DPFG
DEVELOPMENT PLANNING & FINANCING GROUP, INC.

1340 ENVIRON WAY, SUITE 328
CHAPEL HILL, NC 27517
TEL (919) 321-0232
FAX (919) 869-2508
www.dpfg.com

November 14, 2012

Mr. Colen E. Davidson, Jr.
President
Impact Design Build, Inc.
140 Towerview Ct.
Cary, NC 27513

Subject: Westfall Fiscal Analysis

Dear Mr. Davidson,

In conjunction with the application to amend the original Booth Mountain Conditional Use Permit (CUP), you requested Development Planning & Financing Group (DPFG) prepare a technical memorandum regarding the fiscal analysis prepared by Miley, Gallo & Associates, LLC and dated August 14, 2004.

The Government Finance Officers Association (GFOA)[1] outlines the most common methods for estimating service costs in fiscal impact analysis as: average cost, marginal cost, comparisons to other governments and econometric modeling.

- **Average Cost** assumes the current cost of serving residents and businesses will equal the cost of serving the new development. The average cost method provides a rough estimate of both direct and indirect costs associated with development. However, this method does not account for demographic change, existing excess capacity or potential economies of scale in service delivery. Methods of calculating average cost include per capita costs, service standard costs and proportional valuation costs.

- **Marginal Cost** uses site-specific information to determine services costs for a proposed development. A case study approach is typically necessary to gather detailed information about the existing capacity within public services and infrastructure to accommodate growth from a development project. This method assumes that information about local service levels and capacity is more accurate than standards based on average data.

- **Comparable Governments** incorporate the experience by similar governments with comparable development projects. Studying other governments before and after specific projects can provide useful information in determining additional costs and the increase in costs over a long period of time.

- **Econometric Modeling** uses complex econometric models and is best used for estimating impacts from large projects that create many indirect effects on the existing community such as a utility plant or an entertainment center.

[1] Michael J. Mucha, "An Introduction to Fiscal Impact Analysis for Development Projects," (white paper, Government Finance Officers Association, 2007), www.gfoa.org

The 2004 Booth Mountain fiscal impact analysis was prepared using a modified per-capita approach. The assumptions and methodologies used in that report were ratified in the peer review report prepared by Tischler & Associates, Inc.

Property Tax Base

Based on your evaluation of local market data, the estimated property tax base for the Westfall project is projected to total $113 million, or an average of $467,000 per home. The 2004 Booth Mountain analysis assumed an average value slightly higher at $488,000 per home. In comparison, the ESRI Market Profile reflects the 2010 median home value in Chatham County as $150,000.

Projected Tax Base for Westfall

Product Type	# of Lots	Lots Sales Price	Product Sales Price	Assumed Tax Value
Estate lots - +/- 150'	66	$160,000	$750,000	$49,500,000
Neighborhood lots - +/- 100'	47	$100,000	$500,000	$23,500,000
Village lots - 80'	60	$75,000	$350,000	$21,000,000
Village lots - 60'	69	$60,000	$275,000	$18,975,000
	242			$112,975,000
				242
				$467,000

Public School Student Assumptions

Development of the public school student generation rate (SGR) assumption was of significant importance to the 2004 fiscal analysis. Based on an extensive county-specific study for Briar Chapel in 2004, an SGR of 0.40 students per housing unit was assumed for capital and operating cost purposes. According to the Chatham County Schools, the April 2012 actual SGRs for Briar Chapely are as follows:

- 0.20, for capital cost purposes, calculated by dividing 44 Chatham County public school students by 224 occupied homes.
- 0.26, for operating cost purposes, calculated by dividing 59 Chatham County public school students by 224 occupied homes. The operating cost SGR includes Briar Chapel children who attend Woods Charter School.

The results indicate the SGRs experienced thus far in Briar Chapel are far less than the 2004 estimates, which is unquestionably favorable to Chatham County from a fiscal perspective. In comparison, the 2012 countywide capital cost SGR is 0.29, and the 2012 operating cost SGR is 0.32. In both cases, the SGRs for Briar Chapel are trending much lower than the countywide averages.

Therefore, the 0.40 public school students per household assumed in the Booth Mountain study remain conservative and valid.

Conclusion

Having prepared the 2004 Booth Mountain analysis and evaluated key components of that analysis by considering the proposed revised plan for Westfall, then Westfall, if completed, should have a net positive impact for Chatham County. The public school student generation rate of 0.40 per household, assumed in the 2004 report, has proven to be conservative thus far, thereby likely understating the net positive fiscal impact of the revised subdivision on Chatham County. Furthermore, the 2004 plan reflected a potential residential tax base increase of $88 million at buildout, whereas the revised plan reflects a potential residential tax base increase of $113 million -- an increase of over $25 million of potential residential tax base.

Please let us know if you have any questions or comments.

Sincerely,

Lucy L. Gallo

Lucy L. Gallo
Principal

GENERAL AND LIMITING CONDITIONS

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of DPFG and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by DPFG from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of November 2012, and DPFG has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by DPFG that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of DPFG in any manner without first obtaining the prior written consent of DPFG. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of DPFG. Further, DPFG has served solely in the capacity of consultant and has not rendered any expert opinions. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of DPFG. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from DPFG. Any changes made to the study, or any use of the study not specifically prescribed under agreement between the parties or otherwise expressly approved by DPFG, shall be at the sole risk of the party making such changes or adopting such use.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.