

AGENDA ITEM SUMMARY

DATE: 11-24-08 DEPARTMENT: Planning DEPT. HEAD SIGNATURE: [Signature]

SUBJECT: Quigley Annexation Fiscal Impact and Cost-Benefit Analysis

AUTHORITY: ID Code _____ IAR _____ City Ordinance/Code 14.01.090.B
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

Four proposals were submitted in response to the RFP distributed on October 28, 2008. The proposals were from Caplan and Associates, Eberle Consulting, FCS Group and Tishler/Bise. A review committee including the Planning Director, City Engineer, City Administrator and City Attorney evaluated the proposals and ranked each on a scale of 1 to 4 in nine categories (see attached table). The firm with the lowest score ranked best. The firm with the best rank was FCS Group, the firm with the next best rank was Caplan and Associates.

The review committee discussed the merits of both FCS and Caplan and found the FCS proposal to have the following advantages:

- Overall quality of the proposal was superior
- Firm has specific recreation experience
- Proposal included the best public involvement process
- Would bring a fresh perspective having not worked in the Wood River Valley before
- Firm's depth of expertise is extensive
- Proposal is thorough
- Proposal emphasized the cost-benefit component better than the other proposals

Caplan has the advantage of having worked in the Wood River Valley for Blaine County, Ketchum, Bellevue and Carey. Both firms provided samples of Fiscal Impact and Cost Benefit Analyses conducted for other jurisdictions that the committee felt were good examples of what we are looking for in the Quigley analysis.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS:

None; project to be paid by the Quigley Annexation applicant.

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> City Administrator | <input type="checkbox"/> Library | <input type="checkbox"/> Safety Committee |
| <input checked="" type="checkbox"/> City Attorney | <input type="checkbox"/> Mayor | <input type="checkbox"/> Streets |
| <input type="checkbox"/> City Clerk | <input type="checkbox"/> Planning | <input type="checkbox"/> Treasurer |
| <input type="checkbox"/> Building | <input type="checkbox"/> Police | _____ |
| <input checked="" type="checkbox"/> Engineer | <input type="checkbox"/> Public Works, Parks | _____ |
| <input type="checkbox"/> Fire Dept. | <input type="checkbox"/> P & Z Commission | _____ |

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Consider the review committee's recommendation of selecting FCS Group and confirm, or select one of the other three firms.

ACTION OF THE CITY COUNCIL:

Date _____

City Clerk _____

FOLLOW-UP:

*Ord./Res./Agmt./Order Originals: _____ *Additional/Exceptional Originals to: _____
Copies (all info.): _____ Copies (AIS only) _____
Instrument # _____

The City of Hailey is seeking proposals to provide assistance to the City in the analysis of the Quigley Canyon Annexation and development proposal. The goal is to assess the operating and maintenance costs, as well as capital costs, of providing services to private property development. The analysis shall also establish methodology to assess the operating and maintenance cost as well as capital costs under likely development alternatives.

Background

Quigley Green Owners, LLC has submitted an application for annexation of approximately 1,109 acres to be developed with a total of approximately 379 residential units and an 18 hole public golf course and Nordic facility. The property is currently located in the County and is zoned R-5 and A-10. The annexation application requests that the property be zoned as RGB, NB, LR-1, LR-2 and GR upon annexation.

The Planning and Zoning Commission has completed the public hearing process and made recommendations to the City Council. The Commission's recommendations include changes to the development as proposed which impact the number and configuration of units within the development if the changes are required by the City.

The Hailey Annexation Ordinance requires the Council to determine:

- 1) whether the proposed application will be harmonious and in accordance with specific goals and policies of applicable components of the Hailey Comprehensive Plan, and
- 2) whether the proposed annexation generally complies with the Hailey Comprehensive Plan, and
- 3) to the extent possible, whether the proposed annexation will have a negative fiscal impact upon the existing citizens of Hailey at the time of an annexation and in the future.

Existing Tools

Hailey has a current 20-year Capital Improvement Plan. Hailey recently adopted Development Impact Fees and has a current development impact fee study which assesses and quantifies new development's fair share of capital infrastructure within five years of the Capital Improvement Plan. Hailey has a Local Option Tax ordinance in effect, the four-year term of which will expire and be voted upon in early 2010. The current taxes collected are 3% on lodging and car rentals, 2% on alcohol beverage sales, and 1% on restaurant food and drink. An opportunity to ask voters to approve additional types of taxed items, such as sales for use of recreational facilities (e.g. golf rounds), will exist in the 2010 election.

Scope of Work

Applicants are requested to submit, as part of their proposal, a strategy, schedule, and costs for providing assistance in accomplishing the analysis described above, including the following elements.

I. Benchmark Levels of Service

Hailey has its current, existing level of service defined through its development impact fee study. An assessment of the current levels of service in and of itself is NOT required. The city will expect that the consultant will review the city's current infrastructure improvement and amenities priorities, and determine which amenities and areas of service Hailey wants improved and enhanced within its current city boundaries, through a dialogue with the community, city staff and elected officials, to meet the community's rising expectations and to assist in a prioritization of these expectations. The study will identify benchmarks by which Hailey can measure those priorities and specifically evaluate how the Quigley proposal meets these objectives.

In addition the study will also address a level of service as it relates to maintenance costs. For example, Hailey operates its street maintenance activities with a certain number of FTE's to maintain its equipment and its miles of streets, street trees, sidewalks, and drainage system. Benchmark information relative to standards for such activity, with a cost analysis of what Hailey's annual costs would be for meeting such benchmarks, is requested as part of this scope of work.

II. Cost-Benefit Items

Cost-benefit analysis of the following components relative to the proposed annexation project is requested as part of the scope of work:

- Taxes (given the 3% restriction on the total property taxes in the city budget)
- Water rights/provision of a new well
- Recreation Facilities
- City Services
 - Police
 - Fire
 - Public Works, including parks
 - Library
 - Administration
- Capital Needs
- Local Option Tax Revenue

In addition, an analysis of how the Commission's recommended conditions would impact the cost-benefit analysis of the development as proposed is requested.

III. Golf Course and Nordic Skiing Amenity

A golf course and Nordic course is proposed as being a major benefit to the City. A cost-benefit analysis of both the golf course and Nordic component of the proposed annexation project is critical to the City's evaluation of the project as a whole. Assessment of the effect of a golf course in this area on Hailey's service requirements and on its economy is requested. That portion analyzing the fiscal impact for the golf course within the city limits should include an estimate of Local Option Tax revenue from the property.

Proposal

The proposal submitted shall include a bid for the cost of providing the above information to the City, and shall present those costs separately for each component.

Timeline of Project

RFP Distributed: October 28, 2008
Proposal Deadline: November 17, 2008
Contract Awarded by: November 28, 2008
Start Work: December 1, 2008
Completion no later than: March 1, 2009

Qualifications

Applicants must show substantial expertise in the following areas:

- Evaluating the financial aspects of land use development.
- Cost-benefit analysis.
- Municipal fiscal impact analysis.

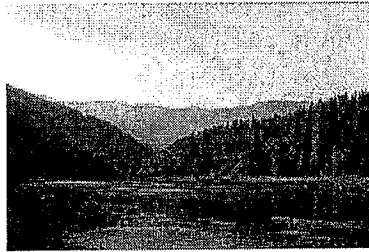
Applications

Applicants are expected to provide the following minimum information:

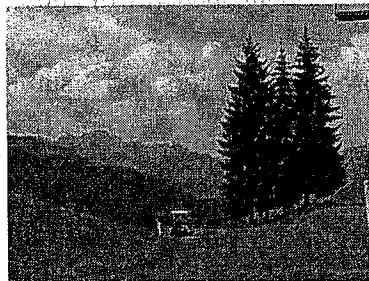
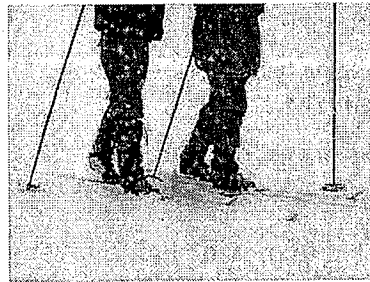
- Outline of anticipated tasks
- Schedule for the tasks from contract date, with milestones noted
- Detailed description of assistance and documents needed from city staff
- Public comment periods
- Overall project manager, specific task project managers and resumes
- Examples of related work and references.
- Applicants must disclose prior work with any member or representative of Quigley Green Owners, LLC
- Applicants must indicate any unusual issues or problems that they may anticipate in performing the work

Qualified firms must submit a proposal and full statement of qualifications to Beth Robrahn, Planning Director at 115 S. Main Street, Hailey, ID 83333 no later than November 17, 2008. Please contact, 208-788-9815 x 13 for additional information concerning this project.

Proposal to Provide an
**Analysis of the
Quigley Annexation**



City of Hailey, Idaho



November 17, 2008

This entire proposal is made of readily recyclable materials, including the bronze wire binding and the front and back cover, which are made from post-consumer recycled plastic bottles.

www.fcsgroup.com

November 17, 2008

Beth Robrahn
Planning Director
City of Hailey
115 S. Main Street
Hailey, ID 83333

Dear Ms. Robrahn and Members of the Selection Committee:

The City of Hailey is seeking a consulting firm to perform an analysis of the Quigley Canyon Annexation and development proposal. We have thoroughly reviewed your Request for Proposal and the related documents on the City's web site, and we are excited to submit our proposed approach to help the City meet its goals for this project. Our firm offers over 20 years of expertise in the specific areas requested in the RFP: 1) Evaluating the financial aspects of land use development, 2) Cost-benefit analysis, and 3) Municipal fiscal impact analysis.

Since 1988, FCS GROUP has delivered high-quality, cost-effective financial, economic and management consulting services in over 1,600 engagements for over 375 municipal clients. Our staff of 32 serves clients in all the western states and Canada from our offices in Seattle, Portland and San Francisco. We've made it our mission to facilitate sound decision-making and management by public officials and stakeholders through a solutions-oriented analytical approach to public sector financial and management issues and programs.

For this important study, we have assembled a team of senior-level consultants with proven experience performing similar studies for clients throughout the western United States, and with specific expertise related to resort areas, including Mount Hood, Mount Bachelor, and Crater Lake in Oregon; Suncadia Resort in Washington; and Aspen, Colorado just to name a few.

I (Peter Moy) will be leading the team. I am a principal at FCS GROUP and have over 30 years of experience specializing in annexation studies, public finance, program evaluation, organizational analysis, management and operational reviews, performance audits, and policy analysis. Working closely with me on this project will be Economist Todd Chase, AICP, LEED^{AP}, and Gordon Wilson, former finance director for the City of Portland's Parks and Recreation department. David Findlay, president and co-founder of FCS GROUP, will provide valuable oversight and guidance, and Nathan Reese will also support and provide the technical analysis.

Our team looks forward to discussing our approach with you in more detail. Please do not hesitate to contact me at (425) 867-1802 extension 228, should you have questions about our proposal or wish to arrange an interview time.

Sincerely,

Peter Moy
Principal

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INTRODUCTION

The City of Hailey wishes to assess the operating and maintenance costs, as well as capital costs, of providing services to a private property development in relation to the proposed Quigley Canyon Annexation.

Quigley Canyon Ranch contains 1,109 acres and is located adjacent to the City of Hailey within Blaine County and is zoned R-5 and A-10. Quigley Green Owners, LLC is requesting annexation in the City of Hailey and is proposing approximately 379 residential units, an 18-hole public golf course and Nordic facility and RGB, NB, LR-1, LR-2 & GR zoning.

We understand that the Planning and Zoning Commission has completed the public hearing process and made recommendations to the City Council. The Commission's recommendations include changes to the development as proposed which would impact the number and configuration of units within the development if the changes are required by the City.

The Hailey Annexation Ordinance requires the Council to determine:

1. Whether the proposed application will be harmonious and in accordance with specific goals and policies of applicable components of the Hailey Comprehensive Plan, and
2. Whether the proposed annexation generally complies with the Hailey Comprehensive Plan, and
3. To the extent possible, whether the proposed annexation will have a negative fiscal impact upon the existing citizens of Hailey at the time of an annexation and in the future.

FCS GROUP frequently performs cost/benefit evaluations as part of annexation studies; we have assisted several jurisdictions with determining the impacts of annexation on their finances. We also assist municipalities in analyzing the benefits of development projects and the costs of services required to support them. We provide alternative scenarios and determine cost sharing and/or other funding options.

FCS GROUP has sustained a solid, respectable practice in the region as is evident by our continued work with municipal clients throughout the western United States and Canada. We are proud to be recognized as a firm with sincere attention to achieving excellence in every endeavor. In Idaho, we have worked with the City of Coeur d'Alene, and we are currently working with the Hayden Area Regional Sewer board. This work is performed from our office in Redmond, Washington.

The purpose of the City of Hailey's Comprehensive Plan is to:

... ensure that expansion of the community in the future retains, enhances, and creates the kind of place prized by the people who live here. The Plan emphasizes the creation of community rather than the mere development of land. The Plan encourages the use of traditional community planning methods which help to create and preserve a population which has ethnic, cultural, generational, and economic diversity; and which create a community in which families can thrive, has attractive homes and neighborhoods, safe streets, clean air and water, open space, cultural amenities, and compact form. The Plan calls for land use policies which lessen dependency on the automobile, ensure adequate infrastructure, facilitate a strong and viable education and social support system, and provide abundant open space and parks. The Plan challenges the citizens of Hailey to find ways to preserve community history and character, deal with and accommodate anticipated growth, and maintain a healthy and viable city center with sustainable economic growth for both business and individuals. The Hailey Comprehensive Plan is about a town we know as our home, about which we are proud, and for which we are willing to work."

*(Adopted by Hailey City Council,
February 28, 2000)*

FIRM PROFILE

FCS GROUP was formed in 1988 to meet a growing demand for independent, objective financial consulting to effectively address cost of service issues in the public sector. Since the firm's inception, FCS GROUP has delivered high-quality, cost-effective consulting services in over 1,600 engagements for over 375 municipal clients. Our staff of over 30 serves clients in 10 western states and Canada from our offices in Redmond, Washington; San Francisco, California; and Milwaukie, Oregon.

We've made it our mission to facilitate sound decision-making and management by public officials and stakeholders by providing a solutions-oriented analytical approach to public sector financial and management issues and programs. At FCS GROUP, we understand that every municipal agency faces its own unique challenges. One of the keys to our business success and reputation is our ability to listen to our clients and produce customized study results that can be easily implemented and understood by everyone.

Our Management Consulting practice specializes in helping local and state governments address and solve issues involving policy analysis, public finance, and organizational performance. Our Utility Rates & Finance practice serves water, wastewater/sewer, storm and surface water, reclaimed/recycled water, solid waste, electric, and transportation clients. We have performed more than 1,100 utility rate studies ranging from defining revenue requirements to complete cost of service rate analyses. Our combination of strong management consulting as well as utility expertise provides a unique combination of skills and knowledge about public sector financial operations and the services supported by those finances.

Specific services we provide include the following:

- ◆ Annexations and Development Analyses
- ◆ Benchmarking and Comparative Studies
- ◆ Cost of Service/Cost Recovery Analysis
- ◆ Impact Fees
- ◆ Development Services Fees
- ◆ Mergers, Acquisitions, Assumptions, Consolidations, Divestitures
- ◆ Economic Analysis
- ◆ Indirect Cost Allocation Plans
- ◆ User Fees
- ◆ Performance Audits, Performance Measurement
- ◆ Organizational Analysis & Change
- ◆ Financial Planning and Budget Analysis
- ◆ Utility Rate Studies
- ◆ System Development Charges/Connection Charges
- ◆ Comprehensive Plan Financial Elements/Capital Financing Plans
- ◆ Capital Reinvestment (Asset Management/Reserve Funding)
- ◆ Financial Planning & Analysis
- ◆ Utility Appraisals & Valuations
- ◆ Fiscal Health Reviews
- ◆ Regional Governance & Multi-Agency Analysis
- ◆ Parity Certificates
- ◆ Litigation Support & Expert Witness
- ◆ Negotiations & Mediations
- ◆ Excise Tax Rebate Analysis
- ◆ Water Supply & Treatment Economic Analysis

We have delivered these services for municipal clients, such as:

- ◆ Cities and Counties
- ◆ Special Purpose Districts
- ◆ Regional and State Agencies

...and for nearly every facet of local and state government service including:

- ◆ Public Utilities: Water, Wastewater/Sewer, Stormwater, Reclaimed Water, Electricity, Solid Waste, Transportation
- ◆ Public Safety (fire, ambulance, EMS)
- ◆ Public Works
- ◆ Engineering
- ◆ Transportation/Road Operations
- ◆ Planning, Land Use & Community Development
- ◆ Building Inspection & Plan Review
- ◆ Public Health and Social Services
- ◆ Court Systems & Jails
- ◆ Libraries
- ◆ Parks & Recreation
- ◆ Finance
- ◆ Administration
- ◆ Facilities Management
- ◆ Information Systems & Technology
- ◆ Zoos
- ◆ Cemeteries
- ◆ Community Service

OUTLINE OF ANTICIPATED TASKS

The following is our anticipated approach and task plan for each study element.

I. BENCHMARK LEVELS OF SERVICE

Task I.1 Conduct Kick-off Meeting

To start the project, we will conduct a kick-off meeting with the appropriate staff to introduce the project team, study objectives, methodology, schedule, and the roles of the City staff and the consultant team. We will also review a preliminary data needs list which will include items such as information about the annexation area, the Quigley Canyon Ranch development, the City's Comprehensive Plan, a current City budget, a contact list, and the Planning Commission recommendations.

Task I.2 Review of Current Infrastructure Improvement and Amenities Priorities

Before beginning the Benchmark Levels of Service element of the project, we will review the current infrastructure improvement and amenities priorities. This task will involve reviewing any capital improvement plans prepared by the City and the most recent impact fee study. In addition, we will review the City's Comprehensive Plan to develop an understanding of the City's goals and policies for development.

Task I.3 Interview Key City Stakeholders

Before designing and starting the community input, we will conduct 12 interviews with key stakeholders such as the Mayor and City Council, City Administrator, and members of any City boards, commissions, and community organizations. We will focus our questions about the City's current infrastructure improvements and amenities, stakeholder opinions concerning the adequacy of the infrastructure improvements and priorities currently in place, and any concerns and issues about the Quigley Canyon annexation.

Task I.4 Develop and Plan a Process for Community Input

To engage the community in a dialogue about the City's amenities and services, we will work with the City to develop a process and plan for community input. Based on our review of the priorities for infrastructure improvements and amenities, we will work with the City staff to identify key areas that are currently a concern

of the City's residents and businesses. This will provide a starting point for our planning effort and might guide our strategies for involving the community. The process and plan will need to include the following:

- ◆ Key objectives and goals,
- ◆ Publicity and notification,
- ◆ Schedule of meetings,
- ◆ Alternative methods for gathering input (e.g. web-based polling),
- ◆ Staff and consultant roles,
- ◆ Meeting agendas and meeting processes,
- ◆ Meeting documentation and summaries, and
- ◆ Feedback on meeting results.

Task I.5 Facilitate Community Meetings

Based on our community input plan, we will facilitate and prepare materials for no more than three community meetings. Once we have identified the staff and consultant roles, the meeting content, and the processes to be used during the meetings to help the community understand, analyze, and establish priorities; we will begin preparing the necessary information and materials that will be used at each meeting. We will prepare summaries of the results from each meeting. The arrangements for public notifications, meeting facility, and set up will be handled by the City. Although we have not included these options in our budget or scope of work, the City may want to consider using some additional techniques for gathering data such as computerized voting at the community meetings and/or use of a web-based polling system to obtain input from residents not able to make the meetings. We can contact firms we know who have the equipment or software to provide these services. These items will be discussed as we develop the plan with the City.

Task I.6 Identify and Establish Level of Service Benchmarks

Based on the current levels of service provided by the City and any desired changes to the levels of service, we will analyze current costs and then estimate what the additional costs would be for the City to meet any changes in the levels of service. As part of our process to establish and compare the benchmarks, we will do the following:

- ◆ Review the appropriate budget and cost information pertaining to the service,
- ◆ Interview and work with the appropriate staff responsible for providing the service,
- ◆ Conduct a survey of three cities to identify and compare their levels of service (criteria could be population, geographic proximity, etc.),
- ◆ Conduct a literature search on the benchmarks used for the services that have a changed level of service, and
- ◆ Prepare a summary of the survey and the additional annual costs for the City to meet the changed benchmarks.

II. COST BENEFIT ANALYSIS

Task II.1 Review Current Budget and Planning Commission Recommendations

Our first step in developing and analyzing the costs and benefits of the proposed annexation is to review the current budget and to incorporate the results of Task I.6 as part of our initial analysis. In addition, we will

review the Planning Commission's recommended conditions to determine how such conditions affect the demand for services and the revenues generated by the annexation.

Task II.2 Develop a Financial Model to Perform Cost Benefit Analyses

Based on a review of the City's budget, we will develop a financial model that is capable of analyzing the financial costs and benefits of the proposed annexation. We will use an Excel spreadsheet model to perform the analysis. The model will include the following components as required in the Request for Proposal and may include other related components, if necessary.

- ◆ Taxes
- ◆ Water rights/provision of new well
- ◆ Recreation Facilities
- ◆ City Services
 - Police
 - Fire
 - Public Works, including Parks
 - Library
 - Administration
- ◆ Capital Needs
- ◆ Local Option Tax Revenue

The model will be developed to accommodate different scenarios or conditions that might occur because of the Commission's conditions, changes in the number and type of residential units, and different revenue generating scenarios.

Task II.3 Conduct Cost Benefit Analyses

Once the model has been developed we will work with the appropriate City staff to clarify assumptions and use the information generated in Task I.6 as part of the benchmarking analysis. For the services where there were no changes in the levels of service, we will work with the City staff to establish similar benchmarks for their services. These benchmarks will require interviewing City staff and meeting with them to develop the appropriate cost of service that can be applied to the annexation area. We will also work with the staff to identify potential scenarios that need to be analyzed other than the impact of the Planning Commission's conditions. We envision at least analyzing the costs and benefits based on status quo service levels, changed service levels, and the Commission's conditions.

Task II.4 Prepare a Summary of the Results

Based on the cost benefit analyses, we will prepare a summary of the analyses that details the methodologies, assumptions, and results. We will provide a draft of the summary to the City for its review and based on City comments, we will make any revisions, if appropriate, and provide the City with a final summary.

III. GOLF COURSE AND NORDIC SKIING AMENITY ANALYSIS

Task III.1 Review the Economic Analysis of the Golf Course and Nordic Skiing Amenity

To become familiar with the proposed golf course and Nordic skiing facility, we will review the developer's analysis of the proposed golf course and Nordic skiing amenity and any other related documents.

Task III.2 Develop a Financial Model to Perform Cost Benefit Analyses

As part of Task II.2 in developing a financial model to perform cost benefit analyses, we will incorporate as a separate part of that model an analysis of the golf course and Nordic skiing amenity. By incorporating the analysis into one model, we will be able to determine the results separately for both the annexation and the golf course as well as see the results for the entire annexation and the overall relationship between the success of the golf course and the Nordic skiing activity and the rest of the development.

Task III.3 Conduct Cost Benefit Analyses

As in Task II.3, we will conduct a cost benefit analysis of the golf course and Nordic skiing amenity that identifies the effect of the amenity on the City's service requirements and revenues. A specific analysis will identify the impact of the amenity on the Local Option tax revenue. As in Task II.3, we will also look at the impacts that might occur under scenarios that are different from what has been estimated by the developer. This will provide the City a range of potential costs and benefits depending on the success of the amenity.

Task III.4 Conduct an Economic Assessment

Besides the direct financial costs and benefits related to the City's operations, another element of the amenity is its economic impact on the City. We will review the information available and will conduct an assessment of the amenity using an economic input output model (IMPLAN) that can analyze economic and fiscal impacts of potential infrastructure capital and operational enhancements in terms of direct and indirect economic output, payroll, tax revenues, and job creation.

Task III.5 Prepare a Summary of the Results

Based on the cost benefit analyses and the economic assessment, we will prepare a summary of the analyses that details the methodologies, assumptions, and results. We will provide a draft of the summary to the City for its review and based on City comments, we will make any revisions, if appropriate, and provide the City with a final summary.

SCHEDULE

The following is our timetable for the project and is consistent with the City's desired schedule. However, one of our issues concerning the project is that it is occurring during the holidays in December, and some delays may occur due to vacations and other time off during this period.

Task	December					January				February				March				
	1	8	15	22	29	5	12	19	26	2	9	16	23	2	9	16	23	30
Task I.1 Kick-off Meeting	█																	
Task I.2 Review Current Infrastructure Improvements and Amenity Priorities	█	█																
Task I.3 Interview Key City Stakeholders	█	█																
Task I.4 Develop and Plan a Process for Community Input	█	█																
Task I.5 Facilitate Community Meetings				█	█	█	█	█	█									
Task I.6 Identify and Establish Level of Service Benchmarks			█	█	█	█	█	█	█									
Task II.1 Review Current Budget and Planning Commission Recommendations		█	█															
Task II.2 Develop a Financial Model to Perform Cost Benefit Analysis				█	█	█												
Task II.3 Conduct Cost Benefit Analyses							█	█	█									
Task II.4 Prepare a Summary of the Results										█	█							
Task III.1 Review the Economic Analysis of the Golf Course and Nordic Skiing Amenity		█	█															
Task III.2 Develop a Financial Model to Perform Cost Benefit Analyses				█	█	█												
Task III.3 Conduct Cost Benefit Analysis								█	█	█								
Task III.3 Conduct Economic Assessment				█	█	█												
Task III.5 Prepare a Summary of the Results											█	█	█					

STAFF ASSISTANCE

For this project, we will primarily need assistance from the City for the following:

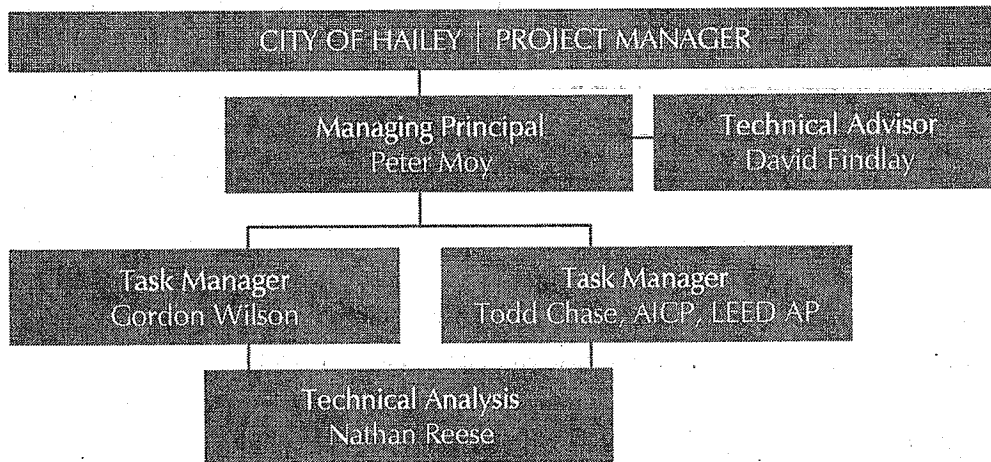
- ◆ Providing the City's 20-year comprehensive plan and capital improvement plan,
- ◆ Providing all documents related to the annexation area and the Quigley Canyon Ranch development,
- ◆ Providing the City's current budget document and more detailed budget information as necessary,
- ◆ Scheduling meeting rooms for community meetings and making arrangements for any equipment or supplies needed for such meetings,
- ◆ Scheduling and providing meeting space for interviews with City staff, elected officials, and representatives of community organizations,
- ◆ Providing work space while on site visits,
- ◆ Making City management and staff accessible and responsive to information and meeting requests and reviews of draft deliverables.

PUBLIC COMMENT PERIODS

Depending on how the City would like to handle the community input, we believe that the public comment can be handled by the community meetings we are proposing. If additional time is needed to have the community review our work and provide comments, we would be available to address concerns during the current schedule. If the City waits until we have completed all the summaries, we would need to negotiate with the City about the cost concerning any additional work to be performed or meetings that must be attended.

PROJECT MANAGER AND KEY PERSONNEL

FCS GROUP is a firm specializing in financial and management consulting services for the public sector. Within our 32-person firm, we retain a diverse skills set and have available in-house the needed expertise to fulfill the City's entire scope of work. We take an attentive and creative approach to projects, emphasizing active roles for our principals and senior managers to ensure the value of their experience, expertise and insight is delivered on every assignment. We have assembled a team of consultants possessing both the depth and breadth of related experience to bring forth innovative, yet practical solutions for the City. In this section, we introduce the members of our Project Team, describe their primary roles on the project, and provide a brief professional biography for each. Full resumes are included in the Appendix. An organizational chart of our team is shown in the following exhibit:



PETER MOY – MANAGING PRINCIPAL

M.B.A., Finance, University of California, Berkeley
B.A., Finance and Organizational Behavior & Industrial Relations, University of California, Berkeley

Peter Moy is a principal of the firm and leads our Management Consulting practice. He has over 30 years of public sector experience specializing in public finance, program evaluation, personnel and organizational analysis, management and operational reviews, performance audits, and policy analysis. He has worked with a variety of governmental and non-profit agencies and provides clients with a thorough knowledge of government operations and innovative and workable solutions to issues and problems.

Mr. Moy has a broad understanding and expertise in how government sets and implements policies, how the many different government functions are performed, and what roles constituencies such as the public, community organizations, and employees have in making government responsive to their needs.

He is frequently called upon to speak at professional meetings and training seminars. He has recently presented on topics such as "Evaluating the Impact of Special Development Projects," "Performance Audits – Making Results Work for You," "Strategies for Recovering Costs from Non-Tax Sources," "Approaches to Evaluating Efficiency and Effectiveness," "Costing Fire and EMS Services," and "Best Financial Practices."

Mr. Moy has worked on forecasting revenues and expenditures for annexations and large development projects for clients in Washington State, including the Cities of Bellingham, Snohomish, Puyallup, Covington, Blaine, Tukwila, Chehalis, and Wenatchee, and Chelan County. *His related experience includes:*

- ◆ City of Coeur d'Alene, ID - Interfund Allocation Study
- ◆ Cost Analysis on Potential Annexations; Update of Potential Annexation Analysis - City of Puyallup, WA
- ◆ Urban Growth Area and Annexation Boundaries Analysis - City of Snohomish, WA
- ◆ Industrial Area Annexation Fiscal Impact Study; Review of Annexation Study Assumptions - City of Chehalis, WA
- ◆ Fire Annexation Issues and Council Presentation - City of Monroe, WA
- ◆ Waterfront Development Financial Model - City of Bellingham, WA
- ◆ Kitsap SEED Project Financial Analysis - Port of Bremerton, WA
- ◆ Chelan County/Wenatchee Revenue Sharing Study - Chelan County and City of Wenatchee, WA
- ◆ Grandis Pond Development Impact - Northern Economics, WA
- ◆ Fire Station Property Tax Analysis; Impacts on County Property Taxes - Suncadia, WA
- ◆ Segale Development Update & Analysis - City of Tukwila, WA
- ◆ Redmond Ridge Revenue Analysis; Snoqualmie Ridge Phase II Analysis; Review of NAHB Impact Study; Northwest Landing Capital Facilities Plan Impact Review - Quadrant Corporation, WA



DAVID FINDLAY, CPA, CMC – TECHNICAL ADVISOR

B.A., Accounting, University of Washington

Certified Public Accountant

Certified Management Consultant

David Findlay is president of the company and chairman of the board of directors. After serving 24 years in the professional services industry, David co-founded FCS GROUP in 1988 to fill a need for independent specialization in the field of utility rates and finance and management consulting. Mr. Findlay has over 43 years of business and professional experience, 37 of which have been in the fields of appraisals, acquisitions, mergers, and consolidation feasibility, negotiations and implementation; municipal accounting; cost accounting and cost benefit analysis; infrastructure finance and financial planning; organizational analysis; resource management and operations reviews; fiscal health reviews; and fee and rate design consulting. He has directed, managed and/or participated in over 50 management consulting engagements concerning utility assumptions, mergers, consolidations and valuations. In recent years, he has consulted with numerous agencies on institutional governance matters, such as regional solutions to financing urban services and infrastructure. He also has assisted clients on matters of organizational development and transition planning required after a utility was formed, merged or acquired.

David holds membership in several professional associations and is frequently called on to speak at conferences. He has recently presented on topics such as Indirect Cost Allocation Plans, Asset Management, Utility Capital Connection Charges, Fiscal Health and Financial Performance, and Cash Management and Rate Adoption. He has also served as an external board member for two regional environmental science consulting companies. *His previous experience includes the following related golf course studies:*

- ♦ Financial Review of Stone Creek Golf Course Feasibility Study and Plans – Clackamas County, OR
- ♦ Tri-Mountain Golf Course Financial Recapitalization – Clark County, WA
- ♦ Parks Revenue Enhancement (including Municipal Golf Course) – City of Bellevue, WA



GORDON WILSON – TASK MANAGER

M.B.A., Harvard Business School

M.P.P., Kennedy School of Government, Harvard University

B.A., Political Science, Brigham Young University

Mr. Wilson has extensive experience in financial planning for local governments, particularly with parks and recreation services. Prior to joining FCS GROUP, Mr. Wilson was the financial manager for City of Portland Parks and Recreation for 11 years, and the accounting and treasury manager and assistant finance director for the City of Bellevue, Washington for two years. He has been responsible for operating budget funding requests, long-term capital planning, performance measurement, revenue analysis, and strategic planning. He led the development of the standard methodology used by Portland Parks to estimate the ongoing O&M impact of park capital investments. He also negotiated and supervised the management contract for the operation of the Rose Garden Gift Shop, a startup venture that earned a 35% return on investment during its first four years.

From 1997 through 2003, Gordon managed the Portland Parks & Recreation recreational enterprises, including its four golf courses and Portland International Raceway. During that time, he led the development of a master plan for Portland International Raceway, a motor sports facility located in a 270-acre park with sensitive environmental resources and adjacent neighborhoods. He also oversaw master planning for Heron Lakes Golf Course and the special use permit process for RedTail Golf Course. For RedTail, he negotiated a long-term lease extension with the clubhouse concessionaire that resulted in \$8 million of public/private co-investment, including a remodeled golf course and a new driving range, clubhouse, cart barn, and snack shop. He managed the selection process and negotiated concessionaire agreements for Eastmoreland and Heron Lakes. He oversaw the capital and operating budgets for the golf courses, as well as the five-year financial forecasts and the issuance of revenue-backed debt to make course improvements. He negotiated a five-year equipment lease to upgrade the golf landscape maintenance equipment and standardize their design in order to gain efficiencies in the parts inventory. His leadership of the golf courses emphasized integrating the courses with non-golf purposes such as environmental stewardship. During this time, Heron Lakes received the Audubon Cooperative Sanctuary certification from the Audubon Society of New York.



E. TODD CHASE, AICP, LEED AP – ECONOMIST/TASK MANAGER

B.S., Economics, University of Florida

Todd Chase is a senior project manager with FCS GROUP. Todd is an economist with over 23 years of experience in management consulting, financial analysis and economic analysis for public-sector clients. His experience includes management of over 150 impact studies, annexation studies, funding strategies, and capital facility plans, with emphasis on growth management and sustainable “green” infrastructure. One of his specialties is providing detailed

economic and fiscal impact assessments of the costs associated with planned public and private improvements. A recognized leader in Oregon on economic development policy issues, Chase is an appointed member of Oregon's DLCDC Economic Development Planning Advisory Committee, and the Clackamas Economic Development Commission. He is certified by the American Institute of Certificated Planners and he is a LEED Accredited Professional. He holds a bachelor's degree in economics from the University of Florida and completed masters-level coursework in finance at Johns Hopkins University.

Todd recently spoke on "Creative Infrastructure Planning & Funding Techniques: Findings from the Portland Area and Beyond" at the 2008 American Planning Association Conference. Todd has completed several economic development and land planning studies for similar resort areas, such as Mount Hood, Mount Bachelor, and Crater Lake in Oregon; Mount Shasta in Northern California; and Aspen, Colorado to name a few. *His previous experience includes the following related economic studies*

- ◆ Economic Landscape Strategy - Clackamas County, Oregon
- ◆ Economic Sustainability Strategy and Central Business District Plan – Bend, Oregon
- ◆ Mt. Hood/Government Camp Redevelopment Strategy - Clackamas County, Oregon
- ◆ Volcanic Legacy Scenic Byway Plan and Mt. Shasta Visitor Center - Northern California
- ◆ Entrance to Aspen Environmental Impact Statement - Aspen, Colorado

NATHAN REESE – TECHNICAL ANALYSIS

M.P.A. Maxwell School of Syracuse University

B.A. International Politics, Brigham Young University

Nathan Reese recently joined FCS GROUP as a project consultant focusing on analytical work in support of the firm's management consulting efforts. In this position, he is responsible for conducting financial forecasts, cost of service and cost allocation analyses, fiscal policy reviews, economic/financial feasibility analyses and financial modeling/quantitative analyses. His previous experience includes positions as a senior budget analyst and management analyst for City government. As budget analyst, he worked for various City departments, including Economic Development, Planning & Community Development, Transportation, Finance, and Equipment Rental. His experience includes benchmark and comparative analysis as well as conducting various municipal and legislative research and surveys.

OTHER FCS GROUP STAFF

Besides the above mentioned staff, other FCS GROUP staff members may also be participating on the project. These other staff members include Catherine Magsino, Heidi Wilde, and Pam Heeke.

RELATED WORK

ANNEXATION AND LAND USE STUDIES

Urban Growth Area and Annexation Boundaries Analysis – City of Snohomish, WA

The City of Snohomish engaged FCS GROUP to review and evaluate a study on the feasibility and desirability of expanding the City's urban growth boundary. The FCS GROUP project team, including two sub-consultants, reviewed and assessed a number of different elements of the proponent's UGA study. These elements included land use, population and employment targets, environmental impacts, transportation impacts, impacts on public capital facilities, public services and utilities, fiscal impacts on the City, and

market feasibility of the potential development. The process involved performing technical reviews of the different elements, preparing memos and reports documenting the reviews and assessments, and making presentations to the public, city management and elected officials. Peter Moy was the managing principal.

Industrial Area Annexation Fiscal Impact Study – City of Chehalis, WA

The City of Chehalis is considering whether to annex an industrial area that is within its urban growth area. To assist the City in understanding the fiscal impacts of the annexation on the City's revenues and expenditures, especially its General Fund, the City engaged FCS GROUP to conduct a fiscal impact study. The consultant team worked with City management and the key stakeholders in the proposed annexation area to identify the financial and service impacts on the City's General Fund and other major funds. The study involved developing revenues by fund and expenditures by department based on an analysis of potential workload and service levels. Todd Chase was the study manager.

Cost Analysis on Potential Annexations - City of Puyallup, WA

The City of Puyallup engaged FCS GROUP to perform financial analyses to assess the potential General Fund impacts on the City's finances for two large and several smaller potential annexation areas within its urban growth area. To determine whether the annexations will be a net gain or loss to the City, the City needs to identify the General Fund revenues and expenditures that will result from the annexations. To help the City analyze the impacts, FCS GROUP identified General Fund revenues associated with each annexation area and worked with the City departments to identify the service requirements and costs. As part of the effort, FCS GROUP developed a financial framework for the analysis and developed a spreadsheet-based forecasting model.

In 2007, the City of Puyallup engaged FCS GROUP to perform an update of its financial analyses to assess the potential General Fund impacts on the City's finances for two large and several smaller potential annexation areas within its urban growth area. To help the City analyze the impacts, FCS GROUP identified General Fund revenues associated with each annexation area and worked with the City departments to identify the service requirements and costs. Peter Moy was the managing principal.

Annexation Study - City of White Salmon, WA

FCS GROUP is currently assisting the City of White Salmon and a land use/engineering/economics project team on a strategic urbanization strategy. This effort is a Washington CERB-funded project aimed at enhancing economic development in Klickitat County. Work elements include:

- ◆ Economic and market analysis to determine long-term development opportunities and land requirements;
- ◆ Infrastructure adequacy analysis and cost estimating for new roads, water and sewer facilities;
- ◆ Financial feasibility analysis of public infrastructure investment;
- ◆ Implementation and funding strategies;
- ◆ Agency and public outreach.

Todd Chase was the study manager.

INFRASTRUCTURE AND ECONOMIC DEVELOPMENT STUDIES

Economic Landscape Study - Clackamas County, OR

FCS GROUP was contracted to prepare an economic analysis for Clackamas County and to identify strategic growth areas and sustainable industry clusters to be used for targeted marketing and business retention/recruitment actions by the County. Work included:

- 2.) Documenting regional, national and international economic forces;
- 3.) Identifying sustainable industry target market clusters;
- 4.) Preparing strategic marketing and business recruitment materials;
- 5.) Understanding the direct and indirect return on public investment in strategic locations; and
- 6.) Conducting stakeholder outreach within the business community.

Todd Chase was the study manager.

Economic Sustainability Strategy and Central Business District Plan - Bend, Oregon

Todd Chase (while with Otak) assisted the City in developing an Economic Development Strategy focused on sustainable development in key industries, including tourism and mixed use development. This strategy included a target market analysis, and significant business outreach to identify the needs of both existing and future employers and establish goals, objectives, and actions that will meet those needs in the short term and over the next 20 years.

Mt. Hood/Government Camp Redevelopment Strategy - Clackamas County, Oregon

Todd Chase (while with Otak) assisted Clackamas County with developing a new economic development strategy and urban renewal plan for Government Camp at the base of Mt. Hood. This work identified public investment in facilities and operations to leverage private investment in resort housing, lodging, and ski area expansion. The Redevelopment Strategy was adopted and is credited with leveraging over \$100M in private and non-local public investment over the past 10 years.

Volcanic Legacy Scenic Byway Plan and Mt. Shasta Visitor Center - Northern California

Todd assisted the Northern California Rural Development Commission and the US Forest Service with a strategy that led to US Congressional designation of a new Scenic Byway connecting Crater Lake with Mt. Lassen. This work included an economic benefit analysis of specific tourism facilities along the route, and including a financial analysis for a new visitor center (now in design).

Entrance to Aspen Environmental Impact Statement - Aspen, Colorado

Todd Chase (while with Otak) served as lead economist in a transportation analysis that eventually led to one of the first successful rural bus rapid transit (BRT) system in the United States. This work entailed significant levels of community outreach and involvement prior to voter approval of a referendum to utilize dedicated funding for a mix of roadway, transit, and multimodal facilities. Todd's work included a detailed economic analysis of alternative capital facility projects and operations over a 25-year time period, along with a financial and fiscal impact analysis to determine the costs and benefits of new local and state investment and enhanced bus fleet operations.

Skamania County Trade & Revenue Study - Skamania County Economic Development Council, WA

This study was conducted by FCS GROUP project manager Todd Chase (while with Otak) to better understand market and economic development opportunities within the County. The work included a business survey, stakeholder interviews and fiscal impact analysis of revenue inflow and outflow within Skamania County. Much focus was placed on identifying emerging industrial clusters and implementation strategies to boost the economy and support local jobs through creation of trade capture strategies. The project included a preliminary financial analysis of strategic land areas, including Port owned real estate and the Wind River Nursery site, CDBG eligibility assessment, e-commerce analysis and business training.

Regional Infrastructure Planning Study and Work Session – METRO, Portland, OR

FCS GROUP was contracted to identify funding options and perform initial financial analysis in support of an assessment of critical infrastructure needed to accelerate the implementation of the Metro 2040 Growth Concept and to identify potential regional infrastructure funding strategies.

FCS GROUP also assisted the Metro Regional Government with an analysis of the public infrastructure costs required to develop urban and urbanizing sites throughout the Portland Region. This effort builds upon the Regional Infrastructure Strategy (also prepared by FCS GROUP) and is focused on understanding the public return on investment from local, community and regional investments in road, transit, pathways, water, sewer, schools, stormwater, parks and other facilities. Todd Chase was the study manager.

Portland Area Regional Employment Study – METRO, Portland, OR

FCS GROUP is assisting Metro with a employment land needs study to determine Urban Growth Boundary annexation requirements over the next 50 years as the region plans to accommodate over one million additional residents. Todd Chase was the study manager.

GOLF AND RECREATION STUDIES

Financial Review of Stone Creek Golf Course Feasibility Study and Plans – Clackamas County, OR

The scope of work was a discrete review and analysis of the proposed Stone Creek Golf Course financing program in which the County would allow development of 165 acres of land into an 18-hole municipal golf course and golf-related amenities. The proposal reviewed was prepared by the Golf Services Group and Clackamas Golf, LLC for the design, financing, construction, development, operation and maintenance of the golf course. The County would obtain ownership of the golf course facilities at the end of the term of the agreement or earlier depending on the County's ability to finance the transaction. FCS GROUP's work was limited to evaluating the proposal to determine if the County could enter into a lower cost financing arrangement and buy out Clackamas Golf LLC. The County needed to understand the risks, cash flows and underlying rate of return if it financed the deal within one, two or three years. We developed a comprehensive cash flow and internal rate of return (IRR) analysis of the proposed LLC buyout options, as well as a revised 20-year projection of the various sources of revenue based on client provided rounds of golf forecasts. Our analysis determined that given the buyout covenants, the County should purchase the project from the LLC as soon as the first option could be exercised, but let the LLC design and build the project. David Findlay was the principal and study manager.

Tri-Mountain Golf Course Financial Recapitalization – Clark County, WA

The Port of Ridgefield, Washington developed an 18-hole golf course in 1994, financed with Port revenue bonds. Clark County guaranteed the bonds. The bond proceeds were used to acquire the land, develop the site, and construct the course. The financing was based on a feasibility study done by an independent golf course consultant. Within two years, the golf course was unable to generate the rounds and greens fees to meet debt service coverage, and the County stepped in to cover the shortfalls. It was determined that a club house was needed to generate golfer interest and increase play. FCS GROUP was retained to assist the County and the Port by mediating a solution to the short-term financial problem as well as address financing of the club house construction. The result was an agreement by the County to acquire the entire golf course with tax-backed bonds, pay off remaining short-term loans and finance the club house. In addition, terms were negotiated which require that all golf course operations and maintenance be contracted out. FCS GROUP managed the entire mediation, and assisted in the selection of qualified golf vendors. In September 1997, the transaction closed and within the first quarter of County ownership, operating costs were reduced and rounds per day increased. David Findlay was the principal and study manager.

Parks Revenue Enhancement – City of Bellevue, WA

This study was a multi-phased evaluation of the costs, revenues and pricing of Parks Department Services for the major revenue generating program areas. The first phase addressed the Tennis Center and Municipal Golf Course. The second phase addressed the adult/youth recreation and facility rental programs. Each operation was evaluated as a stand-alone enterprise in terms of income, costs, and cost recovery realization. Indirect costs from City support services as well as intra-departmental overhead were included in the full costing formula. A survey of comparable jurisdictions was performed primarily to provide market pricing information (most comparable fees were not cost based). David Findlay was the principal and study manager.

SPECIAL DEVELOPMENT STUDIES

Waterfront Development Financial Model - City of Bellingham, WA

The City of Bellingham engaged FCS GROUP and Northern Economics to develop a waterfront development financial model that identifies the potential cost and revenue impacts of the development on all the City services and funds. The model was designed to accommodate different scenarios and different types of development on the waterfront site. The model development process included developing metrics for both revenues and costs by type of revenue and by type of service cost. The process involved a collaborative effort with City departments and the Finance Department staff. Follow-up activities included forecast model changes and training for the City's Finance Department staff on how to use the model. Peter Moy was the managing principal.

Public Safety Mitigation Analysis – City of Dupont, WA

As part of a mitigation agreement with a private developer, the City of DuPont engaged FCS GROUP to determine the impact that the specific development will have on the City's fire, emergency medical, and police services, and based on the impact, determine if the costs exceed the revenues generated by the project. If the costs exceed the revenues, the City wanted FCS GROUP to determine what the developer's appropriate mitigation contribution might be. The analysis involved determining the potential number of service calls, reviewing the Fire and Police Department's operating and capital budget, analyzing the cost of service, forecasting potential revenues from the development, and calculating a mitigation fee, if necessary. Peter Moy was the managing principal.

Segale Development Analysis - City of Tukwila, WA

To review the fiscal and economic analysis for a very large residential and commercial development, the City of Tukwila needed assistance in analyzing the development's revenue impact on the City. The scope of work involved two phases: a review of the developer's proposed scope of work and a review of the consultant's analysis. The role of FCS GROUP was to review and identify issues that the City and Developers' consultants should consider in the final fiscal and economic analysis. We prepared a memo on the developer's analysis and made a presentation to the City Council. Peter Moy was the principal.

Grandis Pond Development Impact – Blaine, WA

FCS GROUP was engaged by the developer of Grandis Pond, a large housing development project in Blaine, Washington, to analyze the fiscal impacts of the development on the City's revenues and expenditures. The analysis identified the fiscal impacts on the City's General Fund and a few other selected funds. The analytical process involved meeting with the City staff from all the departments that might be affected by the development to discuss their cost of service, staffing levels, and workload indicators. Using a financial model designed to determine the various impacts of a development project, the final results of the analysis compared the General Fund and selected fund revenues and expenditures generated by the development's build-out. Peter Moy was the study manager.

Kitsap SEED Project Financial Analysis - Port of Bremerton, WA

The Kitsap Sustainable and Economic Development (SEED) Project is an initiative by the Port of Bremerton. As part of its efforts to identify the potential impacts of the Project, FCS GROUP was engaged to identify the direct salaries and wages, potential tax revenues and private and public investment that is created by the project. The analysis involved researching wage and salary data for the specific types of businesses that fit the SEED profile, identifying taxes that apply to the businesses and working with the Project's planners on determining the development that will take place. The analysis was used to assist the project obtain support from state legislators. Peter Moy was the managing principal.

Chelan County/Wenatchee Revenue Sharing Study - Chelan County and City of Wenatchee, WA

Chelan County and the City of Wenatchee engaged FCS GROUP to perform a revenue sharing study. FCS GROUP performed the following tasks: We met with the City and County to initiate the study by defining and reviewing the basic methods to be employed and to identify key revenues, costs and services to be addressed. We defined data requirements and responsibilities, reviewed schedule, and established project communications. During the study, FCS GROUP developed benchmarks of potential revenues and expenses for the identified area, based upon anticipated build-out densities under existing plans for development in the area. We also worked with the City to identify services and facilities funded by the City but providing regional benefits, and developed an analysis of costs borne by City customers as those services are shared by non-residents. Peter Moy was the study manager.

Bel-Red Corridor Financial Strategy – Bellevue, WA

FCS GROUP is participating in a collaborative effort intended to identify potential approaches to funding the implementation of the Bel-Red Corridor Project. The Bel-Red Corridor Project identified a preferred alternative for how the Bel-Red Corridor should develop in the future. This study evaluated a number of potential funding mechanisms, including impact fees, taxes, tax increment financing, and more, that together

could be used to fund implementation of the Project's recommended approach to the Corridor. Todd Chase was the study manager.

ISC Track and SKIA Analysis - Kitsap County, WA

Kitsap County engaged FCS GROUP to perform an analysis of the impact of a proposed NASCAR track on the County's potential revenues and expenditures for the County's South Kitsap Industrial Area (SKIA). The purpose of the analysis was to assist the County Commissioners to determine the financial benefits and costs of allowing the track to be built compared to maintaining the current land uses for SKIA and the other areas to be occupied by the track. The analysis compared the County's General Fund and Street Fund revenues and expenditures with and without the track. The analysis involved forecasting the SKIA development and employment, property tax and sales tax revenues, public safety costs, street maintenance costs, and street capital costs. In addition to a report, several presentations were made to the County Commissioners. Peter Moy was the managing principal.

Financial Analysis of the Proposed ISC Race Track – Kitsap County, WA

Kitsap County engaged FCS GROUP to analyze the financial and economic impacts of a proposed NASCAR race track on the County's finances. The analysis involved reviewing and analyzing the International Speedway Corporation's report on the economic and fiscal impacts of the racetrack. The review included analyzing three key elements of the proposal: the economic impact on County revenues, the associated County costs needed to support the track, and the impact of any proposed financing plans on the County. In addition, to identifying the impacts, the Firm visited other jurisdictions that had similar tracks. Issue papers were prepared on each element to provide elected officials with information to assist in their decision-making process concerning the track. Peter Moy was the managing principal.

New Development General Fund and Debt Service Analysis - City of Covington, WA

The City of Covington engaged FCS GROUP to analyze the General Fund revenues and expenditures based on development in the City over the next 20 years. Working with the City's future development scenario and the City staff, FCS GROUP forecasted General Fund revenues and expenditures to determine how much debt could be issued to finance capital improvements needed for the City's development. The analysis involved forecasting the annual General Fund and REET revenues and expenditures necessary to support population increases as well as commercial development and then determining whether any excess revenues were available to help pay any debt service. We made three presentations to the City Council and its committees. Peter Moy was the managing principal.

Snoqualmie Ridge Phase II Analysis - Quadrant Corporation

Quadrant Corporation engaged FCS GROUP to review an analysis of the fiscal impact that its Snoqualmie Ridge Phase II development will have on the City of Snoqualmie's general fund revenues and expenditures. The review included identifying key economic assumptions, as well as planning and staffing standards used to forecast revenues, costs, and levels of service. FCS GROUP identified alternative methods and assessed whether the forecasts were reasonable. Working with the City's consultant, we also identified the impacts of using alternative scenarios and assumptions. Working with the Quadrant staff, we prepared a presentation on alternative analyses for the City Council. Peter Moy was the study manager.

Fire Station Property Tax Analysis –Suncadia Development, WA

Suncadia engaged FCS GROUP to identify the property tax impacts on Kittitas County Fire District #7 from the Suncadia development. The analysis was to determine if the increase in property tax revenues would offset any debt service related to constructing a new fire station for the Suncadia area. A spreadsheet model was developed to calculate property tax revenues based on the development's build-out scenario, and a technical memo was prepared for the client. Peter Moy was the study manager.

Redmond Ridge Revenue Analysis - Quadrant Corporation

Quadrant Corporation engaged FCS GROUP to review the revenue impacts on King County if Quadrant's Redmond Ridge and Trilogy developments were delayed or stopped by King County because concurrent road improvements were not funded. FCS GROUP analyzed the property tax, sales tax, and the real estate excise tax revenues that would be generated if the developments were allowed to continue through 2010 based on Quadrant's planned build-out schedule. A technical memo was prepared for the client. Peter Moy was the study manager.

Northwest Landing Capital Facilities Plan Impact Review - Quadrant Corporation

Quadrant Corporation engaged FCS GROUP to review the City of DuPont's 2004 - 2009 Capital Facilities Plan to determine the impact on Quadrant's Northwest Landing project in DuPont. The review of the plan involved determining the financial impacts on the project, assessing the reasonableness of the financing plans and sources of revenue, analyzing the levels of service used to determine the capital needs, and identifying alternatives for financing and establishing levels of service. Peter Moy was the study manager.

CLIENT REFERENCES

Brian Henshaw, Budget Manager
City of Bellingham
210 Lottie Street
Bellingham, WA 98225
(360) 778-8000

Ms. Lisa Verner, Planner
City of Tukwila
6200 Southcenter Blvd.
Tukwila, WA 98188
(425) 431-3662

Gary Barth
Clackamas County
Sunnybrook Business Center
9101 SE Sunnybrook Blvd
Clackamas, OR 97015
(503) 353-4299
Reference for Todd Chase

John Zoller, Golf Manager
Portland Parks & Recreation
1120 SW 5th Avenue, Room 1302
Portland, OR 97204
(503) 823-5104
John directly supervises the golf system for Portland Parks & Recreation. He formerly reported to Gordon Wilson.

DISCLOSURE

We have not worked with Quigley Green Owners, LLC.

ANTICIPATED ISSUES

One of the challenges for this project is the schedule. Because the beginning of project includes the December holidays, a fast track for community meetings may not be feasible and City staff may not be as available as they would be in January. The holidays could delay several of the initial project tasks. Depending on the schedule for community input, the targeted March 1 completion date may have to be moved back several weeks. We will try, however, to keep to our schedule as shown in this proposal.

Another issue will be the availability of City data necessary to perform the benchmarking and cost of service analysis. If data is readily available or accessible we do not believe that the schedule would change. However, if we have to do our own research and analysis of department records over and above what has been proposed or expected, we may not have the available budget or time necessary. We will work with whatever the City has and can provide us. Obtaining data from the developer, Quigley Green Owners, may also be an issue if proprietary or other information is needed and is not available to the consultants.

For the community meetings we have suggested some optional methods for collecting data on priorities, and the City may want to use these other techniques. These services are not included as part of this proposal, but if the City would like to use these techniques, we will work with the City on the cost of providing and obtaining these services.

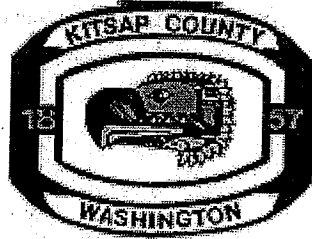
BUDGET

Task	Consultant Hours						Estimated Budget	
	Principal Moy	Task Manager Wilson	Task Manager Chase	Project Consultant Reese	Analysis Various	Admin. Support	Total Hours	Labor Budget
<i>Effective Hourly Billing Rates:</i>	<i>\$190</i>	<i>\$165</i>	<i>\$180</i>	<i>\$140</i>	<i>\$105</i>	<i>\$65</i>		
Task I.1 Kick-off Meeting	6	6	6			2	20	\$3,340
Task I.2 Review Current Infrastructure Improvements and Amenity Priorities	4	4	4				12	\$2,140
Task I.3 Interview Key Stakeholders	8	16	8				32	\$5,600
Task I.4 Develop and Plan a Process for Community Input	8		8				16	\$2,960
Task I.5 Facilitate Community Meetings	32		32		24	8	96	\$14,880
Task I.6 Identify and Establish Level of Service Benchmarks	8	24		50		4	86	\$12,740
Element I Total							262	\$41,660
Task II.1 Review Current Budget and Planning Commission Recommendations	4	8	4				16	\$2,800
Task II.2 Develop a Financial Model to Perform Cost Benefit Analysis	4	32			32		68	\$9,400
Task II.3 Conduct Cost Benefit Analyses	4	12			20		36	\$4,840
Task II.4 Prepare a Summary of the Results	4	24			8	6	42	\$5,950
Element II Total							162	\$22,990
Task III.1 Review the Economic Analysis of the Golf Course and Nordic Skiing Amenity	8		8	8			24	\$4,080
Task III.2 Develop a Financial Model to Perform Cost Benefit Analyses	4	8			16		28	\$3,760
Task III.3 Conduct Cost Benefit Analysis	2	8			8		18	\$2,540
Task III.3 Conduct Economic Assessment	8		40	24			72	\$12,080
Task III.5 Prepare a Summary of the Results	8		24	8		6	46	\$7,350
Element III Total							188	\$29,810
Total	112	142	134	90	108	26	612	\$94,460

ESTIMATED DIRECT EXPENSES	Cost	
Travel, lodging, transportation, etc.	\$5,000	
Total Billable Expenses:	\$5,000	

Total Project Budget \$99,460

Kitsap County, Washington



COMPARISON OF THE ISC PROPOSAL AND THE SOUTH KITSAP INDUSTRIAL AREA PLAN

Prepared By



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November 16, 2006

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November 16, 2006

Mr. Cris Gears, County Administrator
Kitsap County
614 Division Street
Port Orchard, Washington 98366-4679

Subject: Comparison of the ISC Proposal and the SKIA Plan

Dear Mr. Gears:

We are pleased to submit our final report summarizing the results of our comparison of the ISC proposal and the SKIA Plan. As noted in the report, we appreciated the assistance and cooperation that we received from the County's staff and elected officials. We have also included ISC's figures from its most recent alternative to its initial forecast. In addition, our initial numbers for the ISC scenarios have decreased from the August 28 presentation due to some adjustments in the calculations, but the overall conclusions did not change. If you have any questions, please do not hesitate to contact us (425) 867-1802 ext. 228.

Very truly yours,

Peter Moy
Principal

Enclosure

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I. INTRODUCTION

To better understand the impacts of the International Speedway Corporation's (ISC) track proposal, Kitsap County wanted to identify the County's potential financial costs and benefits of development on the proposed speedway property based on the current land use zoning. As part of ISC's proposal, a proposed reclassification of the property and a change in the urban growth boundaries have been requested to allow for the track. The proposed speedway will replace industrial and business center land uses in part of the South Kitsap Industrial Area (SKIA) and will also replace rural residential land uses outside of the SKIA boundaries.

The focus of the analysis is to identify the potential General Fund revenues and operating costs associated with the proposed property under the existing land use codes and to compare the net present value of these revenues and costs with those generated by the proposed track. The analysis is based on the estimated General Fund property and sales taxes as well as the Road Fund property taxes and also identifies the County's capital improvement costs necessary to serve the area. The forecasted development of the property is primarily based on assumptions in the 2003 SKIA Sub-Area Plan and the County's current Comprehensive Plan regarding employment.

The scope of the analysis involved the following:

- Reviewing the October 10, 2005 report, *Economic and Fiscal Benefits Analysis of a Motor Speedway in Kitsap County*, prepared by Berk & Associates for ISC and reviewing a subsequent economic and fiscal alternative proposed in September 2006.
- Interviewing and working with County staff from the Sheriff's Office, Public Works, Community Development, Prosecutor's Office, Administrative Services, County Administrator's Office, and Assessor's Office. Other interviews and discussions included representatives from the Port of Bremerton, South Kitsap Fire District, ISC, and Berk & Associates.
- Reviewing the Comprehensive Plan documents and the SKIA Sub-Area Plan,
- Developing alternative development scenarios for the proposed ISC property, and
- Analyzing the financial costs and benefits of the development scenarios for both the current land uses and the proposed ISC track.

We want to acknowledge the assistance and cooperation provided by the County staff as well as the ISC representatives and consultants. The following chapters describe the ISC proposal, the SKIA development, and the results of our analysis.

II. THE ISC PROPOSAL

ISC has proposed to develop a major speedway in Kitsap County on unincorporated land near the Bremerton National Airport. ISC has an option to purchase 950 acres of land that is bordered on the northeast by Lake Flora Road, is about 1,500 feet southeast of State Route 3, and is about 500 feet east of the Mason County boundary. The Bonneville transmission line forms the boundary along the southeast portion of the property. To develop the property as a speedway, a property reclassification has been submitted to the County to change the Urban Growth Area and land uses. As part of this reclassification, 300 acres of land west of State Route 3 has also been proposed for inclusion into SKIA to compensate for SKIA acreage lost as a result of the speedway. Exhibit 1 on the following page shows a map of the ISC property and the current land uses.

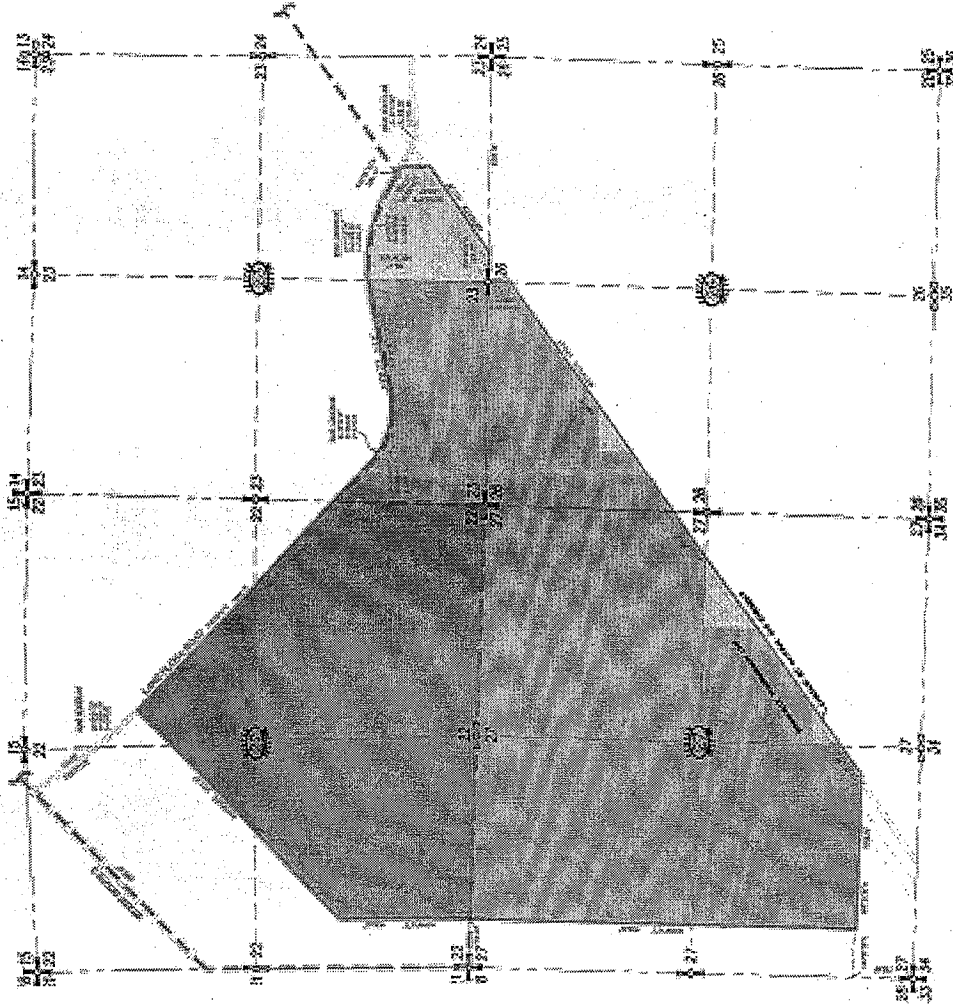
Of the proposed property's 950 acres, most of the acreage, 580 acres, is zoned for rural residential use where the zoning allows for one residential home per ten acres. For the portion of the property that is included in SKIA, 281 acres are zoned for business center use, while 47 acres are zoned for industrial use. The remaining 42 acres of the property are zoned interim rural forest use.

The development cost of the proposed speedway facility is estimated at \$330 million, and the facility will accommodate 81,500 people plus 68 suites (32 persons per suite) and 100 hospitality chalets. The seating capacity is expected to grow to 90,000 by 2028. There will be three race weekends with two major races (e.g. NASCAR) and one minor race. The first season's attendance is expected to be almost 200,000, with major race weekends at 98% capacity and the minor race weekend at 40% capacity. It is expected that 60% of the attendees will come from outside of Washington for the two major race weekends. For the two major race weekends, it is anticipated that overnight visitors will spend an average of \$725 per visit away from the track and an average of \$280 per visit at the track, including tickets. The facility is projected to generate 1,500 direct jobs. These direct jobs consist of 50 full time jobs, 139 on-site temporary jobs on race days, and 1,311 off-site jobs on race days. The net present value of the wages for these direct jobs is estimated at \$26 million.

Exhibit 1
ISC Proposed Property Site



BARS OF BEARINGS
DOWNSIDE PLAN THROUGH 2004, WITH 2014



LEGEND

- FOUND MONUMENT
- CALCULATED POINT
- SECTION LINE
- QUARTER SECTION LINE
- QUARTER-QUARTER SECTION LINE
- SEA BOUNDARY
- DELT WESTERN SPORTS OPTION AREA

ZONING DESIGNATION

- BUSINESS CENTER
- URBAN RURAL FOREST
- RURAL RESIDENTIAL
- INDUSTRIAL

NOTE:
ALL AREAS SHOWN SHOULD BE CONSIDERED APPROXIMATE.

ZONING AREAS
IN GWS OPTION AREA

ZONING DESIGNATION	APPROX. SQ. FT.	APPROX. ACREAGE
URBAN RESIDENTIAL	25,297,794	580
URBAN RURAL FOREST	1,814,204	42
BUSINESS CENTER	12,211,892	281
INDUSTRIAL	2,038,271	47
TOTAL	41,362,161	950

Kitsap County Financial Impacts

Based on the attendance and the various spending assumptions, the October 10, 2005 report on the Economic and Fiscal Benefits Analysis of a Motor Speedway in Kitsap County estimated that the potential economic fiscal impacts on Kitsap County's tax revenues in 2010 would be \$1,820,000. Exhibit 2 shows the revenue sources.

Exhibit 2 Estimated 2010 Kitsap County Tax Impacts From A Motor Speedway

Revenue Category	Revenues
Admissions tax	\$1,694,000
Sales tax (non-lodging)	117,000
Lodging sales tax	<u>9,000</u>
Total Tax Revenues	\$1,820,000

Source: October 10, 2005 report on the Economic and Fiscal Benefits Analysis of a Motor Speedway in Kitsap County

The economic and fiscal benefit analysis report also projected the County's revenues over a 30 year period with adjustments for inflation at three percent and a gradual increase in capacity to 90,000. The net present value of the Kitsap County tax revenues over 30 years was \$32,265,000 based on a six percent discount rate. The net present value represents the current value of future revenues. Thus, if the current value was invested at six percent annually it would then equal the future amount. For example, if the County had \$1,000 in 2010, the net present value of that \$1,000 is \$792 in 2006 at a six percent rate.

Since the report was issued, ISC has proposed legislation that establishes a public speedway authority (PSA) and contains several provisions that affect the County's revenues as initially estimated in the October 10, 2005 report. As shown in Exhibit 2, the largest revenue source from the proposed speedway was from the County's admissions tax. The County currently has a five percent admissions tax, but the proposed legislation allows the PSA to replace that tax with its own five percent admissions tax. The proposed legislation provides that the County would receive 20% of the admissions tax revenue (i.e. one percent of the five percent tax) pursuant to a host community agreement. The PSA's share of the admission tax would be used to pay debt service for bonds issued to construct the speedway and to help pay for future expansions or renovations. If the County's share of the admissions tax is reduced to 20%, the total estimated 2010 revenue to the County would be \$464,800 instead of \$1,820,000. Over the 30 year period, the net present value of the County's revenues would be worth about \$8,923,895.

Since the October 10 report and ISC's proposed legislation, ISC and its consultant have identified several other changes that would affect the County's potential revenues:

- The section in the report's technical appendix that identified the local fiscal benefits did not include on-site sales tax revenue. The net present value of this sales tax revenue is \$3,636,635.

- Although leasehold excise tax was mentioned, no revenues were previously identified for the County. ISC now estimates that such County revenues would have a net present value of \$173,721.
- The proposed speedway property would not be entirely exempt from property taxes due to the PSA. ISC anticipates that 200 acres of land would not be tax exempt and be available for development.
- According to ISC, the space needed for the 50 full time employees will be built on the taxable portion of the property. It is estimated that a 15,000 square foot building would be needed.

ISC and its consultants were in the process of updating the economic and fiscal analysis after the draft report was prepared. ISC recently developed an alternative revenue projection based on a lower average actual attendance instead of the 98% attendance used in its October 2005 report. The actual tickets purchased, however, remains relatively the same, and only revenues related to actual attendance slightly decreased. These revised results have been included in this report.

III. SOUTH KITSAP INDUSTRIAL AREA BACKGROUND

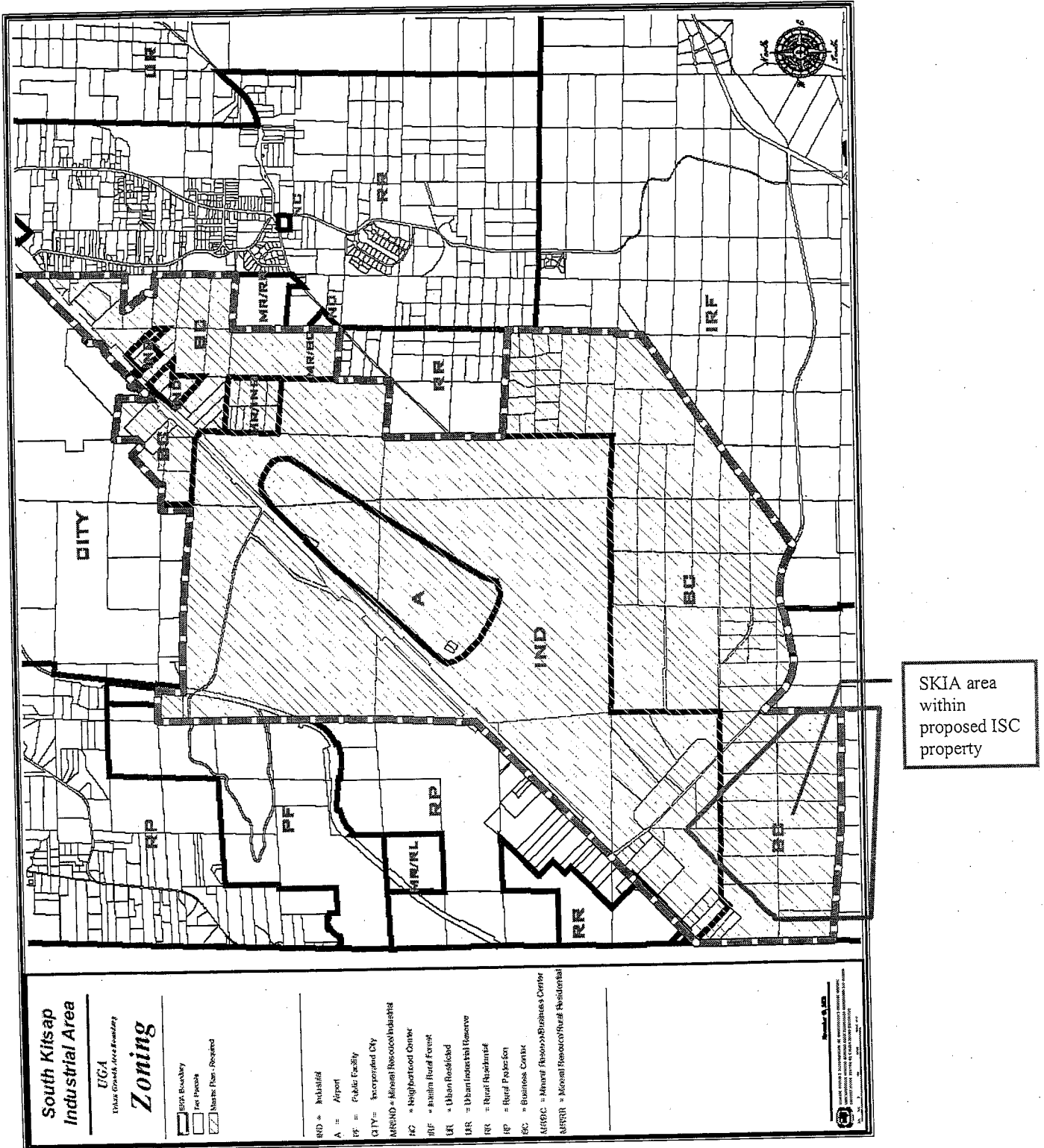
To determine if the proposed speedway's financial impact outweighs the development impacts of the proposed property under the current zoning without a speedway facility, a comparative analysis was conducted as discussed in the next chapter. The major development opportunities for the proposed property are available on the portion of land that is part of SKIA. As noted in Chapter II, the proposed property includes 281 acres zoned for business center uses and 47 acres zoned for industrial uses as part of SKIA. The remaining part of the property is primarily zoned for rural residential use. There are about 2,300 acres in SKIA available for redevelopment, and the proposed property includes about 14% of this total acreage. Exhibit 3 on the next page shows the overall SKIA area and the SKIA area within ISC's proposed speedway property (outlined in red).

The intent of the 2003 SKIA Sub-Area Plan is to provide opportunities for development that create and retain employment in the professional, technical, and manufacturing fields. According to the Plan, SKIA will accommodate about 9,350 employees at build-out in 2017, but based on discussions with County planning staff, the current plan is being updated to a new build-out at 2025. The SKIA Plan and the County's updated draft Comprehensive Plan provide guidelines on the types of businesses that are consistent with SKIA's policies. The general types of uses permitted in the business center zone include the following:

- Business and professional services and offices not directly involved in retail activities,
- Processing uses such as bottling plants, creameries, and laboratories,
- Assembly, manufacturing, or storage facilities plants not specifically prohibited,
- Distribution warehouses meeting certain employment criteria,
- Commercial and retail uses that serve and support the mixed uses of business and industrial parks such as banks, restaurants, cafes, daycare, video rental store, dry cleaner, and other businesses specifically intended to support primary uses,
- Public facilities, and
- Research facilities.

The updated Comprehensive Plan states that the industrial zone allows a wide range of industrial activities including heavy industrial activities such as heavy fabrication, processing of raw materials, bulk handling and storage, construction, and heavy transportation.

Exhibit 3
 SKIA Plan Boundaries And Zoning



SKIA area within proposed ISC property

There are a number of uses that are prohibited within SKIA, and they include the following:

- Residential uses,
- Adult entertainment,
- Animal related facilities,
- Auto sales,
- Shipping container storage, open storage yards, and lay down yards not associated with the primary use,
- Water and energy intensive businesses,
- Regional retailers and large supermarkets,
- Automotive salvage yards,
- Self storage facilities, and
- Assembly, processing, or manufacturing facilities performing on-site hazardous substance processing and handling or hazardous waste treatment and storage facilities, unless clearly secondary to a permitted use.

SKIA Employment Calculations

The amount of development for the SKIA zoned property is based on the employment capacity of the land. The employment capacity and the square footage needed are based on the employment calculation methodology used in the Comprehensive Plan's 2001 Amended Economic Development Appendix. To calculate the gross acreage needed for employment growth, the County's Comprehensive and SKIA Plans use a square footage amount per type of employee, a lot coverage percentage, a developable land percentage, and a market factor. The lot coverage percentage refers to the building's footprint on the land. The developable land acreage is based on the amount of land from the lot coverage calculation plus additional land needed for critical areas, right of way, and public facilities. The market factor represents a market or safety factor that is used to ensure that adequate developable land is available. To calculate the gross acreage needed for employment, the following formula is used by the Plans.

- Multiply the number of employees by the square feet per employee,
- Divide the total employee square footage by the lot coverage percentage,
- Divide the lot coverage square footage by the developable land percentage, and
- Multiply the developable land square footage by the market factor.

Based on these factors used in the Economic Development Appendix, the total land needed per employee is almost 11 times the square footage per employee. Exhibit 4 shows the factors that are used for the industrial zone and the business center zone and how they apply to an example of 100 employees.

Exhibit 4
Employee and Land Calculation Factors per 100 Employees

Factor	Industrial Zoning	Industrial Example	Business Center Zoning	Business Center Example
Sq. Ft. per Employee	969	96,900 sq. ft.	500	50,000 sq. ft.
Lot Coverage %	38%	255,000 sq. ft.	32%	156,250 sq. ft.
Developable Land %	36%	708,333 sq. ft.	36%	434,028 sq. ft.
Market Factor	1.50	1,062,500 sq. ft.	1.25	542,535 sq. ft.
Total Acres Needed		24.4 acres		12.5 acres

Because the amount of SKIA zoned land within the proposed property is known, the number of employees for the property can also be determined based on the employee and land calculation factors. For example, if the amount of industrial zoned land is 24.4 acres as shown in Exhibit 4, the number of industrial employees would be 100 and the building square footage would be 96,900 square feet.

Based on the SKIA acres available within the proposed property and the above employee and land calculation factors, the number of employees and the building square footages are shown in Exhibit 5.

Exhibit 5
SKIA Employment and Square Footages Within the Proposed Speedway Property

SKIA Zone	Acres of Land	Number of Employees	Building Square Footage
Industrial	47	193	186,716
Business Center	281	2,256	1,128,072
Total	328	2,449	1,314,788

The employment and square footages shown in Exhibit 5 are used as the basis for comparing the proposed speedway's impact with the property's development under the current zoning. In addition, similar business center employment and square footage calculations were developed for the speedway's 200 acres of taxable property and the proposed 300 acres of reclassified property to the west of State Route 3.

IV. THE ISC PROPOSAL AND SKIA COMPARISON

To compare the ISC proposal with the development of the proposed property under the current zoning for SKIA and the Comprehensive Plan, several different scenarios were developed to identify the range of financial impacts on Kitsap County. Because there is uncertainty about how quickly SKIA will develop, two scenarios were developed to provide a range for how quickly development of the proposed property might take place.

- **SKIA Scenario A** - The current SKIA Plan targets build-out for the SKIA area at 2017. Because the Plan is being updated to 2025, this SKIA scenario uses 2025 as the build-out date for the proposed property. Because there are no current plans for building on the proposed property except for the speedway, the start date for beginning the build-out is assumed at 2010, the same year that the speedway would be completed. For the portion of the property zoned rural residential, the start and build-out dates for 58 homes are also assumed to be the same as SKIA, 2010 to 2025.
- **SKIA Scenario B** - Because there has been little development around the proposed property, another scenario was developed that uses a much slower pace of development. Instead of starting build-out at 2010, it is assumed that 10 years will pass before any development starts. The start of development is 2016 and build-out is at 2035 instead of 2025. For the portion of the property zoned rural residential, the start and build-out dates are the same as the SKIA area within the property.

In addition to the financial impacts already identified by ISC's analysis, the development of the taxable, non-PSA property was also analyzed. For the development of the speedway, two scenarios were also used to reflect different ranges of development for the 200 acres that would not be part of the tax exempt PSA.

- **ISC Scenario A** - The first scenario assumes that in addition to the square footage for the speedway's 50 employees, the remaining taxable property is developed over 20 years starting 2010 based on business center zoning.
- **ISC Scenario B** - The second scenario assumes that only the speedway's 50 full time employees are on the taxable property. Based on discussions with ISC, it is estimated that 15,000 square feet would be needed for these employees.

Based on the above scenarios, the following costs and benefits were identified and analyzed over a 30 year period, 2009-2039.

- The County's General Fund property and sales tax revenue,
- The County's General Fund costs,
- The County's admission tax revenue,
- The County's Road Fund property tax revenue,
- The County's leasehold excise tax revenue,
- The County's infrastructure costs,
- Number of direct jobs, and

- Direct wage impacts.

Because there are differences in the timing of the revenues and costs for each scenario, the net present value was used to compare the financial benefits of the different scenarios. Using the net present value allows direct comparisons because the values are in current 2006 dollars.

Key Assumptions

To forecast the revenues and costs associated with the various scenarios, several key assumptions were made to provide a basis for the forecasts. As part of the data gathering, we worked with County staff from the Sheriff's Office, Public Works, Community Development, and the Assessor's Office to develop assumptions and to identify potential revenues and costs. The following assumptions were used.

Property Taxes

To calculate property taxes, the Assessor's Office estimated that the average assessed value per square foot of industrial and business center development is \$150. In addition, because the property owner currently has a property tax exemption for not developing the property, any development of the property will require a payment of back taxes for 10 years at the current tax rate. The Assessor's Office provided the assessed value per acre for the different land use zones based on the current and potential zoning. The average growth in assessed value was based on the average percentage growth over the past ten years, 7.8%.

Sales Taxes

Sales taxes from businesses in the SKIA area and as part of the proposed ISC taxable property were calculated based on a high level estimate of taxable sales per square foot. To calculate industrial and commercial taxable sales receipts per square foot, data from the Assessor's Office on the square footage by type of use was compared to the Washington State Department of Revenue's 2005 *Quarterly Business Review* data on Kitsap County's taxable sales by categories defined by the North American Industrial Classification System (NAICS).

The analysis involved identifying an appropriate NAICS category with the Assessor's use descriptions and then matching the taxable sales with the square footage available for those types of businesses. The NAICS code categories were the following:

- Finance, Insurance (52)
- Real Estate/Leasing (53)
- Professional, Scientific, & Tech Services (54)
- Accommodations & Food Services (72)
- Utilities (22)
- Construction (23)
- Manufacturing (31-33)
- Transportation & Warehousing (48-49)
- Retail Trade (44-45)

- Agriculture, Forestry, Fishing (11)
- Mining (21)
- Wholesale Trade (42)
- Information (51)
- Mgmt, Education & Health Services (55-62)
- Arts, Entertainment, & Rec (71)
- Other Services (81)
- Public Administration/Government (92, 00)

Taxable sales receipts per square foot were calculated by dividing total taxable retail sales by the total square feet for each of the NAICS codes above. To determine the average estimate for the industrial and business center zoning, potential land uses that might not be permitted in SKIA's permitted land use categories, as described in section 3.9 of the *SKIA Plan*, were not included in the calculations. To calculate the taxable sales receipts per square foot for the industrial use, a weighted average of taxable sales receipts per square foot was calculated for the following NAICS categories, and the average taxable sales per square foot was about \$124:

- Utilities (22)
- Construction (23)
- Manufacturing (31-33)
- Transportation & Warehousing (48-49)

It should be noted that construction companies generate very high taxable sales per square foot compared to manufacturing, transportation, and warehousing businesses, which only generate about \$10 to \$21 per square foot. The same methodology was applied to the following NAICS categories for commercial or business center uses, and the average taxable sales per square foot was slightly more than \$88:

- Finance, Insurance (52)
- Real Estate/Leasing (53)
- Professional, Scientific, & Tech Services (54)
- Accommodations & Food Services (72)

As part of the ISC consultant's report, sales taxes from construction were not included as part of the County's revenues. To be consistent with the report, sales taxes from the speedway construction as well as from the SKIA development were not included in this analysis.

Sheriff's Costs

The Sheriff's Office will be responsible for providing services to the proposed property regardless of whether there is a speedway or other SKIA development. The Sheriff's Office identified costs associated with the track's major events as well as those costs associated with SKIA development. The following discusses those costs.

- ISC has indicated that it will pay for the County's race day costs. These costs include traffic control on County roads as well as any security on the track property provided by the Sheriff's Office. ISC has suggested that Lake Flora Road become a three lane road with a center lane that changes direction depending on the event starting and ending times. Based on its research, the Sheriff's Office anticipates that the traffic control cost would be about \$18,000 per race event.
- As part of its research of other facilities, the Sheriff's Office found that there are other potential costs associated with a race event that are not part of the race day costs. According to the Sheriff's research, many spectators come to a race area a few days prior to race day. To handle additional calls caused by the influx of spectators, the Sheriff's Office believes that one to two deputies will be needed to supplement the assigned deputies. If training and leave time is limited on race weeks, the Sheriff's Office believes that it might be able to avoid additional costs. However, if it must use overtime to provide the additional staffing, the cost for these additional deputies is \$8,317 per race event. This cost is used in projecting the costs associated with the ISC scenarios.
- If there is no speedway, but SKIA fully develops to its planned employment level of 9,350 employees, the Sheriff's Office believes that an additional patrol area would need to be established. The patrol area would be staffed by six deputies and would cost \$601,746 and 638,628 in 2007 and 2008, respectively. For calculating the Sheriff's costs as part of the SKIA and ISC development scenarios, the Sheriff's costs were based on the percentage of the proposed property's employment base compared to the total SKIA build-out of 9,350 employees.

Street Costs

For either the SKIA or ISC scenarios, the increased development will result in additional traffic and the need for road improvements. As noted previously, ISC has proposed that Lake Flora Road become three lanes, and according to estimates by the County's Public Works Department, the construction cost of a three lane Lake Flora Road from SR 3 to the Glenwood area is \$14.1 million. If the entire SKIA is fully developed with over 9,000 employees, Lake Flora Road would also need to be widened to four lanes. The total cost of a four lane Lake Flora Road is \$32.8 million, \$18.7 million more than a three lane road. In addition to these costs, the Washington State Department of Transportation (WSDOT) would also need to make improvements to SR 3. The County does not currently have an estimate of what ISC's portion of the Lake Flora Road improvements should be.

In addition to the capital costs, there would also be additional street maintenance costs, but there is also no current estimate of what portion of these costs would be attributable to the speedway. Because additional information and estimates are needed, both operating and capital costs for streets have not been included in the comparative analysis.

Direct Jobs and Wages

As noted in Chapter II describing the ISC proposal, it is estimated that the speedway will create 50 full time jobs, 139 on-site temporary jobs on race days, and 1,311 off-site jobs on race days. ISC's economic and fiscal benefits analysis estimates that the present value of the wages for these direct jobs is about \$26 million.

For SKIA employment, the number of direct jobs was based on the formula discussed previously in Chapter III. To calculate the wage per employee for the commercial and industrial areas, wage data from the Bureau of Labor Statistic's (BLS) *Quarterly Census of Employment and Wages* were used. According to www.bls.gov, the *Quarterly Census of Employment and Wages* "publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. jobs, available at the county, MSA, state and national levels by industry". To calculate the wage per employee for SKIA's industrial area, the average of the 2004 private sector annual wage for each of the following NAICS codes in Kitsap County was used:

- Utilities (22)
- Manufacturing (31-33)
- Transportation & Warehousing (48-49)

To calculate the wage per employee for SKIA's commercial area the average of the 2004 private sector annual wage for each of the following NAICS codes for Kitsap County was used:

- Finance, Insurance (52)
- Real Estate/Leasing (53)
- Professional, Scientific, & Tech Services (54)
- Accommodations & Food Services (72)

Based on these averages the average wage for industrial jobs was \$32,383, while the average wage for the business center or commercial jobs was \$31,204. These figures were used as the basis to forecast the direct wages of the jobs created by the proposed property's development.

Other Issues

A County Commissioner briefing on the methodology for comparing ISC's proposed speedway to development based on the current zoning was held on July 17, 2006. As part of that briefing, the Commissioners identified several issues and questions regarding the proposed speedway and the potential SKIA development.

- Does ISC plan on having a court at the track, and if so, who would be responsible for the costs of having a court at the track? According to ISC only the Talladega Superspeedway has a court, and the track pays for all the costs of having the court at the track. ISC does not anticipate a need for a court at the proposed speedway, but if one were needed, ISC would pay for all the costs of operating the court at the track.

- With the development of McCormick Woods, would the Sheriff's Office still need a separate patrol area for SKIA? According to the Sheriff, the McCormick Woods development would still require a separate patrol area from SKIA.
- What will the revenue impact be on the South Kitsap Fire District if the proposed property is tax exempt? There is a range of impacts depending on the scenario, and the present value of the potential property taxes is included in the ISC and the SKIA scenario comparisons.
- Without a funding commitment from the WSDOT, will the County be responsible for improvements to SR 3? The financing for all road improvements still needs to be studied and negotiated among all the responsible agencies and ISC.

ISC and SKIA Scenario Comparisons

Based on the assumptions described in this chapter, the net present value of the County's revenues and expenses was calculated for each scenario. The following exhibits show the values for each scenario.

Exhibit 6
SKIA Scenario A – Comprehensive Plan Build-out at 2025

Category	Net Present Value
General Fund Property Taxes	\$1,708,004
General Fund Sales Taxes	\$15,612,082
Property Tax Exemption	\$369,167
County Road Property Taxes	2,000,991
Sheriff's Office Costs	(\$1,908,878)
Total Net Present Value	\$17,781,366
Direct Jobs	2,449
Direct Wages	\$887,756,837
South Kitsap Fire District Taxes	\$2,193,152

Exhibit 7
SKIA Scenario B – Slower Growth With Build-out at 2035

Category	Net Present Value
General Fund Property Taxes	\$877,909
General Fund Sales Taxes	\$8,858,020
Property Tax Exemption	\$278,138
County Road Property Taxes	\$1,029,572
Sheriff's Office Costs	(\$1,081,937)
Total Net Present Value	\$9,961,702
Direct Jobs	2,449
Direct Wages	\$503,697,616
South Kitsap Fire District Taxes	\$1,126,748

Exhibit 8
ISC Scenario A – Complete Development With Build-out at 2030

Category	Net Present Value
Adjusted ISC Report Revenues	\$8,923,895
On-site Sales Tax	\$3,636,635
Leasehold Excise Tax	\$173,721
Total Speedway Net Present Value	\$12,734,251
General Fund Property Taxes	\$787,155
General Fund Sales Taxes	\$7,357,006
Property Tax Exemption	(\$835,129)
County Road Property Taxes	\$922,394
Sheriff's Office Costs	(\$1,437,825)
Total Net Present Value	\$19,527,852
Direct Jobs	1,624 full time jobs 1,450 temporary jobs
Direct Wages	\$499,453,272
South Kitsap Fire District Taxes	\$1,010,413

Exhibit 9
ISC Scenario B – No Development

Category	Net Present Value
Adjusted ISC Report Revenues	\$8,923,895
On-site Sales Tax	\$3,636,635
Leasehold Excise Tax	\$173,721
Total Speedway Net Present Value	\$12,734,251
General Fund Property Taxes	\$30,793
General Fund Sales Taxes	-
Property Tax Exemption	(\$835,129)
County Road Property Taxes	\$36,024
Sheriff's Office Costs	(\$366,834)
Total Net Present Value	\$11,599,105
Direct Jobs	50 Full time jobs 1,450 temporary jobs
Direct Wages	\$26,000,000
South Kitsap Fire District Taxes	\$39,540

The SKIA and ISC scenarios show the following:

- ISC Scenario A generates the highest net present value because of the track revenues and the full development of 200 acres that are not part of the PSA.
- Without developing the 200 acres, ISC Scenario B shows that the track still generates a net present value that is greater than the slower growth SKIA development in SKIA Scenario B.
- SKIA Scenario A has the highest number of jobs and direct wages because it assumes that build-out will occur by 2025 which is faster than the other SKIA and ISC scenarios.
- If the proposed 300 acre addition to SKIA is approved as an offset to the loss of land currently in SKIA, ISC Scenario A with complete development as well as the development of these additional 300 acres would result in the highest net present value at \$31.7 million.
- The potential property taxes for the South Kitsap Fire District range from a low of \$39,450 in ISC Scenario B with no development to a high of \$2.2 million in SKIA Scenario A under the Comprehensive Plan's build-out at 2025.

The ISC scenarios assume that attendance at the race events will be at 98% of capacity as estimated in the ISC consultant report on the economic and fiscal benefits of the proposed speedway. To respond to questions and concerns by Commissioners about whether attendance will be that high, ISC has developed an alternative estimate that is based on an average of about 95% attendance, but the tickets purchased remain the same. The assumption is that season tickets will still be purchased, but actual attendance will decrease because only one event will be attended rather than both. Thus, attendance related revenues decline, but admission taxes remain about the same. In addition, two other scenarios were analyzed to determine the impacts of lower paid attendance, and these scenarios reduced the number of tickets purchased. Exhibit 10 shows the County's revenues associated with different attendance levels.

Exhibit 10
Comparison Net Present Values for Different Attendance Rates

Percent of Attendance Capacity	ISC Scenario A Complete Development	ISC Scenario B No Development
98%	\$19,527,852	\$11,599,105
95% ¹	\$19,391,035	\$11,462,287
85% ²	\$17,857,303	\$9,928,554
50% ²	\$13,373,193	\$5,444,445

¹ Assumes that actual attendance declines, but ticket purchases remain the same.

² Assumes that paid attendance actually declines.

If the paid attendance averages 85% or less and there is no additional development, the track will generate less revenue than the slower SKIA development used SKIA Scenario B.

Summary and Conclusions

Compared to either SKIA scenario, ISC's proposal provides more revenue to the County if paid attendance averages at least 85% or more. The SKIA scenarios, however, provide more jobs and more direct wages than either ISC scenario. If there is no development of the proposed property's 200 acres of taxable property, the number of jobs and direct wages will be significantly lower than the other scenarios. Exhibit 11 shows a summary of the SKIA and ISC scenarios.

Exhibit 11
Scenario Summary

Scenario	Development Period	Net Present Value	Number of Jobs	Net Present Value Wages
SKIA Scenario A	2010 - 2025	\$17,781,366	2,449 full time jobs	\$887,756,837
SKIA Scenario B	2016 - 2035	\$9,961,702	2,449 full time jobs	\$503,697,616
ISC Scenario A	2010 - 2030	\$19,527,852	1,624 full time jobs 1,450 temporary jobs	\$499,453,272
ISC Scenario B	2010	\$11,599,105	50 full time jobs 1,450 temporary jobs	\$26,000,000

There are some key considerations that relate to the different SKIA and ISC scenarios. While a range of development scenarios has been provided, there are still some issues that need to be considered.

- How soon will SKIA develop with or without a track? Will the extension of utilities and construction of the proposed track increase the chances of SKIA development to the south?
- If there is a track, how will capital improvements such as those for Lake Flora Road be funded?
- How can the County minimize its risks and uncertainty?

The next steps in the County process should include the following to address these issues:

- Identifying strategies to reduce the County's risks and uncertainty about the track's development, County revenues, capital costs, and operating costs and financing, and
- Reviewing and negotiating with ISC and State legislators on the proposed State legislation regarding the PSA and the host community agreement.

RICHARD CAPLAN & ASSOCIATES

November 12, 2008

City of Hailey
Attn: Beth Robrahn, Planning Director
115 S. Main Street
Hailey, ID 83333

Re: Quigley Canyon Annexation Analysis
Proposal for Professional Services

Dear Ms. Robrahn:

In response to our meeting earlier this year in Hailey City Hall and the City of Hailey Request for Proposal distributed October 28, 2008, Richard Caplan & Associates (RCA) is pleased to submit this proposal to analyze the proposed Quigley Canyon Annexation and determine whether the proposed project will have a negative fiscal impact upon the existing citizens of Hailey upon annexation and in the future.

This proposal summarizes our qualifications, scope of services, schedule and fees associated with completing the components of the city's RFP and is presented in four parts:

- Qualifications, Examples of Related Work and References
- Scope of Work
- Project Schedule and Comment Periods
- Timing and Fees.

Qualifications, Examples of Related Work and References

RCA is uniquely well qualified to provide this assistance to Hailey. Mr. Caplan has assisted four cities and Blaine County evaluate economic impact, development impact and determine the cost of city and county services since 2004. RCA has provided a range of economic impact studies, annexation studies and related economic analysis and fiscal impact advisory services to the following public sector clients:

- Idaho – Cities of Ketchum, Carey, Bellevue and Blaine County
- Colorado – Durango
- Kansas – Cities of Abilene, Emporia, Wamego, Kansas City, Tonganoxie, Lawrence, Eudora, Hutchinson, Kingman, Atchison, Spring Hill and Leavenworth County
- Missouri – Cities of Gladstone, Platte City, Lee's Summit, Sugar Creek, Nevada, Blue Springs, Raymore, Ozark and Clay and St. Louis Counties
- California – Cities of Westminster, Vallejo, Mammoth Lakes, Upland
- Texas – City of Boerne and Bexar County
- Indiana – Elkhart County

Examples of Related Work and References

City of Bellevue, Idaho –

- *Cost / Benefit / Annexation Fee Studies for 3 Proposed Major Mixed Use Developments.* Contacts: Tom Blanchard, City Administrator; Craig Eccles, Planning Director, 115 East Pine, Bellevue, ID 83313 (208) 788-2128

7301 Mission Road, Suite 100
Fax (913) 831-6760

Prairie Village, Kansas 66208
Cell (785) 550-4910

(913) 831-7166
Email RICHCAPLAN@aol.com

City of Ketchum, Idaho –

- *Development Impact Fee Study; Annexation Impact Fee Study; Fiscal and Economic Impact Studies for 3 Proposed Major Hotel Developments.* Contact: Lisa Horowitz, Community & Economic Development Director, 480 East Avenue N, Ketchum, ID 83340 (208) 726-7803

City of Durango, Colorado

- *Fiscal and Economic Impact Study for 595 unit Residential Project including Commercial Uses (Twin Buttes).* Contacts: Ron LeBlanc, City Manager; Greg Hoch, Planning Director, 949 East 2nd Avenue, Durango, CO 81301 (970) 375-5005

Blaine County

- *Evaluation of Developer's Economic Impact Study of Cove Springs.* Contact: Jeffrey Adams, Regional Planner, 219 1st Avenue South, Hailey, ID 83333 (208) 788-5570

City of Carey

- *Prepared Carey Development Impact Fee Study.* Contact: Sara Mecham, Planning & Zoning Administrator, Carey, ID 83320 (208) 823-4045

A copy of the October 2008 *Twin Buttes Cost-Benefit Analysis* prepared by RCA for a proposed 595 residential unit annexation in Durango, Colorado is enclosed with this proposal.

It should also be noted that Mr. Caplan provided research and analytical assistance to the firm of Management Partners in association with the City of Hailey 2006 annexation of the Old Cutters property.

Finally, as the former city manager of Vail, Colorado, Mr. Caplan oversaw the city's extensive Nordic trail system and municipal golf course operations and knowledgeable of the seasonal costs associated with such recreational amenities in a mountain community. Mr. Caplan will serve as project manager. He will be assisted by Mr. John Arnold, associate. Resumes for Mr. Caplan and Mr. Arnold are attached to this proposal.

Scope of Work

The purpose of these services is to determine the fiscal impact upon Hailey of the proposed annexation of Quigley Canyon as recommended by the Hailey Planning and Zoning Commission. The major tasks to be performed on behalf of the three components requested by the city associated with evaluating the proposed Quigley Canyon annexation are summarized as follows:

I. Benchmark Levels of Service

It is understood that the City of Hailey has limited resources which need to be targeted to activities and facilities that are of the most benefit to their citizens. Two of the most important criteria for decision making with regard to expanding the city boundaries are:

RICHARD CAPLAN & ASSOCIATES

- 1) Targeting resources toward services of the highest importance to citizens; and
- 2) Targeting resources toward those services where citizens are the least satisfied.

Therefore, to enhance the city's ability to make an informed decision with regard to the potential Quigley Canyon annexation, RCA will conduct an extensive community dialogue that includes an "Importance-Satisfaction" survey of residents. The results of this survey will enhance Hailey officials to better understand attitudes and opinions about existing and potential city amenities and areas of service the city is providing. The survey will be based on the concept that Hailey seeks to maximize overall citizen satisfaction by ranking amenities and improvements in those services where the level of satisfaction are ranked lowest and the perceived importance is highest. This survey will be supplemented with two public forums and stakeholder interviews described in the following tasks:

A. Community Service Benchmark Survey – A survey will be prepared and disseminated that assesses Hailey resident's expectations with particular emphasis on existing and proposed recreation facilities, services and amenities. This will be accomplished utilizing five methods:

- 1) A mail back survey in the city's monthly utility billing that may be returned with the payments or dropped off at City Hall or the Hailey Library;
- 2) Distribution and collection of the survey at the Hailey Public Library;
- 3) Placing the survey on the city's web site;
- 4) Hold two public forums and/or focus groups announcing the specific purpose, times and locations to solicit citizen input; and
- 5) Conduct up to 15 stakeholder interviews of city elected and appointed officials.

The survey results will be calculated and presented by summing the percentage of responses for items selected as 1st, 2nd and 3rd most important for the city to emphasize in the future. The results will provide an assessment of the city's current recreation improvements and amenities prioritizing which amenities and related level of service Hailey residents want addressed, offered, improved and/or enhanced within current and future city boundaries. The results of the survey will be presented to the City Council, staff and made available to the public through the media and posted on the city's web site.

B. Annual Costs Analysis to Meet Benchmark

Based on the results of the survey, on-going maintenance cost estimates will be prepared that determine the incremental annual costs associated with providing, increasing and/or offering improvements, services and/or amenities that respond to the highest ranked citizen responses.

II. Cost-Benefit Analysis

Two cost-benefit analyses will be prepared based on the proposed annexation project including:

- 1) Cost Benefit Analysis of the Quigley Annexation, and
- 2) Cost-Benefit Implications and Assessment of the Commission's Recommended Conditions.

This will be a comprehensive assessment of the municipal costs and benefits of the proposed development and annexed areas, including the proposed golf course and open space land uses and those services and activities generated by the proposed Quigley Canyon development on the City of Hailey. This analysis will be based on the mutually agreed upon assumptions as well as all related project materials currently under review by the city. Where key project-related

assumptions are not available, RCA will prepare realistic assumptions based on the most accurate market, real estate, recreational uses and tourism industry data available.

The cost-benefit studies will analyze, calculate and the fiscal impact on the City of Hailey including all one-time and recurring municipal revenues and the cost of city services upon build out. The impacts presented in this report will include from initiation of construction to year 20.

III. Golf Course and Nordic Skiing Cost-Benefit Analysis

A detailed analysis of the costs and benefits of the proposed golf course and Nordic skiing amenity activities generated by the Quigley Canyon annexation on city services will be performed. These analyses will be based on the proposed master development plan provided as currently approved as well as potential modifications currently under review by the city. Key assumptions offered by the applicant will be subject to independent verification. Where key assumptions are not available related to golf course operations and Nordic skiing activities, we will prepare assumptions based on prevailing Blaine County and other Idaho golfing and Nordic ski industry data.

The cost-benefit analysis will calculate and incorporate the cost of all City of Hailey services such as law enforcement, irrigation services and all related aspects associated with the proposed amenities that reflect the golfing and Nordic skiing industry. All data sources will be documented in the study.

We will also incorporate a discussion of the non-quantifiable costs and benefits associated with the proposed annexation and incorporated into the final report.

Project Schedule and Public Comment Periods

Key milestones for these services are as follows:

Week of December 8, 2008	Site visit, conduct stakeholder interviews (Mayor and City Council, Parks and Land Commissioners, city staff, etc.)
December 2008	Distribute community survey in city water billing
Week of January 12, 2009	Community forums/focus groups on amenities and services
January 15, 2009	Deadline for survey responses
February 1 – 15, 2009	Public comment opportunity for community survey results
February 16, 2009	Submit Cost-Benefit Study to City
February 16 – March 1, 2009	Public comment opportunity for Reports

This schedule will enable the city staff, the public and others to have two weeks to provide comment and feedback in order to meet the March 1, 2009 date for completion in accordance with the timeline on the following page.

Major Task	Dec. 1 15, 2008	Dec. 16 31, 2008	Jan. 1 16, 2009	Jan. 16 31, 2009	Feb. 1 14, 2009	Feb. 17 28, 2009
Project Kick-off; Data collection	Dec. 1					
Hailey Site Visits	Week of Dec. 8		Week of Jan. 10			Present- > tation(s) >
I. A. Benchmark Level of Service Community Survey	XXXXXXXXXXXXXX					
I. B. Costs to Meet Benchmarks			XXXX			
Tabulate & Submit Survey Results			XXXX	By Jan. 31		
PUBLIC COMMENT ON SURVEY					XXXX	
II. Cost-Benefit Analyses	XXXXXXXXXXXXXX					
III. Golf & Nordic Skiing Analysis	XXXXXXXXXXXXXX					
Submit Report					Feb. 16	
PUBLIC COMMENT ON REPORT						XXXX
Public Presentation(s)						March

Professional Fees and Expenses

We are prepared to initiate services immediately and have the schedule, commitment, resources and enthusiasm to complete all services described in this proposal for public comment no later than February 16, 2009 based on selection of our firm by the City of Hailey no later than December 1, 2008.

The professional fees, reimbursable expenses and timing required for each major component associated with these services are presented in the following table.

Major Task	Professional Fees	Timing
I. Benchmark Survey Levels of Service	\$6,750.	6 weeks
II. Quigley Annexation Cost-Benefit Analysis	\$10,500.	7 - 8 weeks
III. Golf Course and Nordic Skiing Cost-Benefit Analysis	\$3,750.	3 - 4 weeks
Total Professional Fees and Timing (all tasks)	\$21,000.	12 weeks
Reimbursable Expenses: 3 site visits reimbursable for air fare, airport parking, car rental and Hailey lodging Other out-of-pocket expenses: survey and report reproduction, overnight mailings, etc.	Not to exceed: \$3,000. \$500.	
Total Expenses: Not to exceed	\$3,500.	
TOTAL FEES and EXPENSES:	\$24,500.	12 weeks

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The costs of distributing the citizen survey in the utility billing will be the responsibility of the City of Hailey. RCA will be responsible for all tabulation of the survey results and analyzing the findings. Three site visits are proposed and budgeted to complete these services. If more site visits are requested, out-of-pocket travel expenses will be subject to further reimbursement.

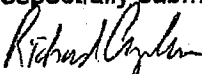
In addition to the City of Hailey Financial Reports and Quigley Ranch documents available on the City of Hailey website, the following documents are requested:

- Blaine County Recreation District Budget;
- The latest Year ending City of Hailey Financial Statement; and
- City of Hailey 2008/2009 Budget.

RCA and members of the RCA team have no prior work with any member or representative of Quigley Green Owners, LLC.

We appreciate the opportunity to provide this assistance and look forward to assisting the city on this important project. Thank you for your consideration.

Respectfully submitted,



Richard Caplan

RICHARD CAPLAN & ASSOCIATES

Attachments:

- Resumes
- Sample Products:
Twin Buttes Cost-Benefit Analysis, City of Durango, Colorado
Annexation Fee Study for Strahorn Canyon Ranch, City of Ketchum, Idaho

RICHARD CAPLAN & ASSOCIATES

RESUME – RICHARD CAPLAN

PROFESSIONAL

RICHARD CAPLAN & ASSOCIATES

1987 – present

Owner, Principal

Prairie Village, KS

Since 1986, own consulting firm specializing in economic and fiscal impact studies, market studies, financial and economic development analysis and strategic planning. Provide management consulting services and projects to more than 100 counties and cities including management assessments and conduct strategic planning sessions for cities and counties. Predominant clients include small to medium sized municipalities and multi-jurisdictional entities and non-profit organizations.

A sample of community developments projects include:

- **San Bernardino, California** - The older downtown decided that a cultural and entertainment center was vital to the revitalization of the area. The firm prepared feasibility studies and financing strategies for several major components of the center leading to significant reinvestment in the area.
- **Mid-America Regional Council of Governments, Kansas City, Missouri** - The firm was engaged by the council to coordinate the preparation of a regional economic development policy emphasizing an innovative approach to induce metropolitan area-wide cooperation to reduce unnecessary "bidding wars" and development competition between neighboring cities. The plan was adopted by a majority of the local jurisdictions and has led to a new era of inter-governmental cooperation in the area of economic development. Contact: David Warm, Executive Director
- **Napa Valley, California** - Development in America's premiere wine country must be carefully planned to protect the prime agricultural character of the area. Richard Caplan & Associates performed several assignments planning the reuse of an historic landmark building by a non-profit organization, evaluating the potential for a factory outlet center and master planning for a golf course residential community for a major San Francisco developer.
- **Precious Moments Theme Park, Carthage, Missouri** - The creators of America's most collected figurine are developing a theme park in the Ozark foothills of Missouri. I guided the preparation of the master development plan and played a strategic role in securing public assistance in implementing the initial phases of the park.
- **Hoopa Indian Tribe Development Corporation, Eureka, California** - For four years, Caplan & Associates advised the tribal council on strategies that resulted in tourism initiatives and other strategies to expand the Hoopa tribe's economic base in the scenic redwood forest near the Oregon border.

Laventhol & Horwath, San Francisco

1984 - 1986

Manager

Managed firm's public sector consulting practice including management and financial consulting for firm's Northern California office. The national consulting firm offered diverse public financial management and development related consulting services to the public and private sectors; also conducted financial feasibility studies, and prepared alternative financing scenarios and market studies planning for alternative land uses.

Vail, Colorado

1979 - 1984

City Manager

Served as city manager of mountain resort municipality routinely demanding balanced environmental protection with servicing visitor-based industry. Vail is ranked as the national winter and summer recreation destination in the nation. The full service municipality of 4,500 permanent residents was incorporated in 1972 and operates with 135 employees and approximately 150 seasonal employees and a \$36 million annual budget.

RICHARD CAPLAN & ASSOCIATES

John E. Arnold - Resume Summary

PROFESSIONAL

- February 2002 to Present:** Associate, Richard Caplan & Associates
Assist firm with a wide range of fiscal, economic and management studies.
- January 1998 to February 2002:** CAO, City of Topeka, KS.
Strong Mayor-Council government. 130,000 pop, 1300 employees, \$150 million budget. \$75 million Downtown projects.
- January 1996 to January 1998:** Private Business: Consultant/Writer.
*Wrote *Fallback Position*, Interim Management*
- March 1992 to January 1996:** City Manager, Eureka, CA
35,000 population, \$35 million budget; 350 employees. Planned and financed; \$15 million Revitalization of Waterfront.
- January 1986 to June 1991:** Executive Director, E-470 Public Highway Authority, Denver, CO
Startup to build \$700 million beltway; Won FHWA Creative Finance Award. Great lobby effort. 600 speeches.
- October 1977 to October 1985:** City Manager, Fort Collins, CO
85,000 pop, \$150 million budget, 800 employees. ICMA Management Innovation Award for Energy and the Environment. ICMA Ridley Award for Best Training Program. 26 National Awards.
- October 1972 to October 1977:** City Manager, Minot, ND
City of 35,000 with a 20,000-person airbase adjacent; 300 employees \$30 million budget.
- June 1966 to October 1972:** ACM, Little Rock, AR, Texarkana, TX, Titusville, FL, Atchison, KS

EDUCATION

University of Kansas, BA, MPA
Peace Corps Volunteer, Philippines

Independent Assessment

of the

Twin Buttes Economic and Fiscal Impact Analysis

And

Twin Buttes Cost / Benefit Analysis

October 30, 2008

Prepared by

RICHARD CAPLAN & ASSOCIATES

7301 Mission Road, Suite 100

Prairie Village, KS 66208

(913) 831-7166

For the



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Introduction

An economic impact analysis examines the implications of a project in terms of output, earning and job creation. A fiscal impact analysis determines the public revenues that are generated by a particular development such as Twin Buttes. RICHARD CAPLAN & ASSOCIATES (RCA) was retained by the City of Durango to perform the following:

- I. **Evaluate the *Twin Buttes Economic Impact Analysis and Fiscal Analysis* –**
This first phase evaluates the findings and conclusions of the Twin Buttes Economic Impact Analysis and Fiscal Analysis (hereinafter referred to as the *Twin Buttes Impact Study*) prepared by Fort Lewis College professors Deborah Walker, Ph.D. and Simon G. Walls, Ph.D. for Lightner Creek Ranch, LLC dated September, 2008. This study provides an analysis upon full build out of the proposed Twin Buttes residential and commercial development.

- II. **Prepare a Cost / Benefit Analysis of Twin Buttes –**
This analysis of the proposed Twin Buttes development project planned in Durango evaluates the annual fiscal impact of the proposed development during the first 15 years of its existence. This term is based on the assumption that the project will be completely constructed and occupied by the end of year 15.

This assessment and cost/benefit analysis are based on the conceptual development plan submitted by Lightner Creek Ranch LLC. Other key assumptions incorporated into these assessments are:

- Financial projections are in 2008 dollars;
- The City of Durango 2008 Budget was used as a basis for municipal service levels and projected cost of services except where noted; and
- Revenue projections are based on the city's adopted 2008 tax rates, permit and fee schedules.

To the extent possible or quantifiable, all major factors influencing the economic and fiscal impact of the proposed Twin Buttes development are given consideration in these studies.

I. *Assessment of the Twin Buttes Economic Impact and Fiscal Analysis*

This assessment of the *Twin Buttes Economic Impact and Fiscal Impact Analysis (Twin Buttes Impact Study)* is presented in four parts:

- A. Executive Summary
- B. Major Areas of Concurrence with the Twin Buttes Impact Study
- C. Adjustments to the *Twin Buttes Impact Study*
- D. Summary of Findings and Conclusions

This review of the projected economic and fiscal impacts seeks to evaluate and validate, where appropriate, these findings and conclusions. There are extensive calculations, assumptions and findings presented in the September 2008 *Twin Buttes Economic Impact Analysis and Fiscal Impact Analysis*. This review evaluated all major financial assumptions, projections and conclusions including the 24 tables in the *Twin Buttes Impact Analysis*.

A. Executive Summary

The *Twin Buttes Impact Study* concluded that the proposed Twin Buttes development in Durango would result in significant new revenues to the city. This review either validates or challenges these findings and addresses key underlying assumptions in the applicant's impact analysis.

The September, 2008 *Twin Buttes Impact Study* submitted on behalf of Lightner Creek Ranch, LLC reflects several modifications, additions and input offered by RCA after review of an August 2008 Draft and incorporated by the authors into the September 2008 version of the economic and fiscal analysis. RCA appreciates the applicant's cooperation. Because the proposed development is subject to further review by city officials and other possible modifications to the plan, changes in density, mix of units and other details of the project may alter the ultimate development and the subsequent economic and fiscal impacts.

The key findings of the *Twin Buttes Economic Impact Analysis and Fiscal Analysis* concluded:

- *There are both positive and negative fiscal impacts associated with any new development.*
- *The new construction of housing units and commercial buildings will add to the total productivity . . . of local firms in the construction and related industries . . . increase the overall earnings of households in the local economy and create new jobs in the local economy.*

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

To begin, it must be stated that the methodology used by the authors of the *Twin Buttes Impact Study* is valid and a majority of the assumptions are reasonable. In summary, the aspects of the *Twin Buttes Impact Study* in which RCA finds major agreement and differences are summarized in the following Table A ("Summary of Major Area of Agreement and Needed Adjustments to Impact Study") and described and analyzed in Parts I and II of this document.

Table A
Summary of Major Areas of Agreement and Needed Adjustments to Impact Study

Major Assumption	Twin Buttes Impact Study Reference	RCA Assessment
1. 15 years to Twin Buttes build out development	Page 14	Concur with <i>TB Impact Study</i> finding
2. TB population forecast	Appendix B	Concur with <i>TB Impact Study</i> finding
3. Average 3% appreciation of residential units	Page 7	Concur with <i>TB Impact Study</i> finding
4. Average assessed value of residential units: \$400,000	Page 7	Concur with <i>TB Impact Study</i> finding
5. Twin Buttes HOA will maintain local parks	Page 31	Concur with <i>TB Impact Study</i> finding
6. Construction and earnings multipliers and economic impact projections	Pages 9 – 10	Concur with <i>TB Impact Study</i> finding
Major Assumption	Twin Buttes Impact Study Reference	RCA Assessment - Adjustment
1. No second home ownership intended in Twin Buttes	Appendix C	Allowance for 2 nd home ownership omitted reduces projected annual sales tax collections
2. Use and impact related permit fees paid for affordable and attainable units	Table 7	No provision for discounted or waived permit fees overstates one-time revenues; Potential reduction of \$516,806 in one-time revenues
3. General Fund capital outlay	Table 18	No allowance for general government expenses increases annual expenditures; Increase of \$85,212 per year
4. Maintenance of Twin Buttes open space	Table 18	No allowance for fire mitigation and other required maintenance; Increase to \$300 per acre in the Cost / Benefit Study (see Part II)

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

5. Public Safety -- Police capital expenditures	Table 14	Allowance for vehicles and equipment are one time only; Increase for vehicles replacement every 3 years during 15 year period (years 4,7,10,13)
6. Public Transit capital expenditures	Table 18	Contribution for vehicle is one time only; Increase for replacement every 5 years during 15 year period (years 6,11)
7. One-time Revenues	Table 20	Park fee (if applied) and School In-lieu fee are not included increasing one-time fiscal impact

These findings are described in more detail in Table Q ("Annual Expenditures for Twin Buttes Year 15") in Section II of this study. In summary, this assessment found the *Twin Buttes Impact Study* to overstate annual revenues to the City of Durango in year 15 and understated annual expenditures resulting in an annual cost to the City of Durango of \$372,885 in year 15 as compared to an annual cost of \$135,231 estimated in the *Twin Buttes Impact Study*. (See Table B -- "City of Durango Revenues & Expenditures Annual Difference and 15 Year Total" and Graph B.)

The net cost to the City of Durango over 15 years is projected to be \$3 million. The following section reflects the analysis of these revenues and expenditures on an annualized basis over the entire 15 year period.

Table B
City of Durango Revenues & Expenditures Annual Difference and Year 15 Total

	Annual Revenues	Annual Expenditures	Net Annual Impact Year 15	Total Years 1 - 15
<i>Twin Buttes Impact Study</i>	\$1,679,854	\$1,815,445	(\$135,231)	(\$1,388,096)
RCA Revised: Cost /Benefit Study	\$1,583,287	\$1,971,819	(\$372,885)	(\$3,001,725)

B. Major Areas of Concurrence with the Twin Buttes Impact Study

The *Twin Buttes Impact Study* includes several findings and critical assumptions that are reasonable towards understanding the significance of Twin Buttes. More specifically, the *Twin Buttes Impact Study* findings include the following:

1. **15 Year Absorption of the Residential Units** – The *Twin Buttes Impact Study* assumes a 15 year absorption period for the project. An accelerated or slower building and sale of the residential units will favorably or unfavorably impact the fiscal impacts result in the costs and benefits analysis. However, RCA concurs that a 15 year time frame is reasonable given La Plata County and the city's recent population growth rates. The city's population grew by 12.0 percent during the 1990's.
2. **Twin Buttes Population Forecast** - The *Twin Buttes Impact Study* forecasts 1,305 full time residents upon sale or lease of all housing units in year 15. This forecast assumes an overall average of 2.26 persons per household, the latest average household size figure published for Durango by the State of Colorado Demography Office in 2008. The average household size reflects a countywide figure that recognizes the mix of all household types.

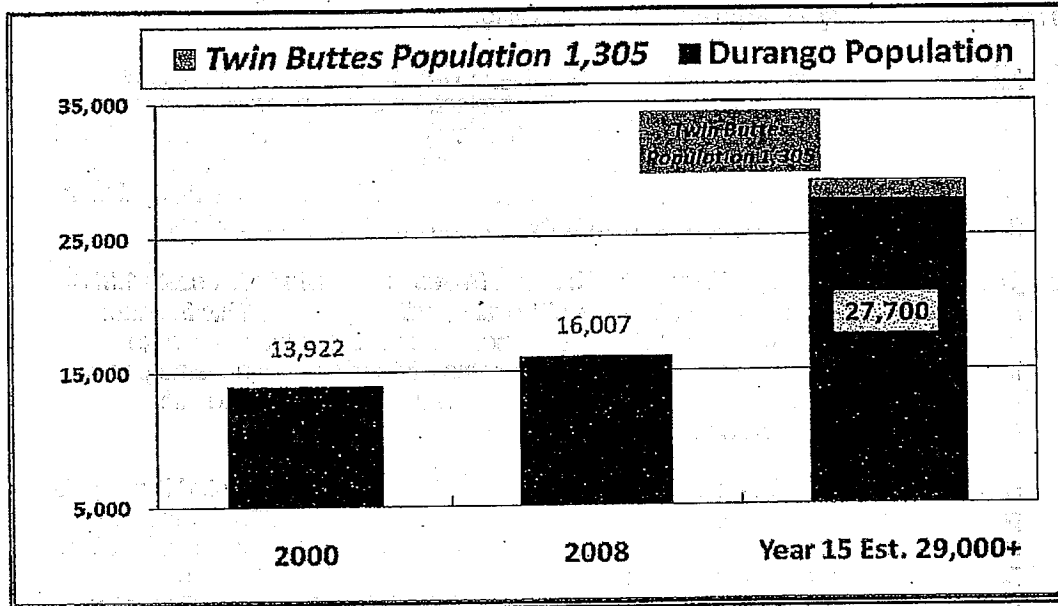
By 2030, the City of Durango Comprehensive Plan Update 2007 projected Durango's population to be approximately 33,950, or approximately 29,000 in 2025, an increase of approximately 13,000 residents from 16,007 reported by the U.S. Census in 2007. Based on this forecast, the Twin Buttes development would represent less than 10 percent of the citywide projected population growth by 2030. As Twin Buttes is the largest residential development planned at this time in Durango, this 4.5 percent share of the city's projected population growth in the next 15 years is realistic. (See Table C and Graph C – "Twin Buttes and City of Durango Population Projection 1990 - 2030.") These population projections assume Twin Buttes will accommodate its initial residents beginning in 2010.

Table C
Twin Buttes and City of Durango Population Projection 1990 - 2030

Year	Durango Population	Twin Buttes Population	Twin Buttes Percent of Projected Growth	Twin Buttes Percent of 2025 Durango Population
1990	12,430	0	N/A	N/A
2000	13,922	0	N/A	N/A
2007	16,007	0	N/A	N/A
2025 (est.): Year 15	29,000	1,305	10.0% of new residents by 2025; 7.2% of 2030 population	4.5% of total population in 2025; 3.8% of 2030 projected population
2030 (est.)	33,950	1,305		
Net Change by 2025	12,993	1,305		

Source: U.S. Census Bureau 2007; City of Durango Comprehensive Plan Update 2006; *Twin Buttes Economic and Fiscal Analysis*, September 2008.

Graph C
Durango Population 2000 – 2025



3. **Appreciation of Residential Units' Value** – For purposes of projecting the proposed one percent real estate transfer fee to the Regional Housing Authority, the *Twin Buttes Impact Study* states that “the assessed value of the houses and land is conservatively estimated to increase at three percent per year.”

Despite the recent decline in average home values, this projected appreciation in home value is reasonable given the almost doubling of residential values in Durango since 2000. Since 1995, the average annual increase for homes and condominiums in Durango has been 8.8% and 8.4% respectively. (See Table D – “Durango Average Home and Townhome Values 1995 – 2008”).

Table D
Durango Average Home and Townhome Values 1995 - 2008

Year	Durango Single-Family Homes		Condo-Townhomes	
	Average Sales Price	Annual Change	Average Sales Price	Annual Change
1995	\$170,540	N/A	\$115,132	N/A
1996	\$187,044	10%	\$104,066	(10%)
1997	\$177,365	(5%)	\$104,897	1%
1998	\$191,110	8%	\$116,629	11%
1999	\$194,438	2%	\$121,965	4%
2000	\$241,880	24%	\$136,559	12%
2001	\$245,533	2%	\$140,283	3%
2002	\$276,995	13%	\$158,765	13%
2003	\$307,119	11%	\$171,504	8%
2004	\$344,017	12%	\$250,122	46%
2005	\$402,464	17%	\$280,184	12%
2006	\$474,240	18%	\$311,105	11%
2007	\$444,968	(6%)	\$280,194	(10%)
2008 (2 nd Qtr.)	\$468,436	N/A	\$275,992	N/A
1996 – 2007 Average Annual Change		8.8%	N/A	8.4%

Source: Durango Association of Area Realtors.

4. **Average Assessed Value of Residential Units** – The overall average housing price (including condominiums) used for projecting property taxes in the *Twin Buttes Impact Study* is \$400,000. The asking sales price for new single family units currently offered at two active residential subdivisions in Durango exceed the combined average housing price (including condominiums) used in the *Twin Buttes Impact Study*.

As of the date of this study, the lowest asking sales price for a new single family home in Durango's Tierra Vista development is \$495,000 and \$549,000 for a new home at Villas at Hillcrest. The single family units in Twin Buttes are expected to be comparable in size and features as the new units for sale in these two active Durango residential developments. Therefore, the proposed combined average value of \$400,000 for all housing units in Twin Buttes is reasonable.

5. **Homeowners Association Maintenance of Small Parks in Twin Buttes** – The City of Durango's policy requires homeowners associations to maintain new parks of five acres or less. The neighborhood parks planned within the Twin Buttes development

incorporate this requirement. In the event that this policy is modified by a future Durango City Council, the cost of such park maintenance in Twin Buttes may be required to be assumed by the city. No city cost is included in the *Twin Buttes Impact Study*.

6. **Use of Construction and Earnings Multipliers** - There are various methodologies used to estimate the multiplier effect of new construction, resident's expenditures, earnings and related spinoff investment on a community and a region. Alternative methodologies and resulting economic impacts each have strengths and weaknesses, but the merit of a multiplier effect is indisputable. The *Twin Buttes Impact Study* utilizes the U.S. Bureau of Economic Analysis, a commonly used and valid methodology.

The *Twin Buttes Impact Study* multiplier ranges from 1.44 to 1.80 depending on the earnings and employment aspect of the local economy being measured. (See Table E – "Summary of Twin Buttes Economic Impact Multipliers".) Although some of the earnings and expenditures tied to the multiplier will be spent outside Durango, the projections with regard to construction related sales tax and sales tax generated by new household consumption on Durango are reasonable.

In summary, these economic impacts over the 15 year construction period of the Twin Buttes project total \$273.4 million in output, \$257.8 million in earning and 289 jobs, or an annual average of \$17.2 million and 19 additional jobs as summarized in Table E ("Summary of Twin Buttes Economic Impact Multipliers").

Table E
Summary of Twin Buttes Economic Impact Multipliers

Economic Factor	Amount Spent	Output Multiplier Total	Earnings Multiplier Total	Employment Multiplier Jobs
Construction Spending	\$147,195,200	x 1.72	x 1.60	x 1.80
SUB-TOTAL		\$253,173,744	\$235,512,320	265 jobs
Loan Interest / Fees Paid	\$14,075,541	x 1.44	x 1.59	x 1.72
SUB-TOTAL		\$20,268,779	\$22,380,110	24 jobs
15 YEAR TOTAL		\$273,444,523	\$257,892,430	289 jobs
ANNUAL AVERAGE		\$18,229,635	\$17,192,828	19 jobs (a)

(a) Excludes 17 full-time municipal employees discussed in Section II – Cost/Benefit Study.
 Source: U.S. Bureau of Economic Analysis; *Twin Buttes Impact Study*.

C. Adjustments to the *Twin Buttes Impact Study*

This portion of this assessment describes the significant changes to the *Twin Buttes Impact Study*. This section addresses these important issues that influence the findings of the *Twin Buttes Impact Study* and warrant comment and adjustment to the projections.

1. **Second Home Ownership in Twin Buttes** – The *Twin Buttes Impact Study* and project developer expect the target buyers to be existing La Plata County residents and therefore all future Twin Buttes residents to be full time residents. However, according to a July 2006 study of the impact of second homes in La Plata County prepared for Region 9 Economic Development District of Southwest Colorado, Inc., a total of 17 percent of the single family residential units in La Plata County are non-locally owned. This percentage represents an average of all housing unit types within La Plata County.

Non-local homeowners split their time (and retail expenditures) between their primary place of residence and their second home in Durango. According to the Region 9 second home study, the median amount of time the persons in a non-locally owned home spends in the Durango area is approximately 60 days annually. An interview conducted on behalf of this study with a Durango based real estate market analyst expressed the opinion that the rate of second home ownership in Twin Buttes will mirror the La Plata County average. Therefore, to the extent that 17 percent of the single family and condominium open market units are used as second homes by non-full time residents, the resulting retail sales generated by seasonal Twin Buttes residents will be lower than projected in the retail sales expenditures presented in the *Twin Buttes Impact Study*.

In Part II of this document, Twin Buttes Cost / Benefit Analysis, annual sales tax projections have used a discount of 17 percent to the sales tax projections generated by the residents of Twin Buttes 470 open market homes. This revised projection excludes the affordable, attainable and ADU units planned in Twin Buttes under the assumption that these 125 units will be occupied year around. The net result of incorporating the average for second homeownership in the *Twin Buttes Impact Study*, the projected annual retail sales and sales taxes remitted by the City of Durango are reduced by 13 percent. The result of this adjustment is reflected in Part II of this document Cost / Benefit Analysis. (See Table N – “City of Durango Sales Tax Projections Year 15”.)

2. **Use Tax, Investment and Impact Related Fees Assessed on Twin Buttes Affordable and Attainable Housing Units** – The revenue projections in the *Twin Buttes Impact Study* assume that the use tax, impact and related fees are applied and collected for the 42 affordable and 53 attainable housing units. (Table F illustrates the amount of these fees for the affordable units in Twin Buttes.) This policy is under discussion by the Mayor and the Durango City Council. If some or all of these fees are waived or discounted, the total projected one-time revenues generated by Twin Buttes will be reduced by as much as \$516,806.

The following Table F indicates the amounts included in the *Twin Buttes Impact Study* assuming the affordable and attainable housing units are subject to all of these fees.

Table F
Affordable and Attainable Housing Permit Fees

Housing Unit Type	Affordable Units	Attainable Units	TOTAL
Fee / Number of Units	42 units	53 units	95 units
Building permit fees	\$ 12,867	\$ 25,419	\$ 38,286
Use taxes	\$ 23,620	\$ 62,550	\$ 86,170
Water investment fee	\$ 117,222	\$ 147,923	\$265,145
Sewer investment fee	\$ 34,860	\$ 43,990	\$ 78,850
Water tap fee	\$ 21,378	\$ 26,977	\$ 48,355
Total	\$ 209,947	\$306,859	\$516,806
AVERAGE FEES PER UNIT	\$4,999	\$5,790	\$5,440

3. **Potential Improvements and Increased Maintenance Costs for the Twin Buttes Open Space** - As of the date of this review, the specific improvements to the proposed Twin Buttes open space have yet to be finalized. The extent of the future open space trail system, trail kiosks, public restrooms and/or other user amenities included in the Twin Buttes open space will impact the cost of municipal services to maintain this land.

More extensive improvements will influence the amount of public use and, therefore, increase the cost of maintenance, as well as police services and fire mitigation. The *Twin Buttes Impact Study* uses an average of \$38 per acre based on the current average city-wide cost per acre for maintaining city owned open space.

Based on this average, the cost of maintaining the Twin Buttes open space is projected in the *Twin Buttes Impact Study* to be \$8,740 annually. However, the cost of fire mitigation for portions of the open space located in Zone 3 is estimated to cost \$300 per acre. The annual maintenance fee in the annual capital expenditures in Part II of this document (Table Q - "Annual Expenditures Year 15") has been adjusted based on required fire mitigation once every decade on the Twin Buttes open space resulting in a total cost of \$69,000 over 10 years, or an average of \$6,900 annually.

4. **Allowance for General Fund General Government Capital Improvements** – The *Twin Buttes Impact Study* includes one-time general government capital expenditures for police and fire operations and system wide for water and sewer improvements through payment of the water and sewer investment fees. However, the city's capital outlay for general government for years 2009 through 2013 is budgeted at \$10.4 million, or an annual average of \$2,073,550. There is no accounting for a pro-rated share of these other capital expenditures in the *Twin Buttes Impact Study*. Consequently, a per capita expenditure is added to the projected total annual expenditures. An allowance for this amount is calculated and incorporated in Part II - Twin Buttes Cost/Benefit Analysis of this document.

5. **Potential Changes to Property Tax Rates and Revenues Generated** – Although the City of Durango property tax rate has remained unchanged since 2000, the levy for other taxing entities serving the proposed Twin Buttes development have fluctuated, ranging from an increase of 80 percent for the Animas Mosquito Control District to a decline in the Durango School District 9R. (See Table G – “Property Tax Rates within Twin Buttes.”) Consequently, property tax payments generated by the Twin Buttes development will fluctuate in the future based on factors beyond control of the developer and future home owners but are unforeseen at this time.

For purposes of the *Twin Buttes Impact Analysis*, the City of Durango's property tax rate is projected to be at the current rate, 2.507. To the extent that the city's tax rate changes in the future, the projected fiscal impact will be altered. Future changes in the property tax rate among taxing jurisdictions serving Twin Buttes will also alter the projected fiscal impact.

Table G
Property Tax Rates within Twin Buttes

Taxing Entity	2000 Tax Rate	2008 Tax Rate	Net Rate Change 2000 - 2008
City of Durango	2.507	2.507	0%
La Plata County	8.500	8.500	0%
Southwest Water Conservancy	0.314	0.207	(34%)
Durango School District 9R	21.052	14.556	(31%)
Animas Fire Protection District	4.344	5.207	20%
Animas Mosquito Control	0.550	0.990	80%
Florida Water Conservancy	n/a	0.860	n/a

Source: La Plata County Assessor.

These revenue projections are based on the current property tax rates and taxing jurisdictions attached to the Twin Buttes property. The property tax rate for the Animas Fire Protection District will be modified as a result of annexation and de-annexation associated with the AFPD and DFRA.

D. Summary of Findings and Conclusions

In conclusion, although the methodology used by the authors of the *Twin Buttes Impact Study* is valid and a majority of the assumptions are reasonable, **the *Twin Buttes Impact Study* overstates annual revenues of the project and understates annual expenditures resulting in an annual cost to the City of Durango of \$372,886 in year 15.** The following Section II Cost / Benefit Analysis of Twin Buttes reflects a detailed analysis of these revenues and expenditures on an annualized basis over a 15 year period.

II. Cost / Benefit Analysis of Twin Buttes

The economic question commonly surrounding growth is whether the local taxes paid by new development will cover the amortized costs of providing new infrastructure and the additional cost of public services. Typically, exactions, local impact fees, investment and in-lieu fees and developer contributions reduce the total cost so that the expanded local tax base can carry any remaining infrastructure costs as well as annual operational costs.

However, there are specific factors within any development that influence the economic and fiscal impacts and the costs of providing municipal services to development, especially a project the size and scale of Twin Buttes. Major factors influencing economic and fiscal impacts include a combination of the following:

- a) **Local Tax Structure** – The local sales and use tax rates, the presence of water and sewer investment fees, road impact fees and property tax rates determine the “return” to the local community. Because of the City of Durango’s tax and fee structures, the amount of sales and use tax rates generated by Twin Buttes and the projected number of additional residents in the new units and patronizing the Twin Butte’s commercial component, there is a broad range of revenues that contribute to the city’s revenue base.
- b) **Type of Land Uses** - The types of land use (residential, commercial, public use, etc.) create differing levels of municipal service demands. Although the Twin Buttes development is predominantly residential, the proposed inclusion of some retail commercial development enhances the project’s fiscal impact.
- c) **Residential Mix** – The size, value and type of residential development (single family, apartments, accessory dwelling units, etc). are also important factors. Lower residential density tends to be more costly in providing certain public services on a per capita basis than higher density residential. The higher the assessed value of the residential units, the greater amount of revenue generated by property taxes.
- d) **Development Site Physical Conditions** - The physical characteristics of the site planned for development and the surrounding terrain influence the on-going cost of drainage and road maintenance, snow plowing and other public works services. The development’s terrain influences the amount and frequency of such routine items as cleaning culverts, drainage basins, etc.

- e) **Proximity to Existing Services and Facilities** - The location within the city and the development's proximity to existing public facilities, fire stations or municipal services determines police and fire department response times, etc. Twin Buttes location within Durango will require a longer response time and, therefore, slightly higher cost to provide certain services than residential or commercial development closer to Downtown Durango.
- f) **Location / Road Miles** - The distance required to provide public transit and the drive for persons in their private vehicles to school, employment or for routine shopping impacts the amount of driving by new residents and, therefore, the maintenance demand on city roads and public trails. Twin Buttes distance from the existing city limits to Lightner Creek Road will increase public transit and private vehicle travel.
- g) **Local Market and National Economic Conditions** - The area's housing market and growth patterns, as well as the national, state and regional economies, will influence not only the sales price of the housing units offered in the Twin Buttes development, but the pace of residential development. To a degree, a municipality's development policies and planning practices influence the success of a project. However, national economic conditions, including second home purchases, consumer confidence, interest rates, etc. will strongly influence the success of a major development. Because of the 15 year build out period anticipated for Twin Buttes, economic cycles will factor into the rate of residential development. However, the projected 15 year time frame for Twin Buttes is anticipated to be able to accommodate market fluctuations including economic downturns.

Costs to be incurred and associated with state and county government agencies and private utility providers are not included in this analysis. For example, the off-site road improvements to Highway 160 and other potential road improvements will be required, but allocation of the costs between the public (city and state) and private sectors have yet to be determined. Some of these costs may be recovered by adjusting the city's road impact fee in the future and/or ensuring that a fair share contribution be obligated by the developer as a part of the Twin Buttes approval process for road improvements directly associated and/or impacted by future Twin Buttes residents.

This analysis projects the estimated costs and benefits on the City of Durango for the development and its residents. The costs are based on the city's adopted 2008 Budget and 2008 municipal service levels. This study does not address environmental or social impacts associated with the proposed development. With this said, this Cost/Benefit Analysis of Twin Buttes is presented in six parts:

- A. Executive Summary
- B. One-Time Fiscal Impacts
- C. Annual Cost / Benefit of Twin Buttes - Revenues & Expenditures
- D. Economic Impact of Twin Buttes
- E. Other Fiscal Impact Issues
- F. Conclusions

A. Executive Summary

Twin Buttes is expected to provide a significant fiscal and economic impact on the City of Durango and the La Plata County economy. The proposed development will generate a considerable amount of new property and sales taxes, one-time use taxes, revenues from building related fees and permits, as well as contribute open space to the community, a meaningful asset to the residents and visitors of Durango.

As noted Part I, a majority of assumptions and conclusions in the *Twin Buttes Impact Study* are reasonable. However, the *Twin Buttes Impact Study* overstates fiscal impacts to Durango in a number of areas and tends to minimize or dismiss elements of outlay, especially capital costs, as a result of the development of Twin Buttes. More specifically, this Cost / Benefit Analysis calculates the proposed fiscal and economic impacts generated by the Twin Buttes development from three perspectives:

1. One-time revenues to the City of Durango during the project's build out are projected to total \$6.5 million including a payment of approximately \$480,000 to the Durango School District (see Table K – "Summary of One-Time Revenues");
2. On-going annual costs to City of Durango will be in excess of benefits by \$37,000 in the first year and increase to \$372,885 by year 15 (expenditures and revenues) and a total cost of \$3,001,725 over a 15 year period (see Table J – "Twin Buttes Annual Fiscal Impact Years 1 -15"); and
3. Economic impacts during the anticipated 15 year construction period will total \$531 million and average 19 new jobs and \$35.4 million on Durango's economy annually.

A detailed summary of these calculations on an average annual basis and at year 15 year basis is presented in the following Table H – "Summary of Twin Buttes Fiscal and Economic Impacts."

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
 Twin Buttes Cost / Benefit Analysis

Table H
Summary of Twin Buttes Fiscal and Economic Impacts

On-Going Fiscal Impacts	Annual Revenues	Annual Cost	Net Impact	Comment(s)
General Government (a)	\$224,699	\$1,555,646		See footnote (a)
City Property Taxes	\$59,433	N/A		76%, or \$45,092 from residential; 24% from new commercial
Local Sales Taxes	\$974,541	N/A		80%, or \$781,638, from new residents; 20% from new commercial
Franchise Fees	\$44,489	N/A		Includes electricity and cable TV
Water Fund	\$221,730	\$232,353	(\$10,623)	Offset, in part, by one-time tap & plant investment fees
Sewer Fund	\$74,042	\$183,820	(\$109,778)	
City of Durango Total:				
Total at year 15	\$1,598,934	\$1,971,819	(\$372,885)	17 jobs
Total years 1 through 15	\$12,871,419	\$15,873,144	(\$3,001,725)	
One-Time Fiscal Impacts				
Use Tax	\$1,939,940	N/A		Includes tax on all affordable units
Building Permit Fees	\$245,013	N/A		All fees based on 2008 rate schedules
Road Impact Fee	\$657,849	Fee schedule based on number and type of housing unit		Potential credit for small Twin Buttes parks
Water Tap & Plant Investment	\$2,383,197			
Sewer Tap & Plant Investment	\$652,995			
Park Fee	\$178,500			
School In-Lieu Fee	\$481,025			
Total One-Time Impact	\$6,538,519			Represents city collected school fee only
Economic Impacts				
Economic Factor		Total Output	Total Earnings	Employment
Construction Spending		\$253,173,744	\$235,512,320	265 jobs
Loan Interest / Fees Paid		\$20,268,779	\$22,380,110	24 jobs
Total Impact years 1 through 15		\$273,444,523	\$257,892,430	289 jobs
Annual Average Impact		\$18,229,635	\$17,192,828	19 jobs

(a) General government expenditures include City of Durango administration, police & fire services, planning, etc. General government revenues include La Plata County Road & Bridge Fund, public transit fares, recreation facilities, programs and event, municipal court fines, capital improvements, all other fees excluding property taxes, sales taxes, franchise fees and water and sewer service charges.

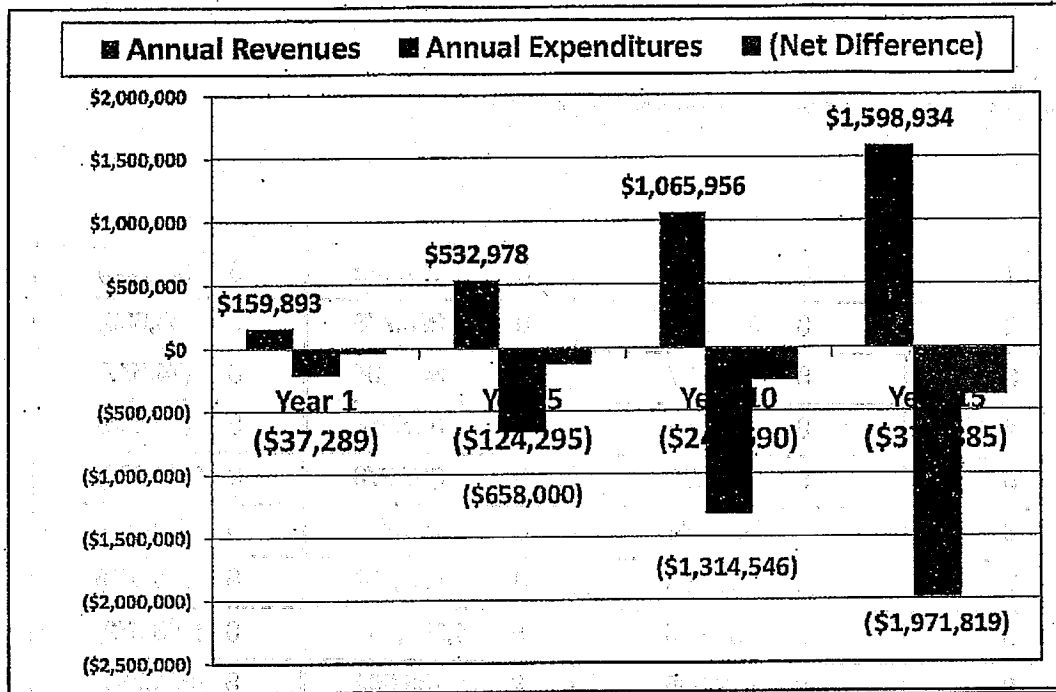
Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

The net annual cost to the City of Durango increases from \$37,289 in the first year of development to an annual deficit projected to be \$372,885 in the 15th year. Table J and Graph J ("Twin Buttes Annual Fiscal Impact Years 1 – 15") presents the city's annual revenues and expenditures.

Table J
Twin Buttes Annual Fiscal Impact Years 1 – 15

Year	Annual City Revenues	Annual City Expenditures	Net Difference
1	\$ 159,893	\$ 197,182	\$ (37,289)
2	\$ 239,840	\$ 295,773	\$ (55,933)
3	\$ 319,787	\$ 394,364	\$ (74,577)
4	\$ 426,382	\$ 525,818	\$ (99,436)
5	\$ 532,978	\$ 657,273	\$ (124,295)
6	\$ 639,574	\$ 788,728	\$ (149,154)
7	\$ 746,169	\$ 920,182	\$ (174,013)
8	\$ 852,765	\$ 1,051,637	\$ (198,872)
9	\$ 959,360	\$ 1,183,092	\$ (223,731)
10	\$ 1,065,956	\$ 1,314,546	\$ (248,590)
11	\$ 1,172,552	\$ 1,446,001	\$ (273,449)
12	\$ 1,279,147	\$ 1,577,455	\$ (298,308)
13	\$ 1,385,743	\$ 1,708,910	\$ (323,167)
14	\$ 1,492,338	\$ 1,840,365	\$ (348,026)
15	\$ 1,598,934	\$ 1,971,819	\$ (372,885)
Years 1-15	\$ 12,871,419	\$ 15,873,144	\$ (3,001,726)

Graph J
Twin Buttes Annual Fiscal Impact Years 1, 5, 10 and 15



B. One-Time Fiscal Impacts

The City of Durango has an assortment of non-recurring fees and revenues assessed on new development that serve to off-set municipal services required during the planning and construction of the development, such as plan check and building inspection. Other one-time fees contribute to a share of the cost of road, water and sewer capital improvements. These one-time building, impact and investment revenues are driven by a combination of factors including the value of the new construction, the number and type of residential units, the size of commercial development, the size of the new water and sewer lines required to service the development and other directly attributable factors.

The water and sewer investment fees are based on a fair share assessment for such off-site improvements as water storage tanks, system-wide water or sewer lift stations, etc. The following Table K and Graph K ("Summary of One-Time Revenues") summarizes these \$6.5 million in one-time revenues to the City of Durango and the Durango School District from Twin Buttes, the basis for assessment and the projected amount generated by the existing fee schedule and Twin Buttes development as currently proposed.

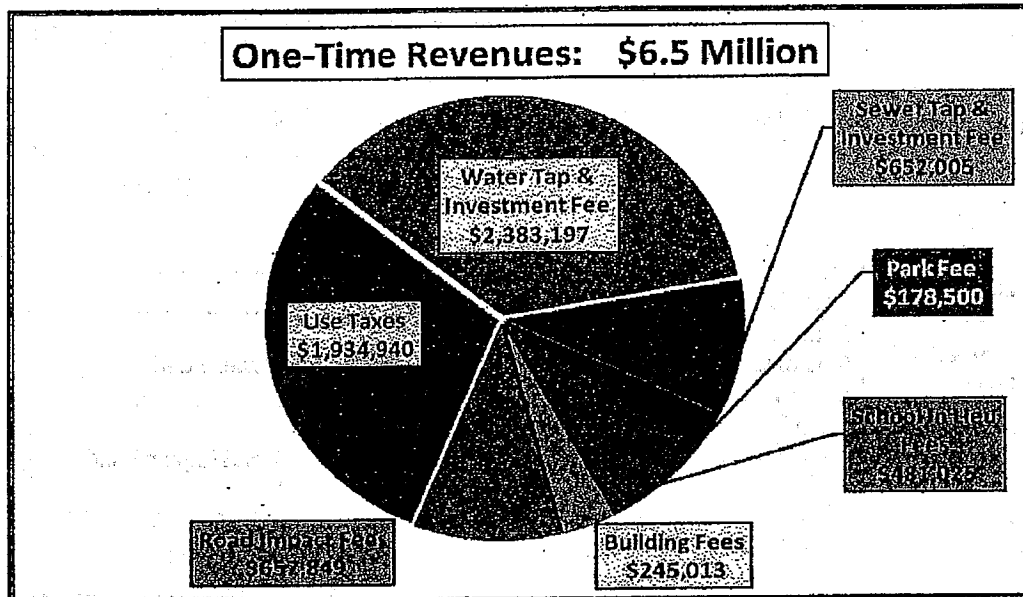
Table K
Summary of One-Time Revenues

Revenue Source	Basis for Fee	Total Twin Buttes	End Use
Use Tax	Tied to \$91.9 million in construction materials (a)	\$1,939,940	General Fund
Building Permit Fees	Based on value of construction (b)	\$245,013	General Fund
Water Tap & Plant Investment	Based on number and type of units and size of water lines required	\$2,383,197	Water Fund
Sewer Tap & Plant Investment	Based on number and type of units and size of sewer lines required	\$652,995	Sewer Fund
Road Impact Fee	Based on number and type of units and amount of commercial square footage	\$657,849	Road Impact Fund
Park Fee	Based on the type of housing unit	\$178,500	Park Fund
School In-Lieu Fee	Based on the type of housing unit	\$481,025	Durango School District
TOTAL ONE-TIME REVENUES		\$6,538,519	

- (a) Estimate on \$91.9 million in construction materials as indicated in the *Twin Buttes Impact Study* on page 18.
 (b) Estimate based on \$184 million in construction value as noted in *Twin Buttes Impact Study* page 19 discounted by fees anticipated to be refunded for the development's affordable and attainable housing units. (See Table F – "Affordable and Attainable Housing Permit Fees.")

In the event that one or more of the neighborhood parks in Twin Buttes is dedicated to the city, some or the entire City of Durango one-time \$178,500 fee for parks may not be required as was the case with the Three Springs project.

Graph K
Summary of One-Time Revenues



It should be noted that these one-time fees are subject to periodic adjustments during the course of the 15 year development period. However, such changes will be adjusted based on the costs of providing municipal services and/or cost of capital improvements for water, sewer and roads. In addition to these one-time revenues, Lightner Creek Ranch, LLC has also proposed to dedicate 230 acres of open space for public use and make a one-time contribution of one public transit vehicle valued at \$60,000 to the public transit system.

C. Annual Cost / Benefit of Twin Buttes

1. Annual Revenues

The city's revenue and expenditure projections utilize several approaches (per capita, per housing unit, per commercial square footage, etc.) depending on the availability of published data, prevailing residential and commercial market values, and per capita revenues and expenditures as budgeted by the city in 2008. These are then all calculated based on projected number of new residents and businesses at Twin Buttes. RCA agrees with the *Twin Buttes Impact Study* methodology. However, there are differences with certain assumptions as presented in Table A ("Summary of Areas of Agreement and Needed Adjustments") included in the calculations and omissions of certain costs and revenues. Those differences in property and sales taxes are described in more detail in the following pages.

City Property Taxes

The applicant anticipates that the 595 residential units will be completed and occupied over a 15 year period. For purposes of this analysis, it is assumed that occupancy will begin in 2010 and all residential units will be occupied by 2025. The 595 residential units and proposed 59,000 square feet of new commercial development are projected to generate \$59,333 annually to the City of Durango upon completion using the City of Durango's 2008 adopted property tax rate, 2.507. (See Table L – "City of Durango Annual Property Tax Revenue".) Approximately 76 percent of the projected property taxes will be generated by the residential component and 24 percent from the proposed commercial component of the development.

Table L
City of Durango Annual Property Tax Revenues

Housing Type	Units	Average Market Value	Total Value	Estimated Average Sales Price	Market Value
Single Family Detached	358	\$ 388,500	\$139,083,000	\$550,000	\$196,900,000
Townhomes	112	\$ 240,500	\$ 26,936,000	\$278,093	\$ 31,146,416
Affordable	42	\$ 56,250	\$ 2,362,500	\$ 56,250	\$ 2,362,500
Attainable: I	21	\$ 195,000	\$ 4,095,000	\$195,000	\$ 4,095,000
Attainable: II	32	\$ 67,500	\$ 2,160,000	\$ 67,500	\$ 2,160,000
ADU's	30	\$ 56,250	\$ 1,687,500	\$ 56,250	\$ 1,687,500
Total Residential Value (a)	595		\$176,324,000		\$ 238,351,416
Combined Average Price Per Unit				\$400,591	
Total Commercial Value (b)	59,000 square feet		\$7,670,000	N / A	\$20,650,000
TOTAL MARKET VALUE					\$259,001,416
Residential Total Property Taxes					\$47,206
Commercial Property Taxes					\$15,013
(Less Existing Property Taxes)					(\$2,786)
NET TOTAL PROPERTY TAXES YEAR 15					\$59,433

(a) Source: *Twin Buttes Impact Study*.

(b) Source: *Twin Buttes Impact Study* page 17 deemed to be reasonable that appraises the new commercial at \$350 per square foot, and \$2,786 current property taxes on Twin Buttes parcels.

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

There are a number of taxing jurisdictions that use the property taxes, the largest being La Plata County and Durango School District 9R. The City of Durango receives approximately eight percent of the total property taxes paid on a typical property tax bill in Durango. The non-city balance will generate approximately \$698,000 in year 15 and be remitted to the other property taxing jurisdictions serving Twin Buttes upon build out of the development as summarized in Table M – "Total Annual Property Tax Revenues All Jurisdictions – Year 15".

Table M
Total Annual Property Tax Revenues All Jurisdictions – Year 15

Taxing Jurisdiction	Property Tax Rate	Annual Revenues
City of Durango	2.507	\$59,433
Durango School District 9R	14.556	\$345,076
La Plata County	8.500	\$201,508
Animas Fire Protection (a)	5.207 (a)	\$123,441
Animas Mosquito Control	0.990	\$23,470
Southwest Water Conservancy	0.207	\$4,907
TOTALS	31.967	\$757,835

(a) The property tax rate for the Animas Fire Protection District will be modified as a result of annexation and de-annexation associated with the AFD and DFRA.

City of Durango Sales Taxes

Sales taxes will be generated by the Twin Buttes residents and the businesses located within the 59,000 square feet of commercial development in Twin Buttes. The city sales and use tax rate for the General Fund is two percent. The total sales and use tax rate for the City is three percent including one-half of a percent of sales and use tax that goes to the recreation complex/trails; the other one-half percent is split between POST and capital improvements. The city also receives a portion of the joint city/county sales tax estimated to be 0.47 percent resulting in a combined total of 3.47 percent sales tax rate remitted to the city.

Sales tax receipts are projected based on the 2008 average La Plata County per capita income, \$42,609, as calculated from data provided by the U.S. Bureau of Economic Analysis. The types of expenditures for residents in Twin Buttes are then adjusted for the following:

- a. The housing units and thus number of residents will average 3% vacancy rate;
 - b. Approximately 17% of the single family detached homes will be occupied by seasonal residents who will spend an average of 60 days annually in Durango;
- and

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

- c. Approximately 46 percent of resident's expenditures will not be subject to sales tax and a portion of their expenditures will be spent outside of the Durango city limits.

The annual sales taxes remitted to the city from the Twin Buttes residents upon build out in year 15 is estimated to be \$974,541, including total sales taxes of \$192,903 generated annually by the new commercial establishments in Twin Buttes. Table N – "City of Durango Sales Tax Projections Year 15" presents the basis for these sales tax projections.

Table N
City of Durango Sales Tax Projections Year 15

Housing Unit Type:	Open Market	Affordable	Affordable	ADU	TOTAL
Total Units	470	42	53	30	595
Total Residents (a)	1,031	92	116	66	1,305
Full Time Occupancy Rate (b)	83%	100%	100%	100%	N/A
Full Time Residents	856	92	116	66	1,130
Seasonal Occupancy Rate (b)	17%	0%	0%	0%	N/A
Seasonal Residents	175	none	None	none	175 persons
Est. Retail Sales Per Capita	\$42,609	\$42,609	\$42,609	\$42,609	N/A
Full Time Occupant Retail Sales (c)	\$9,769,588	\$2,125,439	\$2,679,902	\$1,524,772	\$26,099,700
Seasonal Occupant Retail Sales (d)	\$674,865	\$0	\$0	\$0	\$674,865
TOTAL SALES	\$20,444,453	\$2,125,439	\$2,679,902	\$1,524,772	\$26,774,566
Non-Local Sales (e)	(\$3,244,414)	(\$337,295)	(\$425,285)	(\$241,972)	(\$4,248,966)
NET LOCAL SALES from TB Residents	\$17,200,039	\$1,788,145	\$2,254,617	\$1,282,799	\$22,525,600
X 3.47% Durango Sales Tax Collections =					\$781,638
TOTAL TWIN BUTTES COMMERCIAL SALES (f): \$5,559,150					
X 3.47% Durango Sales Tax Collections =					\$192,903
TOTAL CITY SALES TAX COLLECTIONS YEAR 15					\$974,541

(a) Assumes a 3% residential vacancy factor

(b) Adjusted for countywide second home owner occupancy rate per Region 9 Economic Development District of Southwest Colorado 2006

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

- (c) Adjusted based on the estimated amount spent per capita, 54.22%, subject to sale tax. (Detailed in Appendix C of the *Twin Buttes Impact Study*.)
- (d) Adjusted for average non-local residents spending an average of 2 months annually in Durango
- (e) Adjusted for 15.87% of sales occurring outside of the City of Durango
- (f) Source: Region 9 Economic Development District average retail sales in 2005 adjusted 10% to 2008 dollars for grocery store, \$2,149,848; restaurant, \$601,425; and 6 other retail businesses totaling \$2,807,878.

Franchise Fees

The City of Durango collects a five percent franchise fee for cable television and 4.67 percent franchise fee for electric services for all residential and commercial customers in the city. Upon build out of the Twin Buttes development, franchise fees are projected to generate \$44,489 annually. (See Table O – Annual Franchise Fees.)

Table O
Annual Franchise Fees

Franchise	Fee Rate	Average Annual Utility Expense	Occupied Units, Businesses	Total Estimated Expense	Franchise Fee
Cable TV	5.00%	\$600 per unit	577 units	\$346,200.	\$17,310.
Electricity - Residential	4.67%	\$797 per unit	577 units	\$459,684.	\$21,467.
Electricity - Commercial Total	4.67%	\$15,288 per business	8 businesses	\$122,304.	\$5,712.
ANNUAL TOTAL Year 15					\$44,489.

Note: Estimates are based on and deemed valid from *Twin Buttes Impact Study* page 20.

La Plata County Road and Bridge Fund

The City of Durango also receives 50 percent of the property tax revenues generated by the countywide mill levy (0.00071) earmarked for road and bridge improvements. Based on a total market value of \$259 million for the completed Twin Buttes development, the city will receive approximately \$6,675 annually upon build out of the project from this tax.

Other Annual Municipal Revenues

In addition to municipal revenues tied to property and sales taxes and franchises fees, the city collects other revenues from an assortment of sources ranging from municipal fines levied for zoning violations, traffic fines, recreation department event and registration fees, business licensing fees on the new businesses in commercial development, library fines, transit grants, etc. that further contribute to the General Fund. The *Twin Buttes Impact Study* (page 23) has incorporated and accurately prorated these supplemental general fund revenues based on either a per capita basis or using best estimates from consultation with Durango city staff. These revenues generated by the additional Twin Buttes residents are projected to total approximately \$218,024 annually as summarized in Table P ("Other City Revenues from Twin Buttes").

**Table P
 Other City Revenues from Twin Buttes**

Department: Function	Estimated Annual Revenue
Planning / Community Development	\$78,404
Municipal Court	\$10,962
Parks and Recreation: Recreation Center Facilities, Programs, Events (a)	\$79,309 \$42,705
Library	\$1,644
Transportation Fares	\$5,000
TOTAL Other City Revenues	\$218,024

(a) Based on per capita total revenues of \$93.49 for full-time Durango residents only excludes 44% of annual recreation revenues generated by visitors.
 Source: *Twin Buttes Impact Study* Table 12; City of Durango Finance Director, Community Development Department, Public Transit staff.

2. Annual Expenditures

The cost of the City of Durango serving the residential, commercial and open space elements of Twin Buttes has been projected over a 15 year period. These projections assume that 10 percent of the costs and revenues will occur during the first year of development; thereafter, for years 2 through 15, revenues and expenses will be equally allocated.

The following Table Q ("Annual Expenditures for Twin Buttes Year 15") projects the annual expenditures upon complete build out of Twin Buttes based on services per resident. The annual cost for Twin Buttes maintains the ongoing municipal service levels for the City of Durango. This cost benchmarks the current municipal levels of services at no less than the

Assessment of Twin Buttes Economic and Fiscal Impact Analysis
Twin Buttes Cost / Benefit Analysis

prevailing levels. The cost of increased service levels are apportioned to Twin Buttes on a per capita basis, except where noted. The general government also includes a per capita share of the city's annual cost for animal control services administered through an annual appropriation to the Humane Society.

The capital projections apportion planned general government capital improvements which have not been included in the *Twin Buttes Impact Study*. These costs are based on a five year average (2009 – 2013) proposed in the City of Durango's 2008 Budget. The calculation is allocated to Twin Buttes on a per capita basis or as noted in Table Q. This five year average capital allocation assumes that additional capital improvements will be required in the future because of the city's increased population and size generated by Twin Buttes and that Twin Buttes' 1,305 residents will assume a per capita share for such improvements.

The annual public transit figure estimate provided by the Director of General Services represents a fair share of the estimated \$78,000 annual operational costs to serve the Twin Buttes area with public transit. The annualized cost for police services, public transit and general government reflect adjustments from the *Twin Buttes Impact Study* as noted in Table A – "Summary of Major Areas of Agreement and Needed Adjustments" in Part I of this document and as footnoted following Table Q.

Table Q
Annual City Expenditures for Twin Buttes Year 15

General Fund Expenditure	Annual Operations	Capital Outlay
General government	\$205,944	\$0
Public Safety - Police (a)	\$130,500	\$26,667
Public Safety - Fire	\$136,596	included
Sewer System	\$183,820	included
Water System	\$232,353	included
Public Safety	\$60,265	\$0
Public Works (b)	\$321,528	\$0
Parks & Recreation ©	\$477,370	\$0
Library	\$21,669	\$0
Public Transit (d)	\$78,000	\$11,895
General government capital outlay (e)	n / a	\$85,212
Annual Sub-Total	\$1,848,045	\$123,774
TOTAL: One-Time / Annual Year 15		\$1,971,819

(a) Assumes capital equipment for two Police Department vehicles will be replaced every 3 years and Public Transportation vehicle will be replaced every 5 years with credit allowed for a \$60,000 one-time contribution by Twin Buttes for one new transit vehicle.

- (b) Public Works assumes an average cost per mile for Twin Buttes 4.8 miles of roads and per capita cost for administration and engineering support.
- (c) Twin Buttes open space maintenance is assumed \$300 per acre every 10 years for fire mitigation.
- (d) Based on an annual operating cost of a route operating 12 hours per day, 5 days per week equating to \$78,000 annually.
- (e) Based on an average budgeted for years 2009 - 2013 of \$2,073,55, or \$131 per capita x 50% adjusted for non-residents times projected 1,305 Twin Buttes residents.

D. Economic Impact of Twin Buttes

The *Twin Buttes Impact Study* includes the induced economic impact on the community. These impacts are the effects of dollars in the local economy generated by the construction and financing of the development. Given an average of no more than 50 residential units built annually, the construction workers, construction materials and financing can be satisfactorily supported by the Durango economy.

The *Twin Buttes Impact Study* uses a multiplier effect ranging from 1.44 to 1.80 depending on the aspect of the local economy being measured. (See *Twin Buttes Impact Study* pages 8 - 12.) Although some retail expenditures that are tied to the multiplier will be spent outside of Durango, the U.S. Bureau of Economic Analysis regional input-output multipliers for Southwest Colorado used in the analysis are sound. Therefore, the projections with regard to construction related sales tax and sales tax from household consumption on Durango (See Table R - "Twin Buttes Economic Impact Summary") are reasonable.

In addition to the directly induced economic impact of these dollars, there are further multiplier effects from 3 or 4 to as many as 7 times within a local economy. These secondary multipliers are subject to many factors and widely debated. Therefore, they have not been included in either the *Twin Buttes Impact Study* or this Cost/Benefit Analysis. In summary, these economic impacts over the 15 year construction period of the Twin Buttes project total \$273.4 million and 289 jobs, or an annual average of \$17.2 million and 19 additional jobs as presented in the following Table R.

Table R
Twin Buttes Economic Impact Summary

Economic Factor	Total Amount	Output Multiplier	Earnings Multiplier	Employment Multiplier
Construction Spending (a)	\$147,195,200	x 1.72	x 1.60	x 1.80
SUB-TOTAL		\$253,173,744	\$235,512,320	265 jobs
Interest / Fees Paid (a)	\$14,075,541	x 1.44	x 1.59	x 1.72
SUB-TOTAL		\$20,268,779	\$22,380,110	24 jobs
15 YEAR TOTAL		\$273,444,523	\$257,892,430	289 jobs
ANNUAL AVERAGE		\$18,229,635	\$17,192,828	19 jobs (b)

(a) Source: U.S. Bureau of Economic Analysis; *Twin Buttes Impact Study*.

(b) Excludes 17 full-time municipal employees discussed in Section II – Cost/Benefit Analysis in Table U.

E. Other Fiscal Impact Issues

Value of Open Space

The developer estimates the value of the 230 acre open space dedication as approximately \$4.5 million based on a proportional cost of the recent purchase of land in Twin Buttes. According to La Plata County, 408 acres of the land encompassing the development are currently assessed at an average of \$7,262 per acre for the Twin Buttes parcels. (See Table S - "Twin Buttes Parcels Data 2008".) At this average assessed value, the value of the 230 acres is less than one-half this value, or approximately \$1.7 million.

However, the *Twin Buttes Impact Study* states that the land was acquired at a higher average value per acre. Regardless of the value assigned to the open space, there is no dispute that there is a significant value associated with the proposed dedication. This value is not included in the total amounts presented in Table R ("Twin Buttes Parcels Data 2008") but represents additional value to Durango offsetting the property taxes now generated as privately held property. Table S summarizes the current assessed values of the parcels in the Twin Buttes project.

Table S
Twin Buttes Parcels Data 2008

Parcel Number	Address	Appraised Land Value	Improvements Value	Assessed Value	Acres	Average Assessed Value per Acre
5661-261-00-001	20091 W US HWY 160	\$605,270	\$188,040	\$83,150	3.86	\$156,968
5661-231-00-035	None available	\$481,870	\$0	\$139,740	74.50	\$6,468
5661-252-00-011	20403 W US HWY 160	\$420,090	\$42,990	\$36,860	11.23	\$37,408
5661-242-00-053	None available	\$893,400	\$0	\$250,090	79.47	\$11,242
5661-243-00-064	20451 W US HWY 160	\$296,290	\$187,930	\$38,540	0.87	\$338,617
5661-243-00-065	20453 W US HWY 160	\$264,940	\$98,910	\$105,510	0.78	\$338,365
5661-234-00-367	None available	\$3,330	\$0	\$870	237.58	\$14
TOTAL		\$2,965,190	\$517,870	\$634,860	408.3	\$7,262

Source: La Plata County Assessor.

Real Estate Transfer Fee

The development proposes to implement a one percent real estate transfer fee to be paid by sellers of Twin Buttes homes, excluding the ADU units. The transfer fee revenue is intended to be earmarked for the Regional Housing Authority to support affordable and attainable housing. The transfer fee will be an important generator of new revenues for the Regional Housing Authority on behalf of affordable housing in the community and are projected to reach \$2.4 million over the first 15 years, or an annual average of \$164,167.

The following Table T ("Real Estate Transfer Fees Years 1 – 15") projects the revenues to be generated from the proposed real estate transfer fee during the first 15 years of the project's life. These assume the transfer fee is imposed upon start of development in year 1 and that the initially constructed units will begin to be turned over in ownership before the entire Twin Buttes development is completed.

Table T
Real Estate Transfer Fees Years 1 - 15

Year	Residential Unit Sales	New Unit Sales Revenues	Twin Buttes Unit Resale Revenues	TOTAL TRANSFER FEES
1	\$ 14,916,000	\$ 149,160	\$0	\$ 149,160
2	\$ 29,832,000	\$ 149,160	\$0	\$ 149,160
3	\$ 44,748,000	\$ 149,160	\$0	\$ 149,160
4	\$ 60,266,667	\$ 149,160	\$0	\$ 149,160
5	\$ 75,333,333	\$ 149,160	\$0	\$ 149,160
6	\$ 90,400,000	\$ 149,160	\$0	\$ 149,160
7	\$ 105,466,667	\$ 149,160	\$0	\$ 149,160
8	\$ 120,533,333	\$ 149,160	\$0	\$ 149,160
9	\$ 135,600,000	\$ 149,160	\$0	\$ 149,160
10	\$ 150,666,667	\$ 149,160	\$0	\$ 149,160
11	\$ 165,733,333	\$ 149,160	\$ 14,916	\$ 164,076
12	\$ 180,800,000	\$ 149,160	\$ 29,832	\$ 178,992
13	\$ 195,866,667	\$ 149,160	\$ 44,748	\$ 193,908
14	\$ 210,933,333	\$ 149,160	\$ 60,267	\$ 209,427
15	\$ 226,000,000	\$ 149,160	\$ 75,333	\$ 224,493
TOTAL YEARS 1 - 15		\$2,237,400	\$225,100	\$2,462,500
Annual Average Real Estate Transfer Fee Revenues				\$164,167

This proposed real estate transfer fee is proposed to continue generating further revenues to the Regional Housing Authority indefinitely as home ownership changes and home values increase. The *Twin Buttes Impact Study* projects a total of more than \$7 million from years 2031 to 2045 depending upon the rate of property turnover. Since this proposed transfer fee is not formally established, appropriate legal actions by the city are necessary to insure that this transfer fee is made permanent.

Solid Waste Fees

The city collects fees monthly for trash collection services. However, the Solid Waste Fund is designed to operate as an enterprise "pay-as-you-go" basis so that monthly customer charges offset the cost of collection, recycling and make an annual contribution to the solid waste equipment capital reserve. This includes the community's recycling programs. Therefore, the annual revenues to be collected from the residents and commercial

businesses in Twin Buttes are revenue neutral and do not positively nor negatively impact the City of Durango.

Durango School District Impact

Around 13 to 14 percent of the city's school aged population attends public school. Based on Twin Buttes housing 1,305 new residents, more than 175 additional students will be added to the Durango School District upon build out of the development's residential component.

The Durango school in-lieu fees projected from the residential units will generate a total of \$481,025 over 15 years based on the adopted school fee of \$945 per single family unit and \$245 per multi-family unit. These fees are lower than the \$1,142 average school fees collected in other Colorado jurisdictions that are up to \$2,280 in Boulder according to a National Impact Fee Survey 2007 prepared on behalf of the National Clearinghouse for Educational Facilities.

The Twin Buttes development will be generating an increased amount of property taxes to the Durango School District. Although this analysis does not attempt to determine the costs associated with accommodating new students residing in Twin Buttes, it is reasonable to conclude that the existing school in-lieu fees paid by the developer will not be sufficient to offset potential capital and/or on-going educational costs.

It is our understanding that members of the Twin Buttes development team and Durango School District representatives are negotiating additional financial related assistance over and above the adopted school fees to compensate for this impact. Such additional assistance from the Twin Buttes development (building financing and/or a school site, etc.) is warranted.

City of Durango Municipal Employment

The City of Durango currently has 304.5 full time employees. The number of the city's full time personnel will be required to increase as a result the projected 1,305 new Twin Buttes residents. The number of additional municipal employees will vary based on the type of services required.

On average, the City of Durango has 19 employees for every 1,000 residents. Based on the prevailing per capita employee average for municipal services expected to be most directly impacted by the demand for services, it is projected that the City of Durango will require a total of 17 new full-time employees upon build out of Twin Buttes. Part-time employees will also be required to be added, especially in parks and recreation and public transit. The costs associated with these employees are reflected in the general fund annual expenditures presented in Table Q ("Annual City Expenditures for Twin Buttes Year 15").

Table U
Existing and Projected City of Durango Personnel Count

City Fund / Department	2008 Budgeted Personnel	City of Durango Full-time Personnel per 1,000 Population	Population Driven Service Increase	Additional Full-time Personnel from 1,305 Twin Buttes Residents
Administration	34	2.1	No	0
Planning / Community Development	13	0.8	Yes	1.0
Police	68	4.3	Yes	2.6
Communications	19	1.2	Yes	1.6
Public Works	27	1.7	Yes	2.2
Parks and Recreation	32	2.0	Yes	2.6
Library	21.5	1.4	Yes	1.8
Buildings and Plant	4.5	0.3	No	0
Internal Service Funds	11.5	0.7	Yes	1.0
Water	16	1.0	Yes	1.3
Parking	5	0.3	No	0
Sewer	12	0.8	Yes	1.0
Airport	16	1.0	No	0
Solid Waste	8	0.5	Yes	0.7
Public Transit	17	1.1	Yes	1.4
TOTAL FULL-TIME EMPLOYEES	304.5	19.2	N/A	17+

Source: City of Durango 2008 Budget.

Durango Visitor Impact

The Twin Buttes project is expected to have minimal impact on visitor spending except for second home owners as calculated in the projected sales tax revenues. The 59,000 square feet of commercial development and predominantly neighborhood uses and location within the development minimize the attraction and expenditures of non-residents to the future Twin Buttes businesses. Consequently, the commercial development associated with Twin Buttes is unlikely to increase or attract many visitors.

Twin Buttes improved parks are intended to serve Twin Buttes residents, not catering to visitors. Although the proposed open space will be available to visitors, given the amount of other public lands in and around Durango, the proposed Twin Buttes open space, by itself, is not expected to increase visitation to Durango. Although Durango visitors will utilize the Twin Buttes trails, hiking and climbing opportunities, the open space will unlikely be the major purpose for visitors to come to Durango. Therefore, Twin Buttes is not expected to generate any measurable direct economic impact from Durango visitors.

F. Conclusion

Twin Buttes will have a significant economic and fiscal impact on Durango. A majority of assumptions and conclusions in the *Twin Buttes Impact Study* are reasonable. However, the *Twin Buttes Impact Study* overstates fiscal impacts to Durango in a number of areas and omits some capital costs as a result of the potential development of Twin Buttes.

The assessed value of the improved properties, property taxes, job creation, local sales taxes and projected number of residents and employees resulting from Twin Buttes are based on the conceptual development plan as submitted by Lightner Creek Ranch, LLC and under review by the city.

Finally, it should be noted that there is also a multiplier effect of City of Durango expenditures, not included in these economic projections, which will further contribute to the Durango economy. They are not incorporated into this cost/benefit analysis because they do not have a directly quantifiable impact on the City of Durango, and the frequency of dollar turnover is routinely subject to wide interpretation.

October 30, 2008
© RICHARD CAPLAN & ASSOCIATES

Attachment: Richard Caplan Resume

**PROPOSAL FOR
FISCAL IMPACT ANALYSIS OF QUIGLEY
ANNEXATION**

Prepared For

HAILEY, IDAHO

Prepared By

TischlerBise
Fiscal, Economic & Planning Consultants

NOVEMBER 14, 2008

November 14, 2008

Ms. Beth Robrahn, Planning Director
City of Hailey
115 S. Main Street
Hailey, Idaho 83333

RE: Request for Proposal – Fiscal Impact Analysis of Quigley Canyon Annexation Proposal

Dear Beth:

It is our pleasure to submit this proposal to prepare a fiscal impact analysis of the Quigley Canyon Annexation Proposal. There are several points I'd like to note that make our qualifications unique:

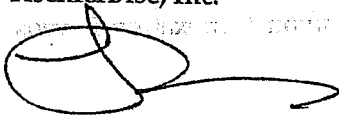
1. **TischlerBise has prepared more fiscal impact studies than any firm in the country.** The firm has unsurpassed expertise in the area of fiscal impact consulting and the development of fiscal/financial models, having conducted over 600 fiscal impact studies.
2. **TischlerBise's key personnel on this assignment are nationally recognized experts in the area of fiscal impact analysis.** Carson Bise, President of TischlerBise, will have primary responsibility for this assignment. Mr. Bise has developed and implemented more fiscal impact models utilizing the case study-marginal approach than any planner in the country. This level of national experience allows us to facilitate meaningful conversations with City service providers and identify cost drivers for specific services that can vary due to the unique characteristics of a jurisdiction and/or the specific development proposal being evaluated.
3. **TischlerBise has significant Idaho experience.** As outlined in our proposal, TischlerBise has conducted several fiscal impact analyses and numerous impact fee assignments throughout Idaho. This experience has provided us with an intimate knowledge of Idaho local government revenue structures and planning issues.

4. TischlerBise has conducted several related analyses in the City. TischlerBise has prepared annexation fees, impact fees and a Cost of Land Uses Fiscal Analysis for the City. This previous experience will enable us to "hit the ground running" if selected for this assignment.

We appreciate the opportunity to discuss our approach, qualifications and work scope with you. If selected, we will commit the necessary resources to fulfill the assignment efficiently and expeditiously.

Please contact me if you have any questions regarding this proposal. I can be reached at (800) 424-4318 or via email at carson@tischlerbise.com.

Sincerely,
TischlerBise, Inc.



L. Carson Bise II, AICP
President

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— UNDERSTANDING OF ASSIGNMENT —

In brief, the City of Hailey wants a fiscal impact analysis prepared in order to ascertain the impact of the Quigley Canyon Annexation on the City's operating and capital budgets. The plan provides for approximately 379 new dwelling units as well as an 18-hole public golf course and Nordic facility. This fiscal impact analysis will quantify the impact of this development at build-out to the City. TischlerBise recommends evaluating several development scenarios. This could include the developer's proposed absorption schedule as well as alternatives reflecting slower or faster absorption or changes in market conditions.

— PROJECT APPROACH —

Given the fact that each jurisdiction is unique in terms of demographics, budgetary structure, levels of service as well as growth pressures, TischlerBise recommends utilizing a case study-marginal approach in the fiscal impact analysis prepared for the Quigley Canyon Annexation. As the discussion below will indicate, this approach represents the true cash flow to the public sector since it reflects fiscal reality.

The two most commonly used fiscal impact methodologies are the average cost and the case study-marginal approach. The average cost approach is the most popular and frequently used method for evaluating fiscal impacts. Since this approach focuses on the average cost per capita or in some cases, per capita and job, it does not consider the available capacities of existing capital facilities. In addition, it masks spatial relationships and the timing of additional facilities required to serve new growth. A major advantage of the case study-marginal approach is the greater accuracy in forecasting short-term impacts of growth and policy decisions. Utilizing the Fire Department as an example, the average cost approach would divide the expenditure for fire services by population and possibly employment to arrive at a figure, say \$21 per person. This cost would occur regardless of any spatial distribution. The case study-marginal approach would reflect whether the Fire Department required additional space and apparatus to meet level of service times and responses. If new growth were primarily infill versus leap-frog development, the cost differential could be significant since in the former case there would be no additional cost for capital and associated personnel while in the latter case there might be a need for a new station with associated apparatus and personnel. A series of sensitivity evaluations would allow the client to understand whether any or all of proposed plans make sense from the perspective of timing and phasing. Please see the reprint, "Fiscal Impact Analysis: How Today's Decisions Affect Tomorrow's Budget," published by ICMA, in the Appendix to our proposal, which further discusses the reasons for using a case study-marginal approach.

Three examples indicate why a focus on the case study-marginal cost approach is needed, versus an emphasis on the per capita-average cost approach. TischlerBise recently completed

an assignment for Casa Grande, Arizona. In this case, a developer provided a fiscal impact analysis prepared by a consultant using the per capita-average cost approach for a proposed large-scale new development. TischlerBise was hired by the City to conduct the same analysis using the case study-marginal approach. The firm's analysis showed significant differences since the case study-marginal approach more accurately reflects the true demands for services and the need for capital facilities and related expenses reflected through timing. In other words, it reflects the fiscal reality of development. The developer subsequently agreed that the TischlerBise approach was more accurate.

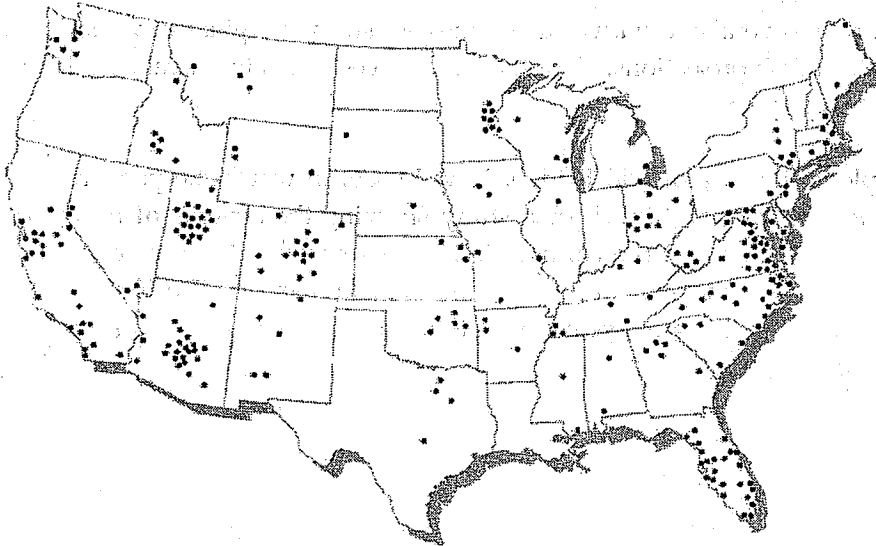
A similar situation occurred in Washoe County, Nevada, where a developer again submitted a per capita-average cost consultant study showing that the requested rezoning of 5,000 acres was beneficial to the County. The County hired TischlerBise to evaluate the proposed impact of the development under several alternatives using the case study-marginal approach. Except for the developer's very bullish projections, all of the alternatives generated fiscal deficits to the County for at least the first 15 years.

A third example is the City of Old Bridge, New Jersey, in which the per capita-average cost approach methodology was utilized for a study showing the benefits of a new development within the City. A segment of the community, upon reviewing this study, realized its faults. TischlerBise was hired to evaluate the same development. The firm's findings were considerably different in the initial years using the case study-marginal approach than had been indicated in the other study.

—TISCHLERBISE—

FIRM QUALIFICATIONS

TischlerBise is a fiscal, economic and planning consulting firm with over 25 years experience conducting fiscal impact analyses, developing fiscal and economic models, and preparing impact fee studies for local governments throughout the U.S. TischlerBise's experience in the area of fiscal impact analysis is unsurpassed, having prepared more fiscal impact analyses and fiscal impact applications than any other firm in the country. The map below illustrates the broad geographic diversity of our client base, as well as our Idaho clients.



Our Idaho clients include:

Ada County
Boise
Caldwell
Canyon County

Hailey
Jerome
Kellogg
Payette

Post Falls
Shoshone Fire District #2
Twin Falls
Treasure Valley Partnership

Hailey, Idaho—Proposal for Fiscal Impact Analysis of Quigley Annexation

TischlerBise’s recent/current fiscal impact assignments are listed in the table that follows.

State	Client	Cost of Land Use	Fiscal Analysis of Development Scenarios	Analysis of Annexation	Fiscal Impact Models	Development Projects
AK	Anchorage		X			
AK	Matanuska-Susitna Borough		X			
AZ	Payson					X
AZ	Queen Creek		X			X
AZ	Scottsdale	X	X		X	
AZ	Surprise					X
CA	Clovis		X			
CA	Imperial County			X		
CA	Pasadena					X
CO	Mesa County		X			
CO	Steamboat Springs	X				
CO	Westminster				X	
DE	New Castle County		X			X
FL	Hillsborough County		X		X	
FL	Kissimmee			X		
FL	Lake County Schools	X				
FL	Miami-Dade County		X			
FL	Plant City			X		
FL	Sarasota County	X				
FL	Sebastian	X				
GA	Columbus		X			
GA	Suwanee			X		
ID	Hailey	X				
KS	Lawrence	X	X			
KS	Lenexa	X	X			
KS	Olathe			X		
KY	Georgetown			X		
MA	Barnstable	X				
MA	Mashpee Commons					X
MD	Anne Arundel County		X			
MD	Calvert County		X			
MD	Carroll County		X		X	
MD	Frederick		X			

Hailey, Idaho—Proposal for Fiscal Impact Analysis of Quigley Annexation

State	Client	Cost of Land Use	Fiscal Analysis of Development Scenarios	Analysis of Annexation	Fiscal Impact Models	Development Projects
MD	Howard County		X			
MD	Prince George's County	X	X		X	
MD	Queen Anne's County		X			
MD	Rockville			X	X	
MD	Rouse Company/Howard County					X
MD	Snow Hill					X
MD	St. Mary's County					X
MD	Washington County		X			
MD	Worcester County		X			
MO	Lee's Summit				X	
NC	Cary	X	X		X	
NC	Chatham County					X
NC	Davie County	X				
NC	Guilford County		X			
NC	Holly Springs	X				
NC	UNC-Chapel Hill				X	X
NC	Wake County		X			
NC	Wilmington-New Hanover County		X			
NC	Wilson	X				
NH	Salem				X	
NJ	Edison					X
NJ	West Windsor					X
NM	Albuquerque				X	
NM	Bernalillo County				X	
NV	North Las Vegas	X				
NV	Nye County/Pahrump/Nye County Schools	X	X			
OH	Dublin		X		X	
OH	Marysville	X				
OH	Pickerington	X				
OK	Oklahoma City		X		X	
SC	Beaufort County		X			
SC	Horry County				X	
SC	Rock Hill			X		
TN	Germantown			X		
TN	Knox County		X			

Hailey, Idaho—Proposal for Fiscal Impact Analysis of Quigley Annexation

State	Client	Cost of Land Use	Fiscal Analysis of Development Scenarios	Analysis of Annexation	Fiscal Impact Models	Development Projects
TN	Nashville-Davidson County				X	
TX	Coppell					X
TX	San Antonio	X				
TX	Tyler	X				
UT	Bluffdale					X
UT	Draper					X
VA	Amherst County	X				
VA	Augusta County		X			
VA	Charles County	X				
VA	Chesapeake				X	
VA	Falls Church				X	
VA	Frederick County				X	
VA	Henrico County		X		X	
VA	Isle of Wight County					X
VA	Leesburg			X	X	
VA	Norfolk		X			
VA	Somerset Homes/King George County					X
VA	Stafford County					X
VA	Suffolk					X
WA	King County		X			
WI	Sun Prairie		X			
WV	McDowell County & Wyoming County		X			

Another important factor to consider related to this work effort is our relevant experience working for the City of Hailey. TischlerBise was first hired by the City to prepare annexation fees. Similar to impact fees, these fees are assessed against properties that are annexed by the City to offset capital costs. We subsequently prepared an impact fee study for the City as well. In addition, we prepared a Cost of Land Uses Fiscal Analysis for the City. This analysis evaluated discrete land use prototypes (e.g. single family housing units versus apartments) for their impacts on the City's operating and capital budgets. These assignments have given us an in-depth understanding of the City's revenue structure as well as the type of land use issues facing the City.

PERSONNEL QUALIFICATIONS

TischlerBise's widespread success can be attributed to its highly experienced staff of analysts, whose relevant experience is unsurpassed. It is anticipated that Carson Bise and Julie Herlands will comprise the project team for this assignment and collectively bring over 30 years of fiscal impact and planning experience to the assignment.

Carson Bise, President of TischlerBise, holds B.S. degrees in Geography and Political Science, an MBA in Economics and is a member of the American Institute of Certified Planners. He has over eighteen years of fiscal, economic and planning experience, having conducted fiscal evaluations in 25 states. Mr. Bise has developed and implemented more fiscal impact models utilizing the case study-marginal approach than any consultant in the country. The applications he has developed have been used for evaluating multiple land use scenarios, specific development projects, annexations, urban service provision, tax-increment financing, and concurrency/adequate public facilities monitoring. Mr. Bise has also written and lectured extensively on fiscal impact analysis. His most recent publications are a chapter on fiscal impact analysis in the book *Planning and Urban Design Standards*, published by the American Planning Association, and the recently released ICMA IQ Report, *Fiscal Impact Analysis: How Today's Decisions Affect Tomorrow's Budgets*. Mr. Bise was also the principal author of the fiscal impact analysis component for the Atlanta Regional Commission's Smart Growth Toolkit and is featured in the recently released AICP CD-ROM Training Package entitled *The Economics of Density*. In addition, Mr. Bise is a leading national figure on impact fees, having completed over 125 impact fees for the following categories: parks and recreation, open space, police, fire, schools, water, sewer, roads, and general government facilities. He is currently on the Board of Directors of the National Impact Fee Roundtable and is Chair of the American Planning Association Paying for Growth Task Force.

Julie Herlands holds a B.A. in Political Science and a Masters of Community Planning from the University of Maryland, and has over eight years of planning, fiscal, and economic development experience. Prior to joining TischlerBise, Ms. Herlands worked in the public sector in Fairfax County, VA, and in the private sector for the International Economic Development Council. She has conducted fiscal impact analyses of major residential and commercial development projects in Columbia, MD (Howard County); Snow Hill, MD; King George County, VA; Queen Creek, AZ; and Coppell, TX. She has also conducted fiscal impact analyses of growth scenarios for a number of communities including: Nye County/Town of Pahrump/Nye County School District, NV; Henrico County, VA; Queen Creek, AZ; and the Town of Leesburg, VA. In addition, she has prepared over 60 impact fees for communities across the country and is currently preparing school impact fees for Orange County, NC. She frequently presents at national and regional conferences. A recent session on impact fees and cash proffers at the American Planning Association National Conference is available through the American Planning Association training series, *Best of Contemporary Community Planning 2005*. She is currently the Secretary-Treasurer of the Economic Development Division of the American Planning Association.

—WORK SCOPE—

Task 1: Review of Population, Households and Employment Forecast

Preliminary development data exists for the proposed Quigley Canyon Annexation proposal. As part of this task, TischlerBise will review and confirm the anticipated development schedule. It is desirable to compare alternative scenarios against the conceptual phasing plan submitted on behalf of the Quigley Annexation. TischlerBise will work with staff to identify alternative scenarios for testing. We suggest dividing the Quigley Canyon Annexation proposal into two geographies, or fiscal analysis zones (FAZ). This will allow the City to independently understand the impacts of the residential component to that of the Golf Course and Nordic facility.

Task 2: Conduct Level of Service and Cost and Revenue Factor Interviews

In this task we will conduct onsite interviews with City of Hailey staff. The purpose of these onsite interviews is to provide TischlerBise with an understanding of the department structure and scope of operations, discuss facility-related variable costs and other operating expenses, determine level of service standards, as well as discuss and agree upon methodologies for forecasting future demand for services and facilities. The demand sources for the various services and facilities will vary by activity and department. The firm will supplement this task with our extensive national experience conducting fiscal impact analyses. This experience allows us to facilitate meaningful conversations with service providers and identify cost drivers for specific services that can vary due to the unique characteristics of a jurisdiction.

In discussing capital facility needs with personnel, we are likely to utilize a combination of approaches. One approach will be direct entry of capital facility information. Additionally, we will design the fiscal impact model to determine, based on current levels of service, if there is a need for additional capital facilities not identified in the CIP as a result of this annexation proposal.

Task 3: Prepare Level of Service and Cost and Revenue Factor Memorandum

Information obtained during the previous task will be prepared in a Level of Service, Cost and Revenue Factor Memorandum. This memorandum will show the different cost components for the various service providers, including both facility and non-facility related operating expenses, methodologies for forecasting future capital facility needs and associated operating expenses. The memorandum will also contain a separate chapter showing revenue sources and associated projection methodologies.

Task 4: Design Fiscal Impact Model

Based on the methodologies and factors contained in the Level of Service Memorandum prepared in the previous task, TischlerBise will develop the fiscal model for this assignment.

Task 5: Prepare Fiscal Impact Report

TischlerBise will prepare a draft fiscal impact report that describes in succinct fashion the fiscal findings by fiscal analysis zones (i.e. residential component versus Golf Course/Nordic facility). It is anticipated the report will have the following categories:

- Executive Summary
- Cumulative Fiscal Results by FAZ
- Annual Fiscal Results by FAZ
- Average Annual Fiscal Impact Results by FAZ
- Major Revenue Findings
- Major Capital Cost Findings
- Major Operating Expense Findings

The fiscal report will be a stand-alone document, which will be clearly understood by all interested parties. The analysis will address results for each jurisdiction. The fiscal impact report will present all of the major findings and the reasons for the results. After Client review, the final report will be issued.

Task 6: Presentation of Fiscal Impact Report

TischlerBise will present the findings of the fiscal impact report. (Additional meetings will be conducted on a per diem basis.)

—SUPPORT NEEDED FROM CITY STAFF—

We generally estimate that most departments will spend no more than 4-6 hours of their time in support of our work effort. This will involve time spent during our onsite interviews as well as providing data. It is important to note that we will be asking for data that already exists. We will not be asking departments to create new data. Obviously, project management staff may spend more time devoted to this assignment. We will rely heavily on City staff for data regarding the likely assessed/taxable value of each land use. TischlerBise will assist with defining the other characteristics for each land use. The City will be requested to supply current budget and capital improvement plan documents.

—DISCLOSURES—

TischlerBise, Inc. has no conflicts of interests associated with performing the work requested by the City of Hailey.

— DELIVERABLES —

TASK	DELIVERABLE
Task 1: Review of Population, Households and Employment Forecast	Memorandum on Demographic Forecast
Task 2: Conduct Levels of Service and Cost and Revenue Factor Interviews	Memoranda As Appropriate
Task 3: Prepare Level of Service and Cost and Revenue Factor Memorandum	Level of Service and Cost and Revenue Factor Memorandum
Task 4: Design Fiscal Impact Model	Memoranda As Appropriate
Task 5: Prepare Fiscal Impact Report	Draft and Final Fiscal Impact Report
Task 6: Presentation of Fiscal Impact Report	Appropriate Materials and Graphics

— SCHEDULE —

The time frame is estimated at about three months to complete this assignment.

TASK	MONTH 1	MONTH 2	MONTH 3
Task 1: Review of Population, Households and Employment Forecast	■		
Task 2: Conduct Levels of Service and Cost and Revenue Factor Interviews	■		
Task 3: Prepare Level of Service and Cost and Revenue Factor Memorandum		■	
Task 4: Design Fiscal Impact Model		■	
Task 5: Prepare Fiscal Impact Report			■
Task 6: Presentation of Fiscal Impact Report			■

— COST —

As shown below, the cost for the fiscal impact analysis is \$38,600. This includes all travel and other expenses.

	Cost
Task 1: Review of Population, Households and Employment Forecast	\$3,200
Task 2: Conduct Level of Service and Cost and Revenue Factor Interviews	\$7,800
Task 3: Prepare Level of Service and Cost and Revenue Factor Document	\$5,900
Task 4: Design Fiscal Impact Model	\$10,700
Task 5: Prepare Fiscal Impact Report	\$7,100
Task 6: Presentation of Fiscal Impact Report	\$3,900
TOTAL	\$38,600

—RELEVANT PROJECTS/REFERENCES—

Client

Imperial County Local Agency Formation Commission, California

Contact

Jurg Heuberger AICP, CEP, CBO
Executive Officer
(760) 482-4236



Nature of Assignment

TischlerBise considered the full fiscal impact of four proposed annexations from unincorporated Imperial County to jurisdictions within the County. Each study considered projected revenues and expenditures (operating and capital) at built-out. Three studies analyzed the fiscal impact of annexations to El Centro: Las Aldeas, Rosswood and Lotus Ranch. The Los Lagos study considered a proposed annexation to Calexico. The studies took a marginal approach to property tax revenue projections reflecting anticipated sales values and considering anticipated apportionment of property tax revenues between the County and the applicable jurisdiction. TischlerBise's impact fee study for Imperial County served as the basis for establishing each new development's impact on the County's Capital Budget. The impact fee study for El Centro, also prepared by TischlerBise, was used to determine the capital impact of annexation for the City.

Client

Winchester-Frederick County Economic Development Commission, Virginia

Contact

Patrick Barker, Executive Director
(540) 665-0973

Nature of Assignment

The Winchester-Frederick County Economic Development Commission contracted with TischlerBise to design and implement a development impact model for use by Frederick County, VA. Once selected for this assignment, TischlerBise interacted with a public/private sector working group who reviewed level of service and cost/revenue assumptions and assisted with implementation of the finished model. Since most counties in Virginia are not authorized to collect impact fees, and therefore rely on "voluntary" cash proffers, the output on capital facility impacts provides valuable information for proffer negotiations at the time of rezoning.



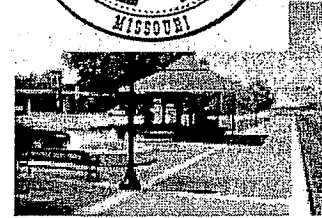
Client

Lee's Summit, Missouri



Contact

Steve Arbo, Assistant City Manager
(816) 969-1023



Nature of Assignment

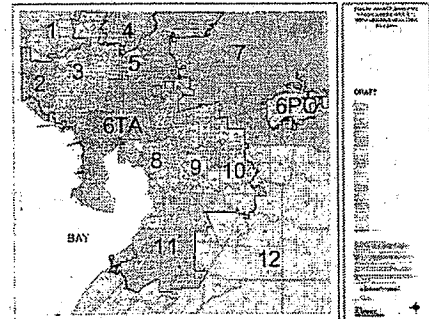
TischlerBise recently completed implementation of a long-term financial model for this rapidly growing suburb in the Kansas City metropolitan area. One of the City's concerns is whether or not it is living off tomorrow's growth, especially in light of the fact that buildout will most likely occur in the next fifteen years. Therefore, the application developed by TischlerBise allows staff to model specific development projects as well as Citywide development scenarios over time.

Client

Hillsborough County City-County Planning Commission, Florida

Contact

Robert Hunter, FAICP, Executive Director
(813) 273-3774



Nature of Assignment

This was a two-phase assignment that was conducted at both a macro and micro level. First, TischlerBise conducted a countywide fiscal analysis of the current growth trend over a 25-year period. This included dividing the County into 12 subareas, or fiscal analysis zones. The analysis indicated that the County is unable to maintain current levels of service for new growth without new revenue sources or increases to existing rates. The second phase involved developing a fiscal impact model that can be used to evaluate specific development proposals at a micro level.

Client

County of Henrico, Virginia



Contact

Joe Emerson, Assistant Director of Planning
(804) 501-4605

Nature of Assignment

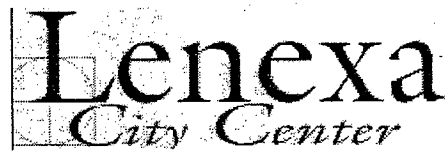
TischlerBise recently conducted a fiscal impact analysis in conjunction with the development of the Henrico County 2026 Comprehensive Plan. TischlerBise employed the case study marginal cost approach to evaluate the fiscal impact of various growth scenarios as developed through the comprehensive planning process. The analysis evaluates the fiscal impacts by sub-area based on location, density/intensity, and timing of growth. The results were prepared as a stand-alone analysis as well as incorporated into the final Comprehensive Plan. In addition, TischlerBise is developing a customized fiscal impact model for use by the County to analyze individual development proposals. The model will allow the County to vary land use and financial assumptions to reflect changing conditions.

Client

City of Lenexa, Kansas

Contact

Matt Shatto, Assistant City Manager
(913) 477-7556



Nature of Assignment

TischlerBise recently completed a fiscal impact analysis for the City of Lenexa. As the City approaches build-out, the Council and management team wanted to evaluate the fiscal impact of what happens under the current land use plan, as well as evaluate different land use options on the few parcels where there is still an opportunity to shape development. TischlerBise employed the case study- marginal cost approach in this analysis. In addition, TischlerBise prepared a Cost of Land Uses fiscal impact analysis, which evaluates the generalized impact individual land use categories have on the City. This type of analysis is extremely helpful in gaining an understanding of which land uses offer the most “bang for the buck,” which is useful when determining which land uses to actively encourage as well as incentivize.

EXPERIENCE

Carson Bise has 18 years of fiscal, economic and planning experience and has conducted fiscal and infrastructure finance evaluations in 25 states. Mr. Bise has developed and implemented more fiscal impact models utilizing the case study-marginal approach than any consultant in the country. The applications he has developed have been used for evaluating multiple land use scenarios, specific development projects, annexations, urban service provision, tax-increment financing and concurrency/adequate public facilities monitoring. Mr. Bise has also completed over 130 impact fees for the following categories: parks and recreation, open space, police, fire, schools, water, sewer, roads, municipal power and general government facilities. In his six years as a planner at the local government level, he coordinated capital improvement plans, conducted market analyses and business development strategies, and developed comprehensive plans. Mr. Bise has also written and lectured extensively on fiscal impact analysis. His most recent publications are a chapter on fiscal impact analysis in the book Planning and Urban Design Standards, published by the American Planning Association, and the recently released ICMA IQ Report, *Fiscal Impact Analysis: How Today's Decisions Affect Tomorrow's Budgets*. Mr. Bise was also the principal author of the fiscal impact analysis component for the Atlanta Regional Commission's Smart Growth Toolkit and is featured in the recently released AICP CD-ROM Training Package entitled *The Economics of Density*. Mr. Bise is currently on the Board of Directors of the National Impact Fee Roundtable and is Chair of the American Planning Association Paying for Growth Task Force.

REPRESENTATIVE PROJECTS

- *Fiscal Impact Analysis: City of Wilmington and New Hanover County, North Carolina.* Mr. Bise evaluated the fiscal effects of providing urban and nonurban services to areas outside of the City. This included evaluating existing and improved levels of service.
- *Fiscal Impact Analysis: Anchorage, Alaska.* Mr. Bise evaluated the fiscal impact of five future land use scenarios being considered as part of the Municipality's General Plan process.
- *Fiscal Impact Analysis: Metropolitan Council, Minnesota.* Mr. Bise managed and conducted this unique regional fiscal impact evaluation, which compared a compact development pattern against a more suburban one in an eight-city region.

L. Carson Bise II, AICP

- *Fiscal Impact Analysis: Howard County, Maryland.* Mr. Bise conducted an innovative fiscal impact analysis evaluating fiscal impacts of growth as well as the fiscal impacts of providing continuing services and infrastructure to the existing population.
- *Annexation Study: Germantown, Tennessee.* Ms. Bise evaluated various scenarios for two areas being considered for annexation.
- *Fiscal Equity Evaluation: Shelby County, Tennessee.* Mr. Bise evaluated the fiscal equity of the County receiving taxes from residents in and outside of the City and providing different services to the incorporated and unincorporated areas.
- *Impact Fee Evaluations.* Mr. Bise has completed over 130 impact fee studies for water and sewer, roads, parks and recreation, open space and trails, municipal power, general government buildings and equipment, transit, schools, and public safety buildings and equipment. Clients include: Orange Beach, AL; Gulf Shores, AL; Camp Verde, AZ; National City, CA; Hemet, CA; Banning, CA; Greenville, NC; Polk County, FL; School District of Pasco County, FL; School District of Lee County, FL; School District of Seminole County, FL; Castle Rock, CO; Greeley, CO; Eaton, CO; Steamboat Springs, CO; Clinton, UT; Farmington, UT; Logan, UT; Charles County, MD; and the State of Delaware.
- *Assessment District Evaluation: Draper, Utah.* Mr. Bise evaluated the differential costs associated with a proposed mountain top mixed-use development and necessary revenue rates for an assessment district to provide the necessary infrastructure.
- *Capital Improvement Planning.* Mr. Bise was responsible for coordinating the annual Capital Improvement Plan in Frederick County, Virginia and was the project manager of the Public Facilities Plan in Chesterfield County, Virginia.
- *Economic and Market Feasibility Studies: Chesterfield County, Virginia.* Mr. Bise was project manager for a market analysis and business development strategy for an older commercial area in the County. As part of this project, Mr. Bise facilitated the organization of a business group to aid in the implementation of the business development strategy.

EDUCATION

M.B.A., Economics, Shenandoah University

B.S. Geography/Urban Planning, East Tennessee State University

B.S. Political Science/Urban Studies, East Tennessee State University

REGISTRATIONS & AFFILIATIONS

- Member of the Board of Directors for the National Impact Fee Roundtable
- American Institute of Certified Planners
- American Planning Association (APA)
- Past Secretary/Treasurer, Economic Development Division of the APA

SAMPLE SPEAKING ENGAGEMENTS

- Dealing with the Cost of Growth: From Soup to Nuts, International City/County Management Association National Conference
- Demand Numbers for Impact Analysis, National Impact Fee Roundtable
- Calculating Infrastructure Needs with Fiscal Impact Models, Florida Chapter of the American Planning Association Conference
- Economic Impact of Home Building, National Impact Fee Roundtable
- Annexation and Economic Development, American Planning Association National Conference
- Economics of Density, American Planning Association National Conference
- The Cost/Benefit of Compact Development Patterns, American Planning Association National Conference
- Fiscal Impact Modeling: A Tool for Local Government Decision Making, International City/County Management Association National Conference
- Fiscal Assessments, American Planning Association Conference
- From Soup to Nuts: Paying for Growth, American Planning Association Conference
- Growing Pains, International City/County Management Association National Conference
- Fiscal Impact Analysis in Comprehensive Planning, Virginia Chapter of the American Planning Association Conference
- Mitigating the Impacts of Development in Urban Areas, Florida Chapter of the American Planning Association
- Fiscal Impact Assessment Training Workshop, American Planning Association Workshop
- Impact Fee Basics, National Impact Fee Roundtable
- Fiscal Impact Analysis and Impact Fees, National Impact Fee Roundtable

SAMPLE PUBLICATIONS

- Planning and Urban Design Standards, American Planning Association, Contributing Author on Fiscal Impact Analysis.
- Fiscal Impact Analysis: How Today's Decisions Affect Tomorrow's Budgets, ICMA Press.
- "The Cost/Contribution of Residential Development," Mid-Atlantic Builder.
- "Are Subsidies Worth It?" *Economic Development News & Views*.
- "Smart Growth and Fiscal Realities," *ICMA Getting Smart! Newsletter*.

JULIE E. HERLANDS

Principal

TischlerBise
Fiscal, Economic & Planning Consultants

EXPERIENCE

Ms. Herlands has over eight years of planning, fiscal and economic development experience in both the private and public sectors. Her experience includes fiscal impact analyses, impact fee studies, economic and market feasibility studies, and economic development assessments. Prior to joining TischlerBise, Ms. Herlands worked in the public sector in Fairfax County, VA, and for the private sector for the International Economic Development Council. Ms. Herlands conducts impact fees and fiscal impact analyses for communities across the country. She has prepared over 70 impact fees and other one-time fees and is a frequent speaker at national and regional conferences on impact fees and fiscal impact analysis. A recent session on impact fees and cash proffers presented at the APA National Conference is available through the APA training series, *Best of Contemporary Community Planning 2005*.

REPRESENTATIVE PROJECTS

- ***Impact Fee and Other One-Time Fee Evaluations.*** Ms. Herlands has completed over 70 impact fees and other one-time fees including cash proffers and voluntary mitigation payments for the following infrastructure categories: roads; schools; sewer; water; parks and recreation; libraries; general government buildings and equipment; storm water/drainage; police; and fire. Recent and current clients include: Henrico County, VA (road impact fees and cash proffers); Goochland County, VA (cash proffers); Talbot County, MD; Dorchester County, MD; Easton, MD; Caroline County, MD; Wicomico County, MD; Worcester County, MD; Salisbury, MD; Stuart, FL; Port St. Lucie, FL; Plant City, FL; Evanston, IL; Nye County/Pahrump, NV; North Las Vegas, NV; Catawba County, NC; Cabarrus County, NC (voluntary mitigation payments); Orange County, NC; Post Falls, ID; Sussex County, VA (cash proffers); and Spotsylvania County, VA (road impact fees).
- ***Fiscal Impact Analysis: Nye County/Town of Pahrump/Nye County Schools, Nevada.*** For three entities in this growing area approximately 60 miles outside Las Vegas, Ms. Herlands analyzed the fiscal impact of growth using two approaches. First, she conducted a Cost of Land Use Study to determine what type of development produces net surpluses to each entity. Then, she conducted an analysis of multiple growth scenarios over a 10-year planning horizon.
- ***Fiscal Impact Analysis: Henrico County, Virginia.*** As part of the County's Comprehensive Plan update, Ms. Herlands conducted a fiscal impact analysis. The analysis employs a case

Julie E. Herlands

study-marginal cost approach to evaluate the fiscal impact of the preferred growth scenario. The comprehensive analysis evaluates the fiscal impacts by sub-area based on location, density/intensity, and timing of growth.

- *Fiscal Impact Analysis: Queen Creek, Arizona.* Ms. Herlands analyzed the fiscal impact of growth on this rapidly growing Phoenix suburb based on different residential and employment growth scenarios. This analysis was conducted in conjunction with the firm's impact fee study.
- *Fiscal Impact Analysis: Proposed Mixed-Use Development in Howard County, Maryland.* Ms. Herlands analyzed the fiscal impact of a major new mixed-use development in the Town Center of Columbia, Maryland, one of the original new towns.
- *Economic and Market Feasibility Studies.* Ms. Herlands has conducted and managed economic and market feasibility analyses for both the private and public sectors. While with the International Economic Development Council, Ms. Herlands conducted feasibility analyses for clients such as community development corporations. In Fairfax County, VA, she managed an economic and fiscal impact study for a proposed public-private redevelopment venture and assessed the feasibility of public revitalization initiatives.
- *Economic Development Assessments.* Ms. Herlands has conducted numerous economic development assessments, which include investigation into a community's economic development infrastructure as well as tools and sources for public financing of economic and real estate development. While with Fairfax County, Ms. Herlands assessed the financial tools available for revitalization in the County.

EDUCATION

M.C.P., University of Maryland

B.A. Political Science, University of Buffalo

AFFILIATIONS

- American Planning Association (APA)
- Secretary/Treasurer, Economic Development Division of the APA
- Virginia Chapter of the American Planning Association
- National Impact Fee Roundtable

SPEAKING ENGAGEMENTS

- Voluntary Mitigation Payments: An Alternative to Impact Fees, American Planning Association National Planning Conference, 2007
- Proffers vs. Impact Fees: The Virginia Experience, National Impact Fee Roundtable, 2006
- Impact Fee—Or Is It? American Planning Association National Planning Conference, 2005
- Integrating Planning with School Demands, American Planning Association National Planning Conference, 2005
- Fiscal Impact Analysis and Cash Proffers in Virginia Jurisdictions, Annual Virginia Planning Conference, 2005
- Planning and Fiscal Reality, American Planning Association National Planning Conference, 2004

PUBLICATIONS

- "Agreements, Fees, and CIP," *The Best of Contemporary Community Planning, 2005*, Training CD-ROM (American Planning Association and Lincoln Institute of Land Policy)
- "The Connection between Growth Management and Local Economic Development," *Economic Development News & Views* (Economic Development Division of the APA)

W. DAVID EBERLE CONSULTING, INC.

Ph.D. Public Policy Economics/M.A. Regulatory Economics

760 Harcourt Road □ Boise, Idaho 83702 □ (208) 383-9625 □ Fax (208) 383-3470

Diane Kushlan AICP
PLANNING AND MANAGEMENT SERVICES

November 17, 2008

Beth Robrahn, AICP
Planning Director
City of Hailey

RE: Quigley Annexation RFP

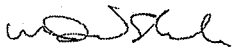
Dear Ms. Robrahn:

Please find enclosed a response to your Request for Proposal. The work product produced by the team, Eberle Consulting Inc. and Planning and Management Services will provide the City of Hailey with a benchmark level of service review, a land use cost-of-service workbook, a cost benefit analysis that will articulate how the current CIP and LOS meet citizen expectations and the net impact the Quigley annexation will have on Hailey's fiscal outlook and quality of life.

The benchmark analysis will review the adopted levels of service and the capital improvement plan and present it in a public friendly manner to the citizenry to evaluate consistency between the current plans and public expectations. The cost-of-service workbook will determine the required capital infrastructure based on Hailey's adopted level of service, its accompanying life cycle maintenance and operation costs of the capital infrastructure if Hailey annexes Quigley Canyon. The model will be sufficiently flexible to be able to evaluate different build out durations, varying number of units, and the different level-of-service criteria. Finally, cost benefit analysis will provide the impact that different scenarios will have on the property tax base, state revenue sharing formulas, and local option taxation. The flexibility of the model will provide the city of Hailey with the ability to conduct a gap analysis of the project.

Eberle Consulting and Planning and Management Services are uniquely qualified for the RFP. As Boise City council President, David Eberle is familiar with the fiscal and operating issues confronting a city with annexation. Diane Kushlan has extensive experience at the staff level working with ordinance and land use policy issues. As an economist David Eberle has conducted all the types of analyses requested in the RFP. Diane Kushlan has extensive experience in working with the public in a professional and engaging manner. Finally Diane Kushlan and David Eberle both have a firm grasp of Idaho issues with work in both Blaine and Valley Counties.

Respectfully,



W. David Eberle, President

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W. DAVID EBERLE CONSULTING, INC.

Ph.D. Public Policy Economics/M.A. Regulatory Economics

760 Harcourt Road □ Boise, Idaho 83702 □ (208) 383-9625 □ Fax (208) 383-3470

Diane Kushlan AICP

PLANNING AND MANAGEMENT SERVICES

Quigley Annexation Tasks and Deliverables

1. Review Hailey's goals and objectives with staff. This preliminary meeting is to establish clear expectations and lines of communication between the city and the consultant.
2. Compilation of relevant documents, including but not limited to:
 - a. Hailey's Development Impact Fee Study
 - i. Current level-of-service (LOS) for city services
 - ii. Existing deficiencies
 - iii. Worksheet for impact fee calculations
 - b. Hailey's certified auditors financial report (CAFR) for FY 2007-2008
 - c. Hailey's FY 2009 budget
 - d. Hailey's 20 year Capital Improvement Plan (CIP) and 5 year work plan
 - e. Other tax agencies' financial reports for two years that the city wishes to include in this study; for example, Blaine County Recreational District, School District etc.
 - f. Developer's market valuation of lots and anticipated housing values
 - g. Developer's marketing plan for build out
 - h. Developer's plan for homeowners association responsibilities and anticipated activation date
 - i. Legal opinion on developer's water rights, CFS flow, and distance from city water lines
3. First Deliverable – Benchmark Level-of-Service Review and Recommendations
 - a. Review current 20 CIP, LOS and existing deficiency
 - b. Two community site visits
 - i. First visit is expected to start at 10am meeting with staff, noon or afternoon meeting with elected officials and other taxing districts as deemed necessary concluding with an afternoon or evening presentation of current LOS and capital improvement plan. At the evening meeting input will be taken from public.
 - ii. Second meeting will present the conclusions of the first visit sessions and seek reaction input and refinement of observations.
 - c. Establishment of benchmark standards for city services and capital improvements
4. Second Deliverable – Cost-of-Service Workbook
 - a. Excel workbook internally links the standards developed in first deliverable; the costs developed from the CAFR and other relevant financial reports; the demands put on city services developed from the applicants work papers; and the anticipated revenue stream from the land development and amenities.

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Cost and Timeline

1.	December 12, 2008 - Set goals and expectations	
a.	Travel two persons	\$ 1,800
b.	Preparation of goals and objectives	\$ 750
2.	December 15, 2009 - Compilation of data by:	
a.	City of Hailey <i>staffing over holiday may be a concern</i>	
b.	Analysis and data input of relevant information	\$ 6,000
3.	January 9, 2009 – First meeting held	
a.	Travel two persons	\$ 1,800
b.	Meeting with staff, elected officials and public	\$ 2,400
4.	January 16, 2009 - First Deliverable	
a.	Draft Review Benchmark Level-of-Service Review	\$ 6,000
5.	February 16, 2009 - Second Deliverable	
a.	Draft Review Cost-of-Service Workbook	\$ 7,500
6.	February, 20, 2009 – Second meeting held	
a.	Travel two persons	\$ 1,800
b.	Meeting with staff, elected officials and public	\$ 1,500
7.	March 2, 2009 Third and Fourth Deliverables	
a.	Cost Benefit Analysis of Golf Course and Nordic Center	\$ 6,000
b.	Final Report	\$ 7,500
c.	Travel two persons	\$ 1,800
d.	Meeting with staff, elected officials and public	<u>\$ 1,500</u>
	Total Project Cost	<u>\$46,350</u>

References:

David Eberle

City of Boise, Parks Department and Division of Financial Management - Development Impact Fee study and City Budget Management

City of Mountain Home, ID, City Clerk's Office – Development Impact Fees

Blaine County Planning and Development Services – Cove Springs

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Garden City, ID, Planning and Development Services, Ordinance Development

Caldwell ID, Economic Development Office

City of Mountain Home, Clerks Office Development Impact Fee study

City of Boise, Division of Financial Management and Mayors office, Development Impact Fee study, and strategic planning

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Statement of Qualifications

W. David Eberle, Ph.D.



Dr. Eberle, a native of Boise, Idaho, operates his own economic consulting firm and is a small business owner. W. David Eberle Consulting Inc. was incorporated in January of 1998. Dr. Eberle began his professional career in the Treasure Valley in 1978 as a staff economist with Idaho Power. In 1983 Dr. Eberle left Idaho Power Company to reinstate The College of Idaho economics department. Over the next ten years Dr. Eberle taught full time at Boise State University. During this period Dr. Eberle also served as a member of the Andrus Idaho Business Council. In December of 1995 Dr. Eberle completed his Ph.D. in economics from the University of Nebraska and shortly after began his consulting firm. The firm is a general practice that focuses on four areas: microeconomic analysis, public finance, labor economics, and urban economics. Dr. Eberle's work has taken him before the Idaho State

Legislature and court rooms and regulatory agencies as an expert representing his clients. While the topics and venues change according to the needs of the clients Dr. Eberle adheres to the principles of rigorous economic analysis. Dr. Eberle has also been involved in the local community sharing his time and expertise over the years.

He has been an incorporator for the Boise Improvement District, Idaho Small Business Development Center, and The Land Trust of the Treasure Valley. Additionally, Dr. Eberle has helped produce a number of public and professional seminars. Dr. Eberle also sits on the Capital City Development Corporation Board as well boards of privately and publicly held companies. And, Dr. Eberle was elected to the Boise City Council in 2003 and currently serves as Council President. For a complete resume please visit www.wdeberleconsulting.com

Education

- Ph.D., Economics, University of Nebraska, Lincoln, Nebraska, December 1995.
- M.A., Economics, University of New Mexico, Albuquerque, New Mexico, August 1976.
- B.A., Economics, The Colorado College, Colorado Springs Colorado, December 1974.

Selected Projects

- **Blaine County - Cove Springs Development**, (2005-2007) Socio-economic impact study on Blaine County revenues and services for a proposed 335 unit PUD.
- **Valley County - Red Ridge Ranch Development** (2005) and **Coach Crossing** (2006) Socio-economic impact studies on Valley County and Donnelly, revenues and services for a proposed 254 and 285 unit subdivisions.
- **Development Impact Fee Studies - Boise City Parks and Recreation Development Impact Fee Update**, (2003), **Mountain Home Development Impact fee Study** (2005) and **ACHD Co-Chair Development Impact Fee Committee**
- **Capital Improvement Plans – City of Meridian** (1998) and **COMPASS, Ada, Canyon County MPO** (2002)
- **Earth Tech Engineers** (1997) Economic impact model for Quail Hollow Golf Course
- **Boise City Council** – As council President responsible for \$200 million budget, set policy for land use patterns and infrastructure needs that includes oversight of the Warm Springs Municipal Golf course, the Idaho Ice World recreation center and the Boise River greenbelt and trail system.

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Diane Kushlan, AICP

PLANNING AND MANAGEMENT SERVICES is a sole proprietor consulting practice began in 2002. The firm provides a full range of planning services exclusively to Idaho communities and public agencies.

EXPERIENCE

- 35 years of local government experience resolving land use issues in the states of California, Washington, and Idaho.
- 35 years of planning experience including comprehensive, neighborhood, sub-area, and policy planning; environmental analysis in compliance with state and federal regulations; and planning implementation tools and regulations, including zoning, design, historic preservation and subdivision requirements.
- 35 years of collaborative planning with competing interests including citizens, developers and elected officials.
- 6 years of experience providing planning consulting services exclusively to Idaho jurisdictions including the cities of Boise, Caldwell, Garden City, Ketchum, Meridian, Middleton, Mountain Home, Nampa, Sun Valley, and rural communities in Canyon and Washington Counties.
- Expertise in assessing the feasibility of planning tools to meet the desired outcomes.

Planning and Management Services, Boise, Idaho (2002-current)

Right-of-way and Development Services Manager Ada County Highway District (2000-02).

Planner III Ada County, Idaho (2000)

Capital Projects Manager City of Mercer Island, WA (1997-99)

Development Services Manager City of Mercer Island, WA (1993-99)

Associate Phillip Kushlan and Associates (1995-99)

Community Planning & Development Director, City of Carmel-by-the-Sea, CA. (1983-93).

Environmental Coordinator City of Bellevue, WA (1979-83)

Planner Orange County, CA (1973-79)

EDUCATION

Master of City Planning

Bachelor of Arts Recreation Administration

San Diego State University, San Diego, CA

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ASSOCIATIONS

American Planning Association/American Institute of Certified

Planners, Member

American Planning Association Idaho Chapter, Professional Development Officer

Boise Metro Chamber of Commerce, Member

Boise State University College of Social Sciences and Public Affairs, Adjunct Professor

The Urban Land Institute Idaho District Council, Coordinator

AWARDS AND PRESENTATIONS

Presenter, "Planning and Zoning Commission Training", *cities of Emmett, Caldwell, Garden City, Meridian, and Mountain Home; and Canyon and Gem Counties*. (2002-current)

Idaho Smart Growth Award, "Garden City Development Code" (November 2008)

Panelist, "Planning Ethics", *American Planning Association Washington and Idaho Chapters Conference*, Spokane, WA (October 2008)

Presenter, "Reconsidering Parking Requirements from the Perspective of a Practicing Planner", *Northwest Parking Association Conference*, Boise, ID (2008)

Panelist, "Panel of Planning Experts", *Partners for Idaho Futures' Annual Meeting*, Boise, ID (2008)

Panelist, "Caldwell Indian Creek Project", *American Planning Association National Conference*, Las Vegas, NV (2008)

Idaho Smart Growth Award, "Garden City Comprehensive Plan" (2006)

Presenter, "Planning for the Utterly Confused", *Western Planner/Idaho Planner Conference*, Boise, ID (2006)

Presenter, "Growth Management Tools", *Northwest Community Development Institute*, Boise, ID (2006)

Presenter, "Smart Development Review", *Western Planners Conference*, Midland, UT, (2005)

Presenter, "Is Design Review Right for Your Community" and "Code Reform", *Idaho Planners Association Conference*, Idaho Falls, ID, (2004).

Presenter, The Karcher Demonstration Project: Measured Multiple Use of Canal Facilities", *Utah Small Irrigator's Workshop*, Park City, Utah, (2004).

Mobile Tour Coordinator, "Mercer Island Transportation Systems", *American Planning Association National Conference*, Seattle, WA (1999).

Panelist, "Sweet ISTEAT" *American Planning Association National Conference*, San Diego, CA, (1997).

Award of Merit, Downtown Mercer Island Streetscape, *Puget Sound Regional Council*, (1997).

Panelist, "Downtown Streetscape", *Rural and Small Town Conference*, *Association of Idaho Cities*, Sun Valley, ID (1997).

Panelist, "Public Investment", *Redevelopment for Livable Cities Conference*, *Puget Sound Regional Council*, Tacoma, WA, (1997)

Panelist, "Customer Service", *Cascade Institute*, *University of Washington*, Seattle, WA, (1995-96)

Instructor, "Environmental Planning", *Vah Valley Council of Governments*, Trencin, Slovakia, (1994).