



FISCAL IMPACT ANALYSIS

OF THE

SHIVELY: PHASES 1, 2 AND 3

PREPARED FOR

COMMUNITY PROPERTIES, INC.

AND

POLK-SULLIVAN, LLC

LIMITED SCOPE FISCAL IMPACT ANALYSIS OF SHIVELY: PHASES 1, 2 AND 3

1. INTRODUCTION

This limited scope analysis evaluates the fiscal impacts of the proposed Shively: Phases 1, 2 and 3 on the Chatham County government and the Chatham County Board of Education. This analysis is intended to provide Chatham County and the Chatham County Board of Education with information to assist in evaluating the impacts the project will have on the community. This analysis will help the County and the School Board plan for changes in the demand for services that will occur over the project's buildout.

2. PROJECT DESCRIPTION

Shively: Phases 1, 2 and 3 is a single family residential community planned for development on approximately 326 acres of land in northern Chatham County. The project includes 56 lots on which homes will be constructed. The estimated average sales price of the homes is \$750,000. These lots are larger than those in the neighboring Chapel Ridge and the Parks at Meadowview developments.

The project will be developed by Community Properties, Inc. and Polk-Sullivan, LLC (the "Developer"). The Developer has estimated an absorption rate of, on average, 6 dwelling units per year resulting in a buildout period of about 10 years.

Additional information regarding the methodology, assumptions and other supporting data of this limited scope analysis is available upon request.

3. EXECUTIVE SUMMARY

Shively: Phases 1, 2 and 3 will increase the Chatham County residential real estate tax base by \$42 million. As outlined in the accompanying tables, the Shively: Phases 1, 2 and 3 will have a positive net fiscal impact on the Chatham County government and the Chatham County School Board. *As seen in Table 1, the net present value of the stream of annual surpluses at expanded service levels during the buildout period is \$477,000, assuming a discount rate of 6%.*

The following summary of revenues and expenditures at the time of Shively: Phases 1, 2 and 3 buildout shows the positive fiscal impacts of the proposed development on Chatham County and the Chatham County Board of Education.

CHATHAM COUNTY GENERAL FUND ANNUAL FISCAL IMPACT OF SHIVELY: PHASES 1, 2 AND 3 AT BUILDOUT		
INCREMENTAL REVENUES		
PROPERTY TAXES	\$ 259,550	
SALES TAXES	<u>24,147</u>	
TOTAL INCREMENTAL REVENUES		\$ 283,697
INCREMENTAL EXPENDITURES		
CHATHAM COUNTY	\$ 53,741	
CHATHAM COUNTY SCHOOLS		
OPERATING	50,646	
DEBT SERVICE – CAPITAL	<u>44,526</u>	
TOTAL INCREMENTAL EXPENDITURES		<u>148,913</u>
ANNUAL INCREMENTAL BENEFIT AT EXISTING SERVICE LEVELS		134,784
INCREMENTAL COUNTY EXPENDITURES WITH EXPANDED SERVICES		<u>6,014</u>
ANNUAL INCREMENTAL BENEFIT, EXPANDED SERVICE LEVELS		<u>\$ 128,770</u>

4. FISCAL IMPACTS ON THE CHATHAM COUNTY GENERAL FUND

REVENUE IMPACTS

The impacts of the Shively: Phases 1, 2 and 3 on the revenues of the Chatham County government are outlined in this section. The primary County revenues generated by the Shively: Phases 1, 2 and 3 will be property taxes, sales taxes and impact fees.

The estimated revenues from all sources, generated over the 10-year buildout of the project's development, are provided in Table 1. Annual County revenues grow from \$25,000 in Year 1 to \$284,000 a year in the tenth year. Table 2 provides a detailed analysis of all County revenues from Shively: Phases 1, 2 and 3 at the project's buildout.

As seen in Table 2, the residential property values in Shively: Phases 1, 2 and 3 are expected to increase by \$42 million at buildout. Annual residential property taxes will be \$251,000, and property taxes from vehicles owned by the project's residents are estimated to be \$9,000 per year.

Shively: Phases 1, 2 and 3 will also generate economic activity that will result in increased sales tax collections for the Chatham County government. It is estimated that sales taxes will increase by \$24,000 a year at the time of the development's buildout. As seen in Table 2, these sales taxes will be generated by Articles 39, 40, 42 and 44 collections.

In addition to property taxes, the project will generate revenues from impact fees. The County's existing impact fee of \$2,900 per dwelling unit will generate \$162,400 for school construction at the project's buildout. Table 6 provides a description of fees and costs for new school construction as a result of the Shively: Phases 1, 2 and 3. The recreation exaction fee is estimated to be \$926 per lot.

ONE TIME REVENUES TO CHATHAM COUNTY

SCHOOL IMPACT FEES	<u>\$ 162,400</u>
RECREATION EXACTION FEES	<u>\$ 51,856</u>

SENSITIVITY ANALYSIS

The housing prices and absorption rates are based on projections by Community Properties, Inc. and Polk-Sullivan, LLC. The estimated Shively: Phases 1, 2 and 3 home price is \$750,000; however, if the average unit sales price were to deviate 15% from the assumed average unit sales price [average unit sales price of \$637,500 instead of the assumed average unit sales price of \$750,000], the net annual surplus at expanded service levels at buildout would be \$91,000 compared to the anticipated \$129,000.

TRAFFIC IMPACTS

Based on estimates provided to the Developer by Ramey Kemp & Associates, Inc., the 56 lots are expected to add a total of 610 vehicular trips daily, including 49 vehicles at the a.m. peak and 64 vehicles at the p.m. peak. Ramey Kemp & Associates, Inc. also indicated that the intersection at Rock Rest and Old Graham should handle the additional traffic considering the improvements already planned.

TABLE 1

SHIVELY: PHASES 1, 2 AND 3 BUILDOUT ANALYSIS											
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Residential Sales	\$ 42,000,000	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 3,750,000	\$ 4,500,000	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$ 3,750,000
Annual Unit Sales	56	5	6	6	6	5	6	5	6	6	5
Cumulative Residential Sales	\$ 42,000,000	\$ 3,750,000	\$ 8,250,000	\$ 12,750,000	\$ 17,250,000	\$ 21,000,000	\$ 25,500,000	\$ 29,250,000	\$ 33,750,000	\$ 38,250,000	\$ 42,000,000
Cumulative # of Units	56	5	11	17	23	28	34	39	45	51	56
Per Capita Revenues:											
Property Taxes	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44	\$ 1,876.44
Sales Taxes	174.57	174.57	174.57	174.57	174.57	174.57	174.57	174.57	174.57	174.57	174.57
Total Revenues - Per Capita	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01	\$ 2,051.01
Per Capita Expenditures:											
Direct Expenditures Per Capita at Existing Service Levels, including Public School Operating Costs	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69	\$ 754.69
School Debt Service - Per Capita	321.90	321.90	321.90	321.90	321.90	321.90	321.90	321.90	321.90	321.90	321.90
Expanded Service Levels Per Capita	43.48	43.48	43.48	43.48	43.48	43.48	43.48	43.48	43.48	43.48	43.48
Total Expenditures - Per Capita	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06	1,120.06
Per Capita Surplus	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95	\$ 930.95
Buildout Analysis:											
Revenues:											
Revenues	\$ 25,330	\$ 55,726	\$ 86,122	\$ 116,518	\$ 141,848	\$ 172,244	\$ 197,574	\$ 227,970	\$ 258,366	\$ 283,697	\$ 283,697
Total Revenues	25,330	55,726	86,122	116,518	141,848	172,244	197,574	227,970	258,366	283,697	283,697
Expenditures:											
Expenditures at Existing Service Levels	\$ 9,320	\$ 20,505	\$ 31,689	\$ 42,874	\$ 52,194	\$ 63,379	\$ 72,699	\$ 83,884	\$ 95,068	\$ 104,388	\$ 104,388
School Debt Service	3,975	8,746	13,516	18,287	22,262	27,033	31,008	35,779	40,549	44,526	44,526
Total Expenditures	\$ 13,296	\$ 29,251	\$ 45,206	\$ 61,161	\$ 74,458	\$ 90,413	\$ 103,709	\$ 119,664	\$ 135,619	\$ 148,913	\$ 148,913
Net Surplus at Existing Service Levels	\$ 12,033	\$ 26,474	\$ 40,915	\$ 55,356	\$ 67,391	\$ 81,832	\$ 93,866	\$ 108,307	\$ 122,748	\$ 134,784	\$ 134,784
Expenditures at Expanded Service Levels	537	1,181	1,826	2,470	3,007	3,651	4,188	4,832	5,477	6,014	6,014
Net Surplus with Expanded Service Levels	\$ 11,496	\$ 25,293	\$ 39,090	\$ 52,886	\$ 64,384	\$ 78,181	\$ 89,678	\$ 103,475	\$ 117,272	\$ 128,770	\$ 128,770
Expected New Residents	138	12	27	42	57	69	84	96	111	126	138
Public School Students	22	2	4	7	9	11	13	15	18	20	22
Net Present Value of Net Surplus at Expanded Service Levels, Discounted at 6%											\$ 477,173

TABLE 2

SHIVELY: PHASES 1, 2 AND 3		
CHATHAM COUNTY TAX REVENUE PER SINGLE-FAMILY HOUSEHOLD		
Residential Property Taxes:		
Residential tax base	\$ 42,000,000	
Tax rate	0.5970%	
Total estimated residential property taxes	<u>\$ 250,740</u>	
Motor Vehicle Property Taxes:		
Average motor vehicle value per household, based on Federal Reserve Bulletin survey	\$ 26,350	
# of Households	<u>56</u>	
Motor vehicle tax base	1,475,600	
Tax rate	0.5970%	
Total estimated motor vehicle property taxes	<u>\$ 8,809</u>	
Total Property Tax Revenues	<u>\$ 259,549</u>	
Article 39 Sales Tax:		
Residential tax base	\$ 42,000,000	Qualifying sales tax purchases limited to food, gas and oil, household supplies, and incidentals.
# of households	<u>56</u>	
Average value	750,000	
Earnings multiple	2.90	
Estimated household earnings	\$ 259,000	
Estimated % of earnings for Chatham County purchases	6.15%	
Estimated Chatham County Purchases - All Units	\$ 891,632	
Article 39 Sales Tax Rate	<u>1.00%</u>	
Article 39 Sales Tax Per Household	<u>\$ 8,916</u>	
<i>Calculated Article 39 Sales Tax per capita</i>	<i>\$ 64</i>	
<i>Estimated FY06 Actual Article 39 Sales Tax Per Capita</i>	<i>\$ 62</i>	
Article 40 Sales Tax Per Household:		
Estimated Shively: Phases 1, 2, and 3 Population	138	
FY06 Per Capita Rate	\$ 38.16	
Article 40 Sales Tax Per Household	<u>\$ 5,278</u>	
Article 40 - 70% Unrestricted	\$ 3,694	
Article 40 - 30% Restricted	<u>1,583</u>	
Article 40 Sales Tax Per Household	<u>\$ 5,278</u>	
Article 42 Sales Tax Per Household:		
Estimated Shively: Phases 1, 2, and 3 Population	138	
FY06 Per Capita Rate	\$ 37.86	
Article 42 Sales Tax Per Household	<u>\$ 5,237</u>	
Article 42 - 40% Unrestricted	\$ 2,095	
Article 42 - 60% Restricted	<u>3,142</u>	
Article 42 Sales Tax Per Household	<u>\$ 5,237</u>	
Article 44 Sales Tax Per Household:		
Estimated Shively: Phases 1, 2, and 3 Population	138	
FY06 Per Capita Rate	\$ 34.09	
Article 44 Sales Tax Per Household:	<u>\$ 4,715</u>	
Total Sales Tax Revenues	<u>\$ 24,146</u>	
Total Tax Revenues	<u>\$ 283,696</u>	

TABLE 3

**SHIVELY: PHASES 1, 2 AND 3
CHATHAM COUNTY FISCAL IMPACT - AT BUILDOUT
AT EXPANDED LEVELS OF SERVICE**

Incremental Tax Revenues:			
Property Taxes			
Residential	\$	250,740	
Motor Vehicle		8,809	
Total Property Taxes		<u>259,550</u>	\$ 259,550
Sales Taxes			
Article 39	\$	8,916	
Articles 40 and 42		10,515	
Article 44		4,715	
Total Sales Taxes		<u>24,147</u>	24,147
Total Incremental Tax Revenues			\$ 283,697
Incremental Expenditures at Existing Service Levels:			
Chatham County Government			
Administration	\$	10,105	
Education, Culture, and Recreation (excluding schools)		3,867	
General Government		2,853	
Human Services		12,899	
Natural Resource Management		4,348	
Public Safety		19,668	
Total Chatham County Government Incremental Expenditures			\$ 53,741
Chatham County Schools Operating Costs		<u>50,646</u>	
Total Incremental Operating Expenditures at Existing Service Levels			104,387
Incremental Chatham County Schools Capital Transportation Costs:			
Annual Debt Service - School Facilities		43,410	
Annual Debt Service - School Transportation		1,116	
		<u>44,526</u>	44,526
Total Incremental Expenditures at Existing Service Levels			<u>148,912</u>
Incremental Surplus at Existing Service Levels			\$ 134,784
Expanded Service Level Expenditures:			
Public Safety:			
Emergency Medical Services	\$	2,400	
Public Safety		238	
Total Public Safety		<u>2,638</u>	\$ 2,638
Contribution to Countywide CIP Program, including both Operating Costs and Annual Debt Service		<u>3,375</u>	
Total Expanded Service Level Expenditures			<u>6,014</u>
Annual Incremental Surplus at Expanded Service Levels			<u>\$ 128,770</u>

TABLE 4

**SHIVELY: PHASES 1, 2 AND 3
CHATHAM COUNTY SCHOOLS - PUBLIC SCHOOL STUDENTS**

	Elementary	Middle	High	Total
Single Family	0.15	0.12	0.12	0.39
Multifamily	0.07	0.03	0.03	0.13
Mobile Homes & Other	0.16	0.14	0.08	0.38

Public Use Microdata Sample (5%) 2000 Census

*Source: David J. Cowen, Ph.D., Chair - Department of Geography, University of South Carolina
Analysis Prepared June 2005*

	Elementary	Middle	High	Total
Shively: Phases 1, 2, and 3	8	7	7	22

	Approved Subdivision Analysis	Proposed Subdivision Analysis
Bennett	N/A	N/A
Bonlee	0.2500	0.2500
Harrison	0.3232	0.3232
J.S. Waters	0.3981	0.3981
Moncure	0.2190	0.2190
North Chatham	0.2384	0.2384
Pittsboro	0.2759	0.2759
Siler City	0.3608	0.3608
Silk Hope	0.5000	0.5000

Source: Integrated Planning for School and Community (IPSAC) Land Use Study Report

Prepared for: Chatham County Schools

*Prepared by: Operations and Research Education Laboratory, North Carolina State University
June 21, 2004*

	Elementary	Middle	High	Total
Single Family	0.19	0.09	0.12	0.40
Multifamily	0.08	0.02	0.04	0.14
Mobile Homes & Other	0.19	0.09	0.09	0.37

Public Use Microdata Sample (5%) 1990 Census

Source: 1996 Chatham County Public School Impact Fee Report - Tischler and Associates, Inc.

TABLE 5

**SHIVELY: PHASES 1, 2 AND 3
ANALYSIS OF CHATHAM COUNTY FY07 BUDGET
CHATHAM COUNTY SCHOOLS OPERATING COSTS**

Expenditures:	
Salaries	\$ -
Other personnel costs	-
Operating	21,476,355
Public assistance	-
Debt	2,457,587
Transfers	-
Capital outlay	-
Less appropriation for capital outlay - evaluated separately	(1,585,300)
Less debt - new school debt service evaluated separately	<u>(2,457,587)</u>
 Total expenditures	 <u>\$ 19,891,055</u>
 Revenues:	
Fees and permits	\$ -
Grants	-
Interest	-
Intergovernmental	1,150,250
Miscellaneous	-
Other taxes	-
Sales & service	-
Transfers	60,000
Fund balance	-
State ADM funds are separately considered in ADM Adjustment	<u>-</u>
 Total revenues	 <u>\$ 1,210,250</u>
 Net cost - excluding sales and property taxes	 <u>\$ 18,680,805</u>
 Chatham County Public School Enrollment	 8,110
 Chatham County Per Student Net Cost	 \$ 2,303
 Estimated Marginal County Costs For Shively: Phases 1, 2, and 3:	
 Estimated Shively: Phases 1, 2, and 3 Public School Students	 <u>22</u>
 Marginal Operating Costs	 <u><u>\$ 50,646</u></u>

TABLE 6

**SHIVELY: PHASES 1, 2 AND 3
CHATHAM COUNTY SCHOOLS - CAPITAL COSTS**

<u>Based on Current Estimates</u>	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>	
Land - unimproved acreage	\$ 400,000	\$ 800,000	\$ 1,200,000	
Building, sitework, furnishings and equipment	19,700,000	20,560,000	43,870,000	
Technology costs	591,000	616,800	1,228,360	
Total Cost	20,691,000	21,976,800	46,298,360	
Student Capacity	700	650	1,000	
Capital Cost per Student	\$ 29,559	\$ 33,810	\$ 46,298	
 <u>Shively: Phases 1, 2, and 3 Public School Students</u>	 8	 7	 7	 Total 22
Capital Costs Allocable to Shively: Phases 1, 2, and 3	\$ 251,044	\$ 235,128	\$ 302,791	\$ 788,963
Less:				
Impact Fees	\$ 62,731	\$ 51,365	\$ 48,305	162,400
	62,731	51,365	48,305	162,400
Net Chatham County School Capital Cost Attributable to Shively: Phases 1, 2, and 3	\$ 188,314	\$ 183,763	\$ 254,486	\$ 626,563
Annual Debt Service	\$ 12,601	\$ 12,297	\$ 18,511	\$ 43,410
 <u>Chatham County School Transportation Capital Costs</u>				
Shively: Phases 1, 2, and 3 Estimated Enrollment	22			
Chatham County School bus ridership rate	49%			
Estimated Shively: Phases 1, 2, and 3 Bus Riders	10.77			
School Bus Capacity	60			
New School Buses Required	0.1796			
Cost of New School Bus	70,000			
Annual Debt Service Per School Bus	\$ 20,201			
Total Debt Service for Shively: Phases 1, 2, and 3 Buses	\$ 14,510			
Amortization Period - State Replaces Bus in Year	13			
Annual School Bus Transportation Capital Cost	\$ 1,116			

TABLE 7

SHIVELY: PHASES 1, 2 AND 3														
SUMMARY OF HOUSING TYPES, PRICE RANGES AND HOUSING VALUES														
BASED ON MASTER PLAN														
Lot Type	Average Unit Price	# of Units	Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Single Family Units	\$ 750,000	56	\$ 42,000,000	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 3,750,000	\$ 4,500,000	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$ 3,750,000	\$ 42,000,000
				5	6	6	6	5	6	5	6	6	5	56
Average	\$ 750,000	56	\$ 42,000,000	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 3,750,000	\$ 4,500,000	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$ 3,750,000	\$ 42,000,000
Annual Unit Sales				5	6	6	6	5	6	5	6	6	5	56
Cumulative Unit Sales				5	11	17	23	28	34	39	45	51	56	
Cumulative Sales				3,750,000	8,250,000	12,750,000	17,250,000	21,000,000	25,500,000	29,250,000	33,750,000	38,250,000	42,000,000	