

Technical Memorandum:

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

Prepared for:

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Urban Partners has been asked to independently review 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 mostly senior or age targeted mixed housing project with 128 for sale units 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 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

For fall, 2013, the current facility provides residential-based services to 72 youth who have demonstrated a history of truancy, emotional trauma, family conflict, and other difficulties. 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. This fall, 25 of the 72 youth at the facility attend Upper Dublin schools.

Programs at the facility employ 140 staff with an average salary of \$30,000 per year.

Proposed Use: Cost, Resident, & School Attendance Assumptions

The proposed 378-unit development includes a 250-unit senior independent living facility and 128 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 \$65,000,000. Based on the Montgomery County common level ratio of 1.61 for real estate tax purposes, the likely assessed value will be \$40,375,000 at 2013 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 128 units of sales housing include 34 twins of 3,400 SF projected to sell for an average of \$692,500; 26 larger townhomes at 2,800 SF projected to sell for \$595,000; 28 smaller townhomes at 2,200 SF projected to sell for \$495,000; and 40 condominium units averaging 1,500 SF projected to sell for an average of \$337,500. The twins and townhomes will be three-bedroom units, while the condominiums will have two bedrooms. Based on these anticipated sale prices, the market value for the 128 sales units will be \$66,375,000. Based on the Montgomery County common level ratio of 1.61 for real estate tax purposes, the likely assessed value will be \$41,225,000 at 2013 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 1**.

Table 1
Resident Characteristics
Rutgers Center for Urban Policy Research Factors Analysis
St. Mary's Villa Redevelopment

	Estimated Residents (1)	Estimated School Age Children (1)	Estimated Public School Enrollment (1)
34 Twins 3-Bedroom	83	10	8
54 Townhomes 3-Bedroom	132	15	13
40 Condominiums 2-Bedroom	74	4	4
250 Senior Apartments (2)	325		
Total	614	29	25

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 614 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 2**, 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 128 owner-occupied units is 262 persons. Adding these to the 325 persons in the senior apartments, we estimate the total on-site population at 587 persons.

Table 2
Resident Characteristics--Localized Bedroom-Count Analysis
St. Mary's Villa Redevelopment

	Estimated Residents (1)	Estimated School Age Children (2)	Estimated Public School Enrollment (3)
34 Twins 3-Bedroom	78	15	12
54 Townhomes 3-Bedroom	124	24	20
40 Condominiums 2-Bedroom	61	9	7
250 Senior Apartments	325		
Total	587	48	39

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--2010)
 (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 128 new residential units yields this analysis:

- this proposed unit mix includes 344 bedrooms or 216 bedrooms after the first bedroom;
- at a ratio of .222 school-age children per bedroom beyond the first bedroom, these 216 “bedrooms after the first” yield 48 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 48 anticipated school-age children results in an anticipated increased attendance of 39 students.

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 (5.31 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
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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 3**, we have summarized the Township's expenditures for 2013. 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 3, Upper Dublin's municipal budget for 2013 is projected at \$30,299,000, of which approximately \$3,179,000 is for maintenance of streets & roads and other infrastructure, \$2,288,000 is for sanitation, \$6,000,000 is special capital borrowing for sanitation and economic development, and the remaining \$18,832,000 is expenditures for general government, public safety, etc.

From these broad budget categories, we estimate that Streets & Roads expenditures are approximately \$528 per developed acre; general government/public safety expenditures are about \$650 per person, and sanitation expenditures are \$249 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 3
Township Expenditure Analysis (2013 Dollars)

Tow nship Budget 2013	Estimated Streets & Roads/ Infrastructure Budget 2013	General Government/ Public Safety/ Buildings/ Other Budget 2013	Sanitation Budget 2013	Sanitation & Economic Development Capital Budget 2013	Estimated Streets & Roads/ Infrastructure Budget Expenditure Per Developed Acre 2013 (1)	General Government/ Public Safety/ Buildings/ Other Budget Expenditure Per Capita 2013 (2)	Sanitation Budget Expenditure Per Household 2013
\$30,298,923	\$3,179,119	\$18,831,934	\$2,287,870	\$6,000,000	\$528	\$650	\$249

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 \$23,800 annually. The 72 residents and 140 staff require general government/public safety expenditures of approximately \$69,200. Total Township service costs are estimated at \$93,000 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 \$93,000, or a ***net loss of \$81,500 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***.

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 (5.31 mils):

As noted above, the anticipated assessed value of the senior complex is \$40,375,000, while the 128 homes would have aggregate assessed value of \$41,225,000. Based on this total \$81,600,000 assessed value, Township real estate tax revenues will be \$433,300.

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 2013 dollars; (2) for the 128 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 2013 dollars) for the 250 senior apartments at \$4.8 million. This yields total EIT payments from these apartments of \$48,000. Similarly, for the 128 owner-occupied units, we estimate the gross taxable income at \$4.18 million. This yields total EIT payments from these owner-occupied units of \$41,800. 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 \$90,700, with half available for the Township and half for the School District.

Real Estate Transfer Tax

The initial sale of the 128 owner-occupied units is expected to occur over a three-year period and yield total estimated sales prices of \$66,375,000. This will yield \$663,750 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 2013 prices, annual resales of homes

should be in the range of \$4.85 million annually, yielding \$48,500 per year in real estate transfer taxes.

Total Annual Revenues to Upper Dublin Township

Real Estate Tax	\$433,300
Earned Income Tax	\$ 45,300
Real Estate Transfer Tax	\$ 24,200
Other	\$ 35,700

Total Anticipated Annual Revenue \$538,500

School District

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

Real Estate Tax (29.6536 mils):

Based on the \$81,600,000 assessed value discussed above, School District real estate tax revenues will be \$2,419,700.

Earned Income Tax and Real Estate Transfer Tax:

As noted above, the School District will receive an estimated \$45,300 annually from the EIT and an annualized average of \$24,200 from the real estate transfer tax, in addition to \$331,900 in real estate transfer taxes from the initial sale of the 128 owner-occupied units.

Total Annual Revenues to Upper Dublin School District

Real Estate Tax	\$2,419,700
Earned Income Tax	\$ 45,300
Real Estate Transfer Tax	\$ 24,200

Total Anticipated Annual Revenue \$2,489,200

Local Service Costs Impacts

Upper Dublin Township

Utilizing the ratios from Table 3 above, the site's 45 acres of developed property will continue to result in estimated streets & infrastructure expenditures by about \$23,800 annually. The estimated 587-614 residents require general government/public safety expenditures of approximately \$381,600 to \$399,100. The new households will not increase sanitation costs because of private trash hauling for the complex. Total Township service costs are estimated at \$405,400 to \$422,900 annually.

Upper Dublin School District

Above, we have estimated the number of students for the school district from this development to be 25 to 39 students. This would generate a marginal cost to the school district of \$424,000 to \$661,500 annually, at 2013 local costs of \$16,962 per child.

Net Local Fiscal Impact

The net fiscal impact of the proposed 378-unit development is:

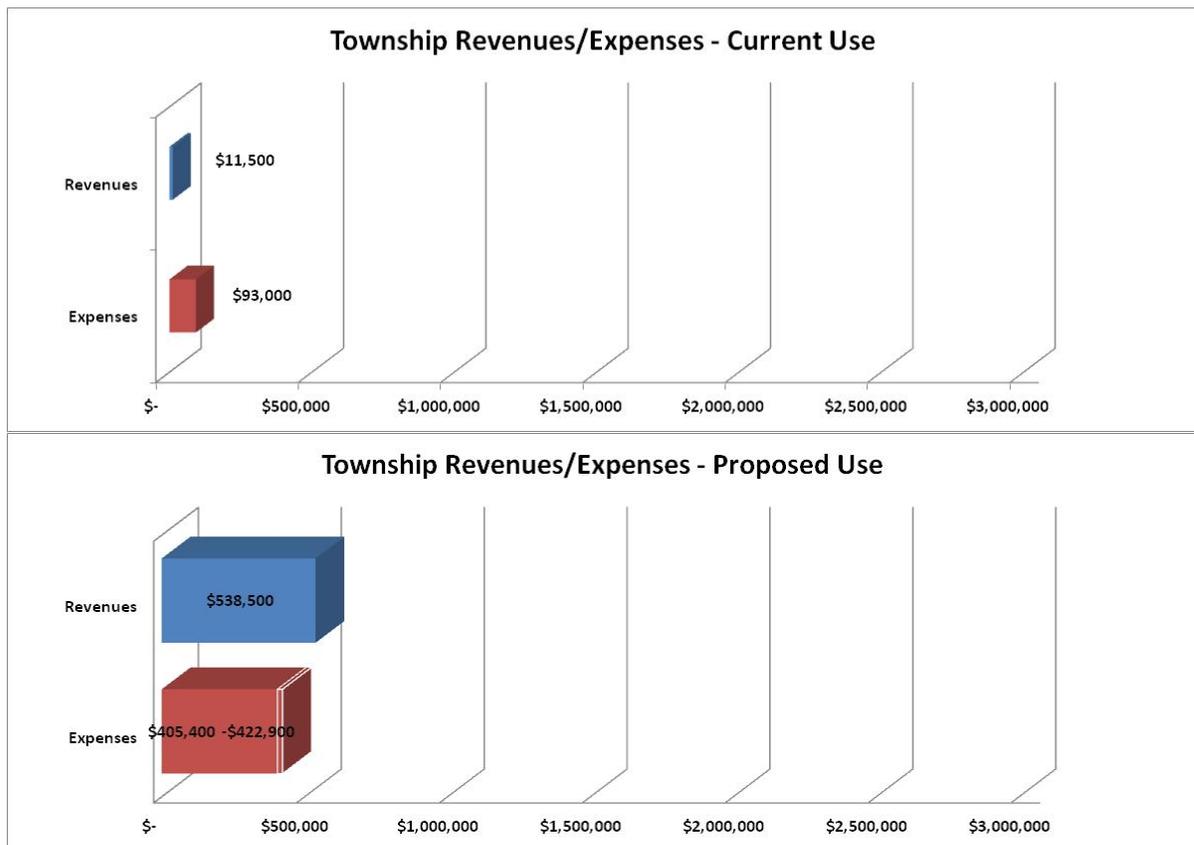
- for the Township, revenues of \$538,500 versus costs of \$405,400 to \$422,900, or a ***net fiscal gain of \$115,600 to \$133,100 annually***;
- for the School District, revenues of \$2,489,200 versus costs of \$424,000 to \$661,500, or a ***net fiscal gain of \$1,827,700 to \$2,065,200 annually***.

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 378-unit residential development is:

Upper Dublin Township

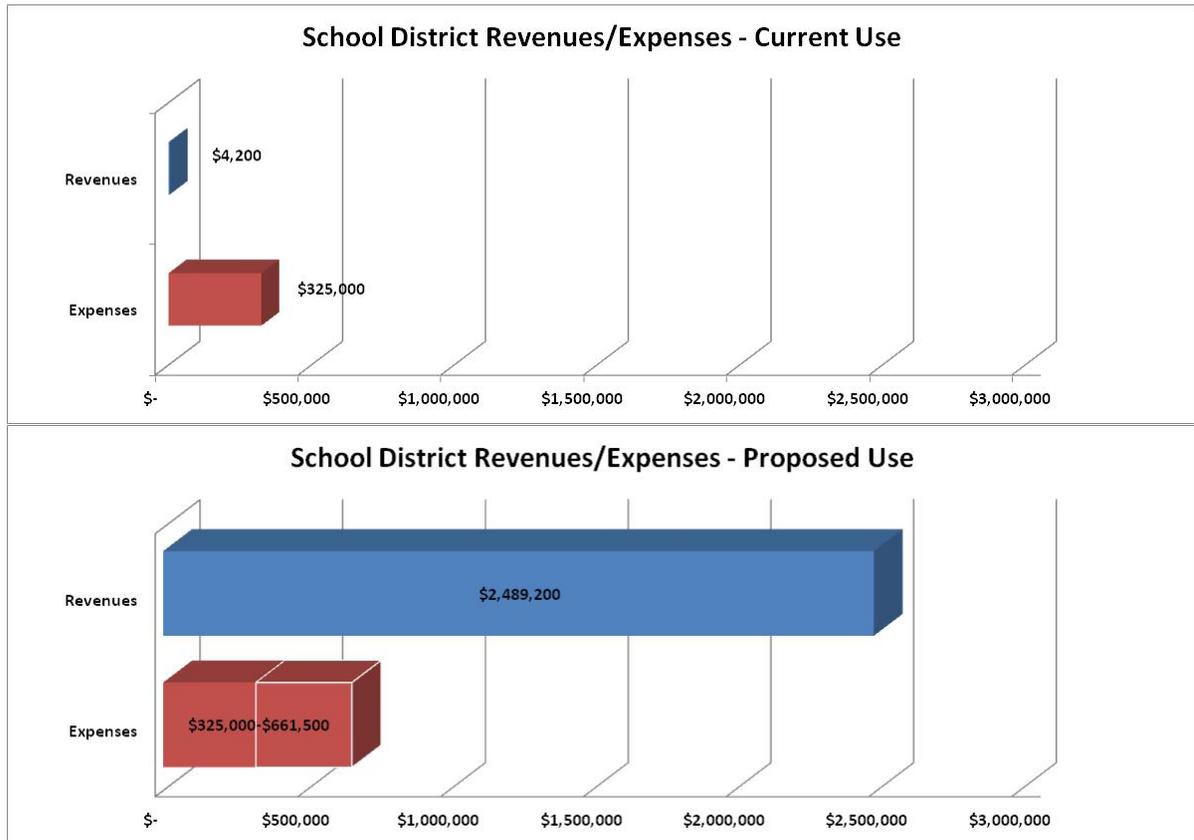
- For the Township, the current use provides revenues of \$11,500, but the proposed redevelopment will generate revenues of \$538,500—a gain of \$527,000 annually in revenues.
- The current use generates costs of \$93,000, while the proposed redevelopment will require costs of \$405,400 to \$422,900—an increase in costs of \$312,400 to \$329,900 annually.
- The increased revenues exceed the increased costs by **\$197,100 to \$214,600 annually—the net fiscal gain for the Township** from redevelopment.



- For the Township, in sum, the property’s current use requires \$81,500 more in service costs than it provides in revenue, but the proposed redevelopment will provide \$115,600 to \$133,100 more in revenue than it requires in service costs.

Upper Dublin School District

- For the School District, the current use provides revenues of \$4,200, but the proposed redevelopment will generate revenues of \$2,489,200—a gain of \$2,485,000 annually in revenues.
- The current use generates net costs of \$325,000, while the proposed redevelopment will require costs of \$424,000 to as much as \$661,500—perhaps a \$99,000 increase in costs at the low end up to an increase in costs of \$336,500 annually at the high end.
- The increased revenues exceed the increased costs by **\$2,148,500 to \$2,386,000 annually—the net fiscal gain for the School District** from redevelopment.



- For the School District, in sum, the property’s current use requires \$320,800 more in net service costs than it provides in revenue, but the proposed redevelopment will provide \$1,827,700 to \$2,065,200 more in revenue than it requires in service costs.

Both Local Governments

For both local governments together, the property’s current use requires \$402,300 more in net service costs than it provides in revenue, but the proposed redevelopment will provide \$1,943,300 to \$2,198,300 more in revenue than it requires in service costs. ***The net fiscal gain to both governments together from redevelopment will be \$2,345,600 to \$2,600,600.***

