407	\$6,045	\$7,561
Total Expenditures	N/A	N/A	N/A	\$60,780	\$49,630	\$48,809
Revenue	\$59,656	\$60,533	\$59,412	\$55,337	\$50,740	\$50,615
Expenditures	N/A	N/A	N/A	\$60,780	\$49,630	\$48,809
Surplus/ (Deficit)	\$59,656	\$60,533	\$59,412	(\$5,433)	\$1,110	\$1,806

*This is the amount that would accrue to the city's General Fund and select special funds during a typical stabilized year after the growth forecast in the Comprehensive Plan has occurred.
Shaded cells in table indicate revenues in excess of expenditures (costs) for area, i.e. a net fiscal deficit.

The fiscal analysis simplifies the role of time in the comparison of the three planning alternatives. The unfolding of the planning assumptions for land use for each alternative could be very different. In order to focus on a comparison of the ability of each scenario to produce a net fiscal surplus (or deficit), it was assumed that growth would occur evenly over the 20-year planning horizon. The alternatives that are more different from the local trends of the recent past may take longer to evolve (i.e., more growth could occur later during the next twenty years). A typical pattern for communities over a long period of time, such as twenty years, is that slow growth occurs initially followed by accelerated growth, then a gradually decelerating growth pattern. Obviously patterns will vary among communities and within the same community over time. [Two other sets of significant influence affect the patterns of each community: available market opportunities and the community's own economic development policies.]

The alternative planning scenarios for the Draft Spokane Comprehensive Plan, as described by the 20-year land use assumptions, are not dramatically different. It is not surprising that the fiscal comparison is also not dramatically different. It is conceivable that as time passes the fiscal differences would diverge from each other much more. In the time period 2021 to 2040, the small differences could become much more pronounced. Fiscal performance differences reflected in these results could diverge or be exaggerated.

Fiscal Model Results

The results of the fiscal analysis are summarized in Tables 2 “Revenues and Expenditures (One-Time) During Construction Period (1999-2019) (1000s),” Table 3 “Annual Revenues and Expenditures at 2020,” and Table 4 “Summary of Net Fiscal Returns By Area And Alternative.” These tables report the results of the financial model that was used to compare the fiscal productivity of the proposed alternatives. The model is a complex set of relationships that incorporates many assumptions about future community, growth, economic activity, and the requirements by state and local laws, regulations, and policies.

The results of the fiscal analysis are reported for two time periods. The first time period contains the revenue from activities that are taxed or that generate revenues from taxes and development fees during the construction process. These are referred to as “one time revenues.” The second time dimension for the fiscal results is for a typical “stabilized year,” which is any typical year after all of the new incremental growth has occurred. These “stabilized year” estimates are the typical annual flows of net revenue that would accrue each year. The typical “stabilized year” occurs after the Comprehensive Plan has been implemented and planning targets are achieved.

In general, the results show only incremental differences between the alternatives. This is due to the similarities in assumptions regarding population growth, housing units, and employment. The model is less sensitive to distinctions that are based on differences in the land use pattern. The reader should focus on the relative relationship between revenues and costs, not the specific amounts as noted in the report. There are some differences between the population, housing, and employment assumptions used in the fiscal analysis and those used in the Draft Comprehensive Plan/EIS. These do not change the overall relationship between the alternatives, however.

Table 2, “Revenues and Expenditures (One-Time) During Construction Period (1999-2019) (1000s),” reports the estimated revenues that would accrue to the city over a 20-year period due to one-time fees or taxes from new construction. The construction-related revenue that is estimated to accrue with the development pattern of the Centers and Corridors Alternative is the greatest. The difference between the highest and lowest real estate excise revenue over 20 years is 14 to 15 percent.

The table also reports the estimate of the real estate excise tax that is associated with these alternatives. Real estate excise taxes are imposed whenever a property is sold. In actuality, a specific new residential or commercial/industrial parcel could turn over several times during the 20-year period with this tax collected each time. What is portrayed and estimated is the initial sale of developed property to a new end user.

The Current Patterns Alternative is most revenue-productive when considering the special funds. These special funds are separate from the city’s General Fund and are used for specific purposes. No estimates were made for expenditures that could be generated during the construction process. In reality there could be expenditures associated with new construction. However, assuming that growth is equally spread over the 20-year time horizon of the plan, staffing and other expenditures would be stabilized and associated with the actual growth that occurs and does not respond to each addition of new construction.

The results of the fiscal analysis for a typical stabilized year are reported in Table 3, “Annual Revenues and Expenditures at 2020.” This table combines the estimates for revenues and expenditures of city general funds to provide a level of service that is consistent with current city policies and service delivery levels with each alternative. [Comparing the net fiscal flows indicates that the alternative with the most probability to fund city services and generate a small amount of funds to help finance capital facilities is the Central City Alternative.] This alternative produces a small net fiscal surplus, annual revenues greater than estimated annual expenditures for city services. The Centers and Corridors Alternative also

produces a small annual net fiscal surplus, while the Current Patterns Alternative produces an annual net fiscal deficit.

Table 4 “Summary of Net Fiscal Returns By Area And Alternative,” presents the results in a format that distinguishes between the three types of urban growth areas being considered in the comprehensive plan: existing city planning sub-areas, joint planning areas, and proposed additions to the IUGA. It is important to reiterate here that the fiscal analysis considers only the impacts of new increments of growth envisioned in the plan. The fiscal analysis does not include net fiscal flows from the existing tax base and public service needs that currently exist for each portion of the IUGA.

When considered by the type of sub-area, the existing city planning sub-areas taken together provide a net fiscal surplus for only the Central City Alternative. The Joint Planning Areas (JPA), taken together, result in a fiscal surplus under the Centers and Corridors and the Central City Alternatives. If the existing planning areas within the City of Spokane and the Joint Planning Areas are combined, the result is a fiscal deficit for Alternative, (Current Patterns). The Central City and Centers and Corridors Alternatives produce fiscal surpluses. The comprehensive plan alternative that emphasizes future growth in the Central City Alternative would produce the larger net fiscal surplus compared to the Centers and Corridors Alternative. The areas being considered as “Additions to the IUGA” do not produce a fiscal surplus by themselves except in the Centers and Corridors Alternative.

These results are sensitive to changes in the underlying development assumptions for the three alternatives but probably would not change unless the relative land use assumptions for the three alternatives changed relative to each other

2. DESCRIPTION OF THE FISCAL MODEL

This section provides a detailed description of the assumptions used in the fiscal model.

A. Description of Plan Alternatives

Plan Projections

Development Schedule. The development schedule was based on 2020 projections developed by the City of Spokane. The development schedule describes growth in residential units (single-family and multifamily), hotel/motel rooms, and employees by industry. Employee estimates were converted to square feet of building space using typical real estate employee to floor area ratios (FAR). The development schedule assumes evenly distributed growth over the forecast period.

City of Spokane. “City of Spokane” refers to the incorporated areas within the Interim Urban Growth Area adopted in 1996.

Joint Planning Areas (JPA). “Joint Planning Areas” are unincorporated areas included within the Interim Urban Growth Area (IUGA), adopted in 1996. Analysis assumes these areas will be annexed by 2020 but does not specify timing.

Proposed Additions to the City’s Urban Growth Area. “Proposed Additions to the city’s IUGA” are unincorporated areas located outside of the Interim Growth Area Boundary, which the city is proposing to include in its IUGA. The analysis assumes these areas will be annexed by 2020.

Residential Units. City staff provided estimates of gross numbers of new single-family and multifamily residential units that could be accommodated within the city under the Draft Comprehensive Plan alternatives. These gross numbers will be refined in the future to reflect land capacity deductions. These residential units were used to estimate the population associated with each plan alternative. As noted previously, these estimates do not exactly match assumptions evaluated in the Draft EIS.

Population. The city’s current population is 189,200. The city projects additional population growth of 68,800 by 2020 for all three Comprehensive Plan alternatives. As noted previously, the population estimates used in the fiscal analysis do not precisely match assumptions in the Draft EIS. The city is continuing to refine its projections as the Comprehensive Plan evolves. Despite these discrepancies, the analysis presents a useful comparison of order of magnitude differences in costs and revenues. An updated set of numbers will be used to evaluate a preferred alternative in the Final EIS. Huckell/Weinman Associates projects additional population growth of 85,191 under the Current Patterns alternative, 75,062 under Centers and Corridors, and 73,760 under Central City.

Employment. The City of Spokane provided 2020 employment projections for the following industries: agriculture, forestry, mining, industrial, wholesale, manufacturing, retail, services, office, finance, insurance, real estate, medical, and schools. These industries were grouped into three categories, industrial, office, and retail for the purpose of estimating the amount of building space, real estate values, and economic activity that is the basis for taxation. Employee estimates were used to calculate the amount of new incremental building space that would generate tax and other revenue.

Industrial space includes the manufacturing and wholesale industries. Office space includes services, finance, insurance, and real estate. Retail space includes only the retail industry. These three categories are standard real estate types for which data is collected.

Due to the typical nonprofit nature of schools and some medical offices, these groups are unlikely to provide a significant revenue source to the city and have not been included in the fiscal analysis. Likewise, the small employment numbers for agriculture, forestry, and mining make it difficult to determine their revenue impact without additional study. The real estate and economic activity estimates for these industries have also been excluded from the fiscal analysis.

B. Development Assumptions

The single and multifamily unit and employment projections of the plan alternatives were used to calculate tax base estimates.

Single-Family Units. Projections for single-family unit growth under all three alternatives were provided by the City of Spokane.

Multifamily Units. Projections for multifamily unit growth under all three alternatives were provided by the City of Spokane.

Hotel/Motel Development. The assessed value of a hotel room in the City of Spokane, a JPA, or a Proposed Addition to the city's IUGA is assumed to be \$45,000. Construction costs are assumed to be \$33,750 per room in all three locations.

Square Feet Per Employee. Employment estimates for industrial, retail, and office-related economic activity were used as a basis for projecting growth in new building square footage. The following square feet per employee ratios were assumed: 800 square feet per industrial employee, 350 square feet per office employee, and 500 square feet per retail employee. A ratio of one hotel room per employee was used.

Floor-Area Ratio (FAR). For the purpose of determining land allocated to economic activity, floor-area ratios (FARs)* were assumed for the projected employment categories. FAR, refers to the ratio of the total floor area of a building to the total area of a site. An FAR of .2 was used for retail, .25 for office, and .35 for industrial space estimates.

C. Construction Costs and Assessed Value

Residential and non-residential building values include three components for estimating taxes (sales, property, and real estate excise). These three components are include:

"Hard" Costs for Building. "Hard" costs of construction that are related to labor and materials. Sales tax rates for construction are only applied to this amount/portion or of the total project cost.

"Soft" Costs for Building. "Soft" costs are those costs related to the development of real estate, excluding labor and materials. Examples of such costs would include sales taxes, legal fees, permit fees and design contracts.

Land Value. Land value, or assessed value, is the dollar value of a property as assigned by a public tax assessor for the purpose of taxation.

Single-Family Unit. Assumptions were made regarding the assessed value and construction costs of projected single-family units. The assessed value of a "typical" single-family unit in the

* Floor area ratio (FAR) is the ratio of total building square feet to the size of the land parcel in square feet.

City of Spokane is assumed to be \$90,000, excluding land value. Land value is excluded because the value of the land is already included as a part of the city's current assessed value. The assessed value of a single-family unit located in either a JPA or a Proposed Addition to the city's IUGA is assumed to be \$120,000, including land value. The \$120,000 value of a single-family residential unit is the average value of a home sold in the Spokane market area in 1999. Land value is included because the value of the land is not currently part of the city's assessed value. Construction costs for single-family units are assumed to be \$60,000, regardless of location.

Multifamily Units. Assumptions have been made regarding the assessed value and construction costs for multifamily units. The assessed value of a multifamily unit in the City of Spokane is assumed to be \$40,000, excluding land value. Land value is excluded because the value of the land is already included as a part of the city's current assessed value. The assessed value of a multifamily unit located in either a JPA or a Proposed Addition to the city's IUGA is assumed to be \$45,000, including land value. Land value is included because the value of the land is not currently part of the city's assessed value. Construction costs for multifamily units are assumed to be \$30,000 regardless of location.

Industrial Activity. "Industrial" economic activity refers to the projected growth in employment and real estate value associated with industrial space. The assessed value of industrial real estate growth in the City of Spokane is assumed to be \$78.03 per square foot, excluding land value. Land value is excluded because the land value is already included as a part of the city's current assessed value. The assessed value of industrial real estate growth in either a JPA or a Proposed Addition to the city's IUGA is assumed to be \$85 per square foot, including land value. Land value is included because the industrial land value is not currently part of the city's assessed value. Construction costs for growth in industrial space are assumed to be \$58.65 per square foot regardless of location.

Retail Activity. "Retail" economic activity refers to the projected growth in the amount, value, and employment associated with retail space. The assessed value of retail space growth in the City of Spokane is assumed to be \$70 per square foot, excluding land value. Land value is excluded because the land is already part of the city's current assessed value. The assessed value of retail real estate growth in either a JPA or a Proposed Addition to the city's IUGA is assumed to be \$100 per square foot, including land value. Land value is included because the retail land value is not currently part of the city's assessed value. Construction costs for growth in retail space are assumed to be \$55 per square foot, regardless of location.

Office Activity. "Office" real estate values and economic activity refers to the projected growth in service, finance, insurance, and real estate industries accommodated in office space. The assessed value of office space growth in the City of Spokane is assumed to be \$83.64 per square foot, excluding land value. Land value is excluded because the land value is already included as a part of the city's current assessed value. The assessed value of office and estate growth in either a JPA or a Proposed Addition to the city's IUGA is assumed to be \$120 per square foot, including land value. Land value is included because the office land value is not currently part of the city's assessed value. Construction costs for growth in office space are assumed to be \$62.89 per square foot, regardless of location.

D. One-Time Construction Period Revenue

During the construction period, taxes on the value of construction contracts and materials for new buildings and development permit and inspection fees are collected only one time during the construction period.

Sales Tax Revenues

Sales Tax Rate. The current City of Spokane Sales Tax rate is .84 cents per \$1 in taxable sales.

Sales Tax on Construction Contract. The construction tax revenue was calculated by applying the Sales Tax rate of .84 cents per \$1 in taxable sales to the value of the construction costs, including “hard” costs.

Permit Fees. These fees apply to building, mechanical, plumbing, and electrical permits, and permit processing and plan review.

Building Permit Fee

Residential. This fee is based on the total number of permits expected to be issued to single-family and multifamily residential structures. Multifamily structures are assumed to contain an average of 25 units each.

Commercial/Industrial. This fee is based on the total number of permits expected to be issued to commercial/industrial structures. Hotel/Motels are assumed to contain 100 rooms in the downtown area and 50 rooms in the Joint Planning Areas and Proposed Additions to the city’s IUGA. Retail space is assumed to be built at 50,000 square feet per building. Industrial and office space are assumed to be built at 25,000 square feet per building.

Fee Schedule. The fee schedule used in the analysis is derived from the 1997 Uniform Building Code. The City of Spokane bases its permit fees on this fee schedule. The Building Permit Fee is based on the value of construction per structure and can vary.

Total Building Permit Fee. The total Building Permit Fee is the estimated sum of all the building permit fees applied to anticipated construction in one year.

Plan Review Fee

Total Plan Review Fee. According to the UBC 1997 Fee Schedule, the Plan Review Fee is 65 percent of the Building Permit Fee and does not apply to single-family residences. The total Plan Review Fee is 65 percent of the multifamily and commercial portion of the total Building Permit Fee.

Mechanical, Plumbing, and Electrical Fee

Total Mechanical, Plumbing, and Electrical Fee. The analysis assumes that each structure will require one permit for mechanical work, one permit for plumbing, and one permit for electrical work. The final fee can vary depending on the type of work done. For the purposes of analysis, the minimum fee of \$35 per permit is assumed.

Processing Fee

Total Processing Fee. Per the City of Spokane’s permitting procedures, there is a \$25 processing fee for each building permit. The total Processing Fee is calculated by multiplying \$25 and the total number of building permits issued.

Total Fee Revenue

Total Development Fee Revenue. The total development fee revenue is the sum of the total Building Permit Fee, the total Plan Review Fee, the total Mechanical, Plumbing, and Electrical Fee, and the total Processing Fee.

Total One-Time Construction Period Revenue. Total one-time construction revenue is equal to the sum of the total construction sales tax revenues and the total permit fee revenues.

Real Estate Excise Tax (REET) Fund. Certain special revenues go to earmarked funds that are used for specific purposes. Under Washington State Law, the city is allowed to impose an excise tax on each sale of real property at the rate of one-quarter of one-percent of selling price. The revenue generated must be used for financing capital projects, as specified in the capital facilities plan. Because it is difficult to determine how many times a parcel of real property will sell over a 20-year period, this analysis conservatively estimates REET as a one-time sale.

E. Estimated Annual Revenue

Annual Estimates of City Revenues. This section contains estimates of the annual revenues that would accrue to the General Fund and select special funds for a stabilized annual typical year after growth projections are obtained.

Sales Tax Revenues

Taxable Sales Revenue. Taxable Sales revenue will result from retail, industrial, and office economic activity estimates. Taxable retail sales revenue was assumed to be \$218.26 per square foot, corresponding to the estimate for U.S. Community Shopping Centers in Dollars and Cents of Shopping Centers, 1998. Taxable industrial-related and office-related sales activity were assumed to be \$8,577 per employee and taxable office sales were assumed to be \$9,980 per employee. These estimates were derived by using Spokane County wage and salaried employment information from the Washington Employment Security Department, 1998, and sales revenue information from the Washington State Department of Revenue's Quarterly Business Review (1998).

Annual Total Sales Tax Revenue. The Annual Tax Revenue estimates were calculated by applying the Sales Tax rate of .84 cents per \$1 to the total taxable sales revenue.

Real and Personal Property Tax Revenue

Increase in Assessed Value of Real Property. [From the Real Property Tax Base, Real property, or real estate, includes land, improvements attached to the land (buildings, etc.), and improvements to the land (utility systems, driveways, bulkheads, etc.).] To determine the value of real property, assessed values were assumed for single-family units, multifamily units, hotel/motel rooms, and industrial, retail, and office space (see Economic and Real Estate Assumptions).

Increase in Assessed Value in Personal Property. From the Personal Property Tax Base, taxable personal property refers to property such as equipment and furniture that is owned or used by a business. Based on Spokane County property tax data in the Washington Department of Revenue's Tax Statistics 1998, the analysis assumes that the assessed value of personal property is approximately 5 percent of the total assessed value of real property.

Regular Levy Property Tax Rate. The current Regular Property Tax Levy rate of \$3.4036 per \$1,000 of Assessed Value based on the 2000 City of Spokane Budget and Performance Report was used to estimate property taxes.

Total Property Tax Revenue. Total Property Tax revenue was calculated by applying the Regular Levy rate of \$3.4036 per \$1,000 of assessed value to the total real and personal property tax base.

Utility Tax Revenue

Total Utility Payments. The City of Spokane levies a utility tax on business and household utility payments. It was assumed that a single-family unit would incur \$2,400 in utility costs per year and that a multifamily unit would pay \$1,800 in costs per year. It also was assumed that industrial activities pay \$2 per square foot per year in utility bills, office activities pay \$4 per square foot per year and that retail activities pay \$3 per square foot per year, in utility bills. These amounts are typical utility bills. Actual utility payments will vary widely by economic use and household.

Utility Tax Rate. Based on the weighted average tax rate for 1999 private and city utility tax collections reflected in the City of Spokane's budget, an 11 percent tax rate was assumed. This reflects an approximate average of rates on city-owned utilities, 17 percent, and privately-owned utilities, 6 percent, with exceptions and credits for franchise fees.

Total Utility Tax Revenue. Total Utility Tax revenue was calculated by applying the weighted utility tax rate of 11 percent to the total utility payments.

Intergovernmental Revenue

Per Capita Intergovernmental Revenue. Intergovernmental revenue was calculated to be \$17 per capita per year. Intergovernmental revenue consists of the Motor Vehicle Excise Tax, State Liquor Board profits, and the Liquor Excise Tax. This category also includes federal and state grants, state entitlements, and charges to Spokane County for its joint use share of police programs. The shared revenues are collected by the state and distributed to the City of Spokane on a per capita basis. The per capita share was derived from information in the 2000 City of Spokane Budget and Performance Report.

The per capita intergovernmental amount is multiplied by population projections for 2010 and 2020. Population growth was assumed to be evenly distributed over the forecast period. As noted previously, population estimates may be changed based on refinement of the city's land use data and land quantity analysis.

Total Intergovernmental Revenue. Total Intergovernmental revenue was calculated by multiplying the per capita dollar amount of intergovernmental revenues by the estimated increase in population.

Admissions Tax Revenue

Admissions Tax Revenue. Current Admissions Tax revenue collection was calculated to be \$5 per capita per year. The City of Spokane levies an admission tax of 5 percent on every person paying an admission charge to theaters, sports arenas, amusement parks, and other places of amusement. Golf course admissions are taxed at 2 percent of the admission charge, golf driving range activities are taxed at 4 percent, and skating rinks and swimming pools are taxed at 3 percent. The per capita amount used to estimate this revenue source was derived from information in the 2000 City of Spokane Budget and Performance Report.

Total Admissions Tax Revenue. It was calculated by multiplying the per capita dollar amount of total Admissions Tax revenue by the estimated increase in population.

Business Tax and Licenses

Average Business Tax and Licenses. Business licenses and permits are issued to businesses and occupations operating within Spokane City limits. Based on information provided by the City of Spokane, an average of \$31 was used in the analysis.

The projected number of employees from 2000 to 2020 was multiplied by the number of employees by the average Business Tax and License rate per employee. There is a base fee of \$60 per license in addition to a fee per employee based on a sliding scale.

Park User Fee Revenue

Per Capita Park User Fee Revenue. Park User Fee revenue was calculated to be \$12 per capita per year. The City of Spokane Parks and Recreation Department collects user fees related to cultural and recreational activities. While this revenue source does not go directly into the General Fund, it will be affected by proposed population growth under the three alternatives. This fee’s revenue is used to fund the activities of the Parks and Recreation Department. The per capita Park User Fee revenue was derived by dividing the total cultural and recreation fees by the total city population. These estimates were obtained from information in the 2000 City of Spokane Budget and Performance Report.

Estimated Increase in Population. This number was generated from population projections provided by the City of Spokane for 2020. For the purposes of analysis, it is assumed that the population growth will be evenly distributed over the forecast period. This estimate is represented in thousands of persons.

Total Park User Fee Revenue. It was calculated by multiplying the total Park User Fee revenue with the estimated increase in population.

Miscellaneous Revenues. Miscellaneous revenues equal approximately 34 percent of the total revenues from Sales Tax, Property Tax, Utility Tax, Admissions Tax, Intergovernmental revenues, Business Taxes and Licenses, and Park User Fees. It includes gambling excise taxes, license and permit fees, service charges, fines and forfeits, and other miscellaneous revenues.

Total Tax Revenue. Total annual revenue is the sum of the total Sales Tax revenue, total Property Tax revenue, total Utility Tax revenue, total State Shared revenue, total Admissions Tax revenue, total Park User Fee revenue, total Business Tax and Licenses, and total General Revenues. Special funds revenues are listed separately.

F. Estimated Expenditures

Annual Estimates of City Expenditures. This section contains estimates of the annual expenditures that would accrue to the General Fund and select special funds for a stabilized annual typical year after growth projections are obtained.

Police

Officers Per 1,000 Residents. The City of Spokane Police Department provided estimates of additional officers needed by 2020. These estimates vary according to the area and density of development in each alternative.

Estimates of additional officers needed for 2020 are summarized in the following table:

TABLE 5 2020 ADDITIONAL OFFICER ESTIMATES				
Comprehensive Plan Alternative	City	JPA	Proposed Additions	Total
Current Patterns	112	17	10	139
Centers and Corridors	85	8	7	100
Central City	73	9	9	91
Source: City of Spokane Police Department				

Cost Per Officer. The cost per officer, including civilian support and training, was calculated as \$112,000. This amount was determined by dividing the number of officers by the total police expenditures reported in the 2000 City of Spokane Budget and Performance Report. Vehicle, uniform, and personal equipment costs are included separately in the capital budget.

Total Police Expenditure. This estimate was calculated by multiplying the cost per officer by the number of additional officers needed.

Criminal Justice. Criminal justice expenditures include costs for Legal/Prosecutor, Municipal Court, Probation Services, and the Public Defender. Based upon information in the 2000 City of Spokane Budget and Performance Report, criminal justice was calculated as approximately 17 percent of total police department costs.

Future criminal justice expenditures were projected as 17 percent of the total estimated expenditures for additional officers.

Fire Suppression and Emergency Medical Services (EMS)

Service Calls per 1,000 Population. The City of Spokane Fire Department provided the number of fire suppression and EMS service calls answered in 1999 (Historic Incident Response Statistics, Including 10 Year Average). This number was applied to the 1999 population estimate of 189,200 for the City of Spokane, resulting in an estimate of 112 service calls per 1,000 population.

Uniformed Personnel per Service Call. Based upon 1999 service call (Staffing Assignments, Fire, CCC, and EMS Funds - Adopted Budgets 1994 through 2000) and employee numbers provided by the City of Spokane Fire Department, uniformed personnel per service call was calculated to be .02 firefighters.

Additional Uniformed Personnel. Additional uniformed personnel were calculated by multiplying the estimated increase in service calls by the number of uniformed personnel per service call.

Costs Per Uniformed Personnel. Costs per uniformed personnel were determined to be \$86,000. This number was calculated by dividing the number of uniformed personnel by total Fire Department costs in the 2000 City of Spokane Budget and Performance Report. These costs include operations, support services, administration, and activities of the Fire Suppression Bureau, the Combined Communications Center, and EMS.

Total Estimated Fire and EMS Expenditures. Total estimated fire and EMS expenditures are calculated by multiplying the costs per uniformed personnel with the estimate of additional uniformed personnel needed.

Parks and Recreation Fund. The Parks and Recreation Fund is a special revenue account for expenditures legally restricted to parks and recreation. By City Charter, 8.1 percent of the General Fund is allocated to this fund. The total Parks and Recreation Fund expenditure is calculated as 8.1 percent of the total annual revenue. This estimate is represented in thousands of dollars.

Street Fund. The Street Fund is a special revenue account for expenditures legally restricted to street maintenance. The Street Fund receives approximately 7 percent of General Fund revenue, based on current city policy. Total Street Fund expenditure is calculated as 7 percent of the total annual revenue.

Library Fund. The Library Fund is a special revenue account for expenditures legally restricted to library expenditures. The Library Fund receives approximately 7 percent of General Fund revenue, based on current city policy. The total Library Fund expenditure is calculated as 7 percent of the total annual revenue.

General Government Expenditures. Currently, General Government Expenditures are approximately 40 percent of the sum of police, criminal justice, fire suppression and EMS, Parks and Recreation Fund, Street Fund, and Library Fund expenditures. It includes such city government expenditures as mayor, city council, management and budget, community and economic development, and neighborhood services.

Total Estimated Expenditures. Total Estimated Expenditures are the sum of the total police, criminal justice, fire suppression and EMS, and general government expenditures. It also includes revenue transfers to the Parks and Recreation Fund, the Street Fund, and the Library Fund.

G. Special Funds

Hotel/Motel Fund. The city receives revenue from the Hotel/Motel Tax levied on room rental revenue for lodgings facilities, including: hotels, rooming houses, tourist courts, motels, trailer parks, and other transient accommodations in the city. This revenue source is ear-marked for specific tourism and visitor facility uses. The tax rate is 2 percent of the selling price or charge made for the lodging.

Parks and Recreation Fund. The Parks and Recreation Fund is a special revenue account for expenditures legally restricted to parks and recreation. By City Charter, 8.1 percent of the General Fund is allocated to this fund. The rest of the fund's revenue is from user fees from cultural and recreational activities. As a result, the estimated total for the Parks and Recreation Fund under each alternative is the sum of the anticipated user fees and General Fund contribution for that alternative.

Street Fund. The Street Fund is composed of the General Fund contribution and miscellaneous expenditures such as excise taxes, penalties/interest, and service charges. These miscellaneous expenditures are equal to approximately 1.17 of the value of the General Fund contribution. The estimated total for the Street Fund is the sum of the General Fund contribution and the estimate for miscellaneous expenditures.

H. Net Fiscal Return

Net Fiscal Return is calculated by subtracting the Total Estimated Annual Expenditures from the Total Annual Revenue estimates for a typical stabilized year. An estimated fiscal surplus occurs if estimated annual revenues are greater than the estimated annual expenditures. An estimated fiscal deficit occurs if estimated annual revenues are less than the estimated amount expenditures to serve the projected population and economic activity. A fiscal surplus/deficit was calculated for each of the Comprehensive Plan alternatives.

I. Increase in Debt Capacity

Debt capacity is the total amount of money a local government is able to borrow. Debt capacity is measured as 2.25 percent of total assessed value for each general government, parks and open space, and utility purposes. The analysis applies this percentage to the total increase in assessed value in order to determine the Increase in Debt Capacity.