



**To: Plan Commission**  
**From: Diana Doherty**  
**Date: September 3, 2015**  
**RE: Financial Impact of Teronomy's Fountain Park Proposal**

To measure the estimated financial impact the proposed Fountain Park Apartments would have on the Village of Mukwonago, figures have been calculated to compare a single family residential development to the proposed apartments on the Chapman Farms 21 acre site. The financial impact analysis includes a comparison of the following revenues:

- Developed value translated into tax revenues (assumption is \$20 per \$1,000 of value)
- Impact Fees & Sewer Connection fees
- Permit revenue associated with construction
- Utility billing revenues

A comparison of the potential impact on the local economy was also calculated and included in this analysis. In addition, the upfront infrastructure costs that will be incurred by the Village to put in the utilities and road leading to the site and the impact of the Fountain Park development on operating budgets are also discussed. Lastly a recommendation based on the financial analysis is provided.

## **Developed Value & Tax Revenue**

Assuming 2.3 residential homes per acre, 48 single family homes could be built on the 21 acre site. At \$240,000 per home, the total value of the development would be \$11,520,000. Property taxes at \$20 per \$1,000 of value would result in \$230,400 in tax revenue for a single family home development. Teronomy is proposing a total of 410 apartments in two two-story buildings and six three-story buildings. The total value of the eight buildings is estimated to be \$25,625,000 resulting in \$512,500 in tax revenues for the apartment complex.

On average, 34% of the total property tax levy is allocated to Village of Mukwonago for municipal services and 44% is allocated to the Mukwonago School District (MSD). Applied against the estimated levy on 48 homes, the Village would receive \$78,336 in tax revenue and MSD would receive \$101,376. For Fountain Park, the Village would receive \$174,250 in tax revenue and MSD would receive \$225,500.

## **Impact Fees & Sewer Connection Fees**

Impact fees and sewer connection fees are calculated on all new development in the Village. For a single family home, these fees equate to \$7,812; for 48 homes the total is \$374,976. For apartment buildings, the fees are calculated based on the number of one, two, or three+ bedroom units. Fountain Park's 410 units would generate a total of \$1,994,872 in impact and sewer connection fees.

## **Construction Permits:**

Permit fees include zoning and plan reviews; state, building, erosion control and occupancy permits which are based on a square footage calculation. For the average single family home that is 2,000 square feet with a 600 foot garage, the permit fees total \$1,639; or \$78,672 for 48 homes. The estimated calculations for Fountain Park's 2 2-story buildings and 6 3-story buildings, all with underground parking is \$289,740.

## **Utility Billing Revenue**

The average revenue from water consumption and related sewer usage (excluding other charges) for a single family home per quarter is \$92.83. On an annual basis, the average revenue from 48 homes is \$17,808. The average quarterly revenue from an apartment unit is \$77.18; annually, the average revenue from 410 units is \$126,575.

Flat fees (not based on consumption but on meter size) are also billed at a total quarterly rate of \$48.65 per home; annually totaling \$9,341 for 48 homes. For multi-family buildings, the quarterly fee would be \$639.65 per building; or \$20,468.80 annually for 8 buildings.

## **Estimated Disposable Income of Residents, Affordable Housing and the Local Economy**

The Department of Housing and Urban Development (HUD) recommends an affordability standard of no more than 30 percent of gross monthly income for housing costs. Monthly housing costs if purchasing a home include mortgage principal & interest, property taxes, private mortgage insurance, homeowner's insurance, and utility costs.

HUD calculations show \$75,400 in annual gross income is needed to afford a single family home valued at \$240,000. Assuming the impact of a 25% effective income tax rate, the annual disposable income for someone earning \$75,400 after taxes and housing costs (calculated by HUD to be \$1,885 per month) would be \$33,930. For 48 homes, this equates to \$1,628,640 of estimated annual disposable income.

The proposed rents in the Fountain Park Apartment Complex range from \$900 to \$1,300 per month depending on the number of bedrooms per unit. Using the 30% housing guideline and 25% effective tax rate, the estimated gross incomes for residents range from \$36,000 for a

one-bedroom to \$52,000 for a three-bedroom; the respective net incomes after tax and housing costs are \$16,200 to \$23,400. The total annual disposable income of the Fountain Park Apartments residents is estimated to be \$7,484,000.

While disposable income does not have a direct impact on the Village’s finances, it does benefit the local economy and could induce other businesses to consider locating in Mukwonago. Another factor future businesses could consider is the availability of affordable housing for the potential workforce they would employ.

**Revenue Impact Comparison Summary**

	<b>Fountain Park Apartments</b>	<b>48 Home Development</b>	<b>Difference</b>	
Tax Revenue Total (Of the total shown, Village share ~ 34%; MSD ~ 44%)	512,500	230,400	282,100	Annually
Impact Fees & Sewer Connection Fees	1,994,872	374,976	1,619,896	one-time
Permit Fees (construction)	289,740	78,672	211,068	one-time
Utility Billing Revenues	147,044	27,164	119,880	annually
<b>TOTALS</b>	<b>2,955,514</b>	<b>711,212</b>	<b>2,244,302</b>	
Disposable income estimates based on the increased population	7,484,000	1,628,640	5,855,760	annually

**Infrastructure Costs**

Teronomy will be responsible for the infrastructure costs within the Fountain Park development. Project costs for water and sanitary sewer for the development are estimated to be \$965,933. The Village will be responsible for the public infrastructure and roadway from Black Bear Boulevard to the Teronomy site at a cost of \$2,187,790 which includes water mains, sanitary sewer, storm sewers and road. Providing this infrastructure to the proposed site would be the Village’s cost regardless of the type of development that is built on that site. This infrastructure will also benefit the surrounding undeveloped lots which will generate additional tax revenues when they too are developed.

A combination of general obligation and revenue debt will cover the Village’s infrastructure costs, with repayment of the debt by special assessments against the properties served, including the Fountain Park Apartments. The special assessment against Fountain Park for the public infrastructure is estimated to be \$360,740. An additional cost to upsize water and

sewer mains for both the development and the Village is \$228,150 and will be covered by the impact fees collected.

### **Village Operating Costs**

Public safety staffing – Police and Fire/EMS – is the largest impact the Fountain Park development could have on the Village’s budget once the project is completed. Estimates provided by the Police and Fire Chiefs indicate an average annual increase of 219 and 176 calls respectively. The total number of calls reported by the Police Chief in 2014 was 51,008; the impact of 219 additional calls is less than ½ of a percent increase. The Fire department responded to a total of 1,784 fire and EMS calls in 2014; the impact of 176 additional calls is 10%. It should be noted that the Village has not seen an increase in staffing in the Police Department since 2003 and in the Fire Department since 2006. If the actual number of calls substantially exceed the estimates, an analysis of the types of calls received would be done to determine if additional staffing is warranted and how best to address it. The on-going tax revenues from this single development could conceivably support a full-time police officer and a full-time firefighter/paramedic should that need occur.

Street maintenance is another area that could see an increase in costs. Snowplowing is a variable expense that is currently addressed with seasonal staff. Future street repairs would be incorporated into the Village’s road maintenance program. As discussed previously, repair and maintenance of a public road would be the Village’s obligation regardless of the type of development on the 21 acre site.

Any increase in expenditures for water and sanitary sewer infrastructure maintenance or operating costs will be offset by the Utilities’ user rates, particularly the anticipated additional revenue from the development itself, and would not impact the Village’s general operating budgets.

### **Recommendation**

The one-time fees and on-going tax revenues for the Teronomy development make it a very attractive project for the Village to consider. Despite ongoing cost cutting efforts, reduced state aids and levy limits over the last few years have made it challenging to appropriately fund many village services and capital equipment needs without using reserves or borrowing money. A project such as Fountain Park would enable the Village to address budget issues while keeping the tax levy affordable for all Village residents. From a financial standpoint, I recommend approval of the project.