

# FISCAL IMPACT ANALYSES OF A MIXED-USE DEVELOPMENT IN AVONDALE ESTATES

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FINAL REPORT

Prepared for:

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# Key Results

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Trammell Crow Residential is planning a multi-family mixed-use development in the City of Avondale Estates in DeKalb County, Georgia. The residential component consists of 286 one- and two-bedroom apartments. The commercial portion consists of 5,000 square feet of restaurant space. This study examines the fiscal impact of this development on the City of Avondale Estates government.

## Fiscal Impact

Scenarios were run with and without inducements, for 10- and 20-year time horizons as shown in Table A1. Both the undiscounted (Gross) total net revenue and the discounted total net revenue (NPV) are included in the table.

Net revenues take into account changes in all revenues accruing to the city and all increases in expenditures (service costs) for the city. The inducement is entered as a cost to the city because it represents foregone property taxes over a 10-year period, beginning with 65 percent the first year and ending at 6.5 percent in year 10. In years 11 through 20, all property taxes from the project accrue to the city.

<b>Table A1: Results - all Scenarios - Totals for Avondale Estates</b>		
	<b>10-Year</b>	<b>20-Year</b>
<b>Gross Net Revenues without Inducement</b>	\$1,136,559	\$2,273,390
<b>Gross Net Revenues with Inducement</b>	\$235,262	\$1,372,092

Table A2 below displays the sum of property taxes accruing to the city and taxes saved by TCR, over 20 years. All inducement values (Property Tax Benefit to the Company) in Table A2 are based on property values provided. The “Property Tax Benefit to the Community” values include property taxes from the project as well as property taxes paid by households forecast to be added to the city due to the new jobs.

Current property taxes accruing to the city from this property amounted to \$5,325 in 2017, from four parcels. Without this development, and by holding property taxes at their current millage, the city would only realize \$106,498 in property taxes over 20 years. This is far less than the \$4.4 million the city collects with the development going forward and with the inducement in place.

**Table A2: Property Tax Totals over 20 Years**

	<b>City</b>
Property Tax Benefit to the Company	\$901,298
Property Tax Benefit to the Community	\$4,406,722

### **Qualitative Benefits**

During construction of the development, approximately 400 construction workers will spend some of their wages on local businesses including restaurants, retail, and entertainment. From a fiscal standpoint, only sales taxes would be generated directly to the city government and because of the small share the city receives, it would not be significant. However, the additional sales for local establishments would be a substantial benefit to the city's economy.

## **Introduction and Background**

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Trammell Crow Residential is proposing a mixed-use development in Avondale Estates, a city in DeKalb County Georgia. The development will add an estimated 286 one- and two-bedroom apartments and 5,000 square feet of restaurant space. The commercial space will add an estimated 24 jobs with six more jobs needed for running and maintaining the residential portion.

The fiscal impact of the development on the city's local government derives from a regression-based model that forecasts a change in local government revenues and expenditures as a result of additional improvements; residential, commercial, and/or industrial.

The next section of the report will discuss the data requirements of the model, sources for all data, and how various calculations were made to develop estimates required by the model. The last section presents the fiscal impact results over 10-year and 20-year periods. Construction impacts are not included because they are transitory and from a fiscal impact standpoint, only result in sales tax revenue when items are purchased in DeKalb County and subject to sales tax or when construction workers spend part of their income on taxable items in the county. These amounts are typically small in comparison to other revenue streams generated by the project.

## Data Requirements

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### Avondale Estates Financial Data

The fiscal impact model needs a variety of data to run an analysis including a starting point for each local government revenue and expenditure category. These data were obtained from the Georgia Department of Community Affairs (DCA), which collects annual financial information from every city and county government in Georgia<sup>1</sup>. The data is provided to DCA in a format called the Uniform Chart of Accounts (UCA). The major categories used in the model are shown in Table 1 along with three-year averages for the city, the most recent years available from DCA.

<b>Table 1: Revenues and Expenditures - Three-Year Average 2014, 2015, 2016</b>		
	<b>Avondale Estates</b>	<b>Per Household</b>
<b>Revenues</b>		
Property Taxes	\$1,814,798	\$1,368
Sales Taxes	\$168,044	\$127
Franchise fees	\$200,605	\$0
Liquor licenses	\$27,289	\$21
Alcohol taxes	\$27,239	\$21
Fines	\$558,295	\$421
Permits	\$59,977	\$45
Services	\$52,052	\$39
Occupational tax	\$116,065	\$87
Insurance Premiums	\$162,565	\$123
Miscellaneous	\$355,355	\$268
<b>Total/Average</b>	<b>\$3,542,283</b>	<b>\$2,669</b>
<b>Expenditures</b>		
General government	\$879,153	\$663
Health	\$0	\$0
Social welfare	\$0	\$0
Public safety	\$1,074,005	\$809
Courts	\$88,401	\$67
Public works	\$217,707	\$164
Recreation and Library	\$321,274	\$242
Miscellaneous	\$167,098	\$126
<b>Total /Average</b>	<b>\$2,747,638</b>	<b>\$2,071</b>

Source: Georgia Department of Community Affairs website

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<sup>1</sup> Local government financial data can be found at <http://www.dca.ga.gov/RLGF/default.aspx>.

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Because of the volatility in several revenue and expenditure categories, the figures in Table 1 are three-year averages. This tends to smooth out the volatility in the data.

## Demographics

Commuting patterns are used to allocate new households expected from the project to Avondale Estates and to areas of the county, as well as outside the county. The source for these estimates is a U.S. Bureau of the Census website called OnTheMap (<http://onthemap.ces.census.gov/>).

Two percentages are calculated from these data, (1) the percent of jobs in the city filled by people who live in the city, and (2), the percent of jobs in the city held by people who live in other areas of the county. Typically, the sum of these two percentages is less than 100 percent because people in-commuting from outside the county hold a portion of the jobs. The two values are below.

- Percentage of new jobs in the city filled by people who live in the city = 2.8%
- Percentage of new jobs in the city held by people who commute from the county = 33.7%

Based on these percentages county residents hold about 36 percent of jobs in Avondale Estates and people commuting from outside DeKalb County hold nearly 64 percent of the jobs.

Population and housing estimates also are needed for the analysis as well as employment and wages, and millage rates. Table 2 displays the population and housing data, and Table 3 contains the employment and wages data. Average wages in the county in 2016 came to \$39,760.

Table 2: Population and Households 2016	
Item	Value
Total population in Avondale Estates	3,139
Total housing units in Avondale Estates	1,327
Persons per household	2.4
Households per employee	0.802

Source: United States Census Bureau

**Table 3: Jobs and Wages 2016**

Item	Value
Total jobs in the city	1,655
Total wages and salaries for these jobs	\$64,451,207
Average wages	\$39,760
Population per job:	1.64
Unemployment rate in DeKalb County (March 2018):	6.10%

Source: U.S. Bureau of Labor Statistics

## Property Values

The Georgia Department of Revenue provides data on property values from its consolidated tax digest<sup>1</sup> database. The model’s regression equations use incorporated, unincorporated, and total digest values, as well as population and employment. To use the equations to forecast future values for each revenue and expenditure category, the model needs to calculate the percentage change in the value of residential, commercial, and industrial property. That calculation requires a starting point for each category. Table 4 shows the 2017 digest values required by the model as starting points for the percentage change calculation.

**Table 4: 2017 Property Values in Avondale Estates**

	Market Value	40% Value
Residential improvements	\$362,725,395	\$145,090,158
Commercial improvements	\$11,081,203	\$4,432,481
Industrial improvements	\$3,987,138	\$1,594,855

Source: Georgia Department of Revenue

## Project Specific Data

Project data requirements include investments by type of property (residential, commercial), the number of units by size for multi-family property, the number of new jobs and average pay, and estimates of taxable sales for retail, hotel/motels, or other sales-tax generating businesses, by year. Six jobs are expected for the multi-family development paying an average annual salary

<sup>1</sup> Consolidated tax digests can be found at <https://etax.dor.ga.gov/DigestConsolidation/Default.aspx>



of \$65,000 and 24 jobs are estimated for the restaurant component paying an average annual salary of \$30,000.

Total investment in this project is expected to reach \$63.3 million. The project should be completed in 2021. No inflation is introduced into this analysis, so this investment value is held constant throughout the forecast.

The 286 multi-family units are split between one-bedroom and two-bedroom units. Approximately 185 of the units will be one-bedroom units and 101 two-bedroom units.

The inducement offered reduces the property taxes that would have been collected by the city. Although county and school millage are also affected, those impacts are not included in this analysis because only city revenues and expenditures are the subject of this analysis.

Table 5 below summarizes the investments, inducement amounts and net property tax accruing to Avondale Estates. Full occupancy is assumed in 2021, which begins, the inducement period. The forecast runs for 20 years from 2021 through 2041.

**Table 5: Facility Property Taxes - Developer Savings and Net to the City**

Year	Real Property	40% Assessed Value	Avondale Estates		
			9.957 Mills City	Developer Savings	Net to the City
2021	\$63,300,000	\$25,320,000	\$252,111	\$163,872	\$88,239
2022	\$63,300,000	\$25,320,000	\$252,111	\$147,485	\$104,626
2023	\$63,300,000	\$25,320,000	\$252,111	\$131,098	\$121,013
2024	\$63,300,000	\$25,320,000	\$252,111	\$114,711	\$137,401
2025	\$63,300,000	\$25,320,000	\$252,111	\$98,323	\$153,788
2026	\$63,300,000	\$25,320,000	\$252,111	\$81,936	\$170,175
2027	\$63,300,000	\$25,320,000	\$252,111	\$65,549	\$186,562
2028	\$63,300,000	\$25,320,000	\$252,111	\$49,162	\$202,950
2029	\$63,300,000	\$25,320,000	\$252,111	\$32,774	\$219,337
2030	\$63,300,000	\$25,320,000	\$252,111	\$16,387	\$235,724
2031	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2032	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2033	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2034	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2035	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2036	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2037	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2038	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2039	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2040	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
2041	\$63,300,000	\$25,320,000	\$252,111	\$0	\$252,111
<b>Total</b>				<b>\$901,298</b>	<b>\$4,393,038</b>

# Fiscal Impact Results

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The fiscal impact analysis was run for the City of Avondale Estates, with and without the inducement. A 10-year time horizon and a 20-year time horizon were used for each scenario. Table 6 contains these results.

The statistic used to summarize the project’s fiscal impact is the NPV or present value of net revenues (net revenues are total revenues minus total expenditures in each year of the analysis). A three percent real (without inflation) discount rate is used to calculate the NPV. Gross, undiscounted, net revenues over each time period are also shown.

<b>Table 6: Results - all Scenarios - Totals for Avondale Estates</b>		
	<b>10-Year</b>	<b>20-Year</b>
<b>Gross Net Revenues without Inducement</b>	\$1,136,559	\$2,273,390
<b>Gross Net Revenues with Inducement</b>	\$235,262	\$1,372,092

All results are in the positive range indicating that the project is fiscally sound for the city. The values in Table 6 are net revenues, which are total revenues offset by the increase in service expenditures forecast for the city due to the increase in population from residential development.

Of total revenues, the largest portion comes from property taxes. Table 7 shows total property taxes accruing to the city after accounting for the inducement and the tax benefit to the company due to the inducement.

<b>Table 7: Property Tax Totals over 20 Years</b>	
	<b>City</b>
Property Tax Benefit to the Company	\$901,298
Property Tax Benefit to the Community	\$4,406,722

Current property taxes accruing to the city from this property amounted to \$5,325 in 2017, from four parcels. Without this development, and by holding property taxes at their current millage, the city would only realize \$106,498 in property taxes over 20 years. This is far less than the \$4.4 million the city collects with the development going forward and with the inducement in place.

During construction of the development, approximately 400 construction workers will spend some of their wages on local businesses including restaurants, retail, and entertainment. From

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