



**Residences at River Club Project – Garden City, Idaho**  
**Fiscal Impact Analysis**  
**May 2023**

TGS Consulting was retained by River Club Boise, LLC to calculate the fiscal impact to ongoing operations of Garden City as a result of the Residences at River Club Development in Garden City, Idaho. TGS Consulting has prepared Fiscal Impact Studies for multiple governmental jurisdictions in Idaho and Utah and used the methodology created for those studies in its development of this analysis.

**Figure 1** identifies the Residences at River Club location as situated at northerly Plantation Drive through to the easterly limit of the golf course, in Garden City, Idaho.

*Figure 1 - Residences at River Club Subject Site Location*

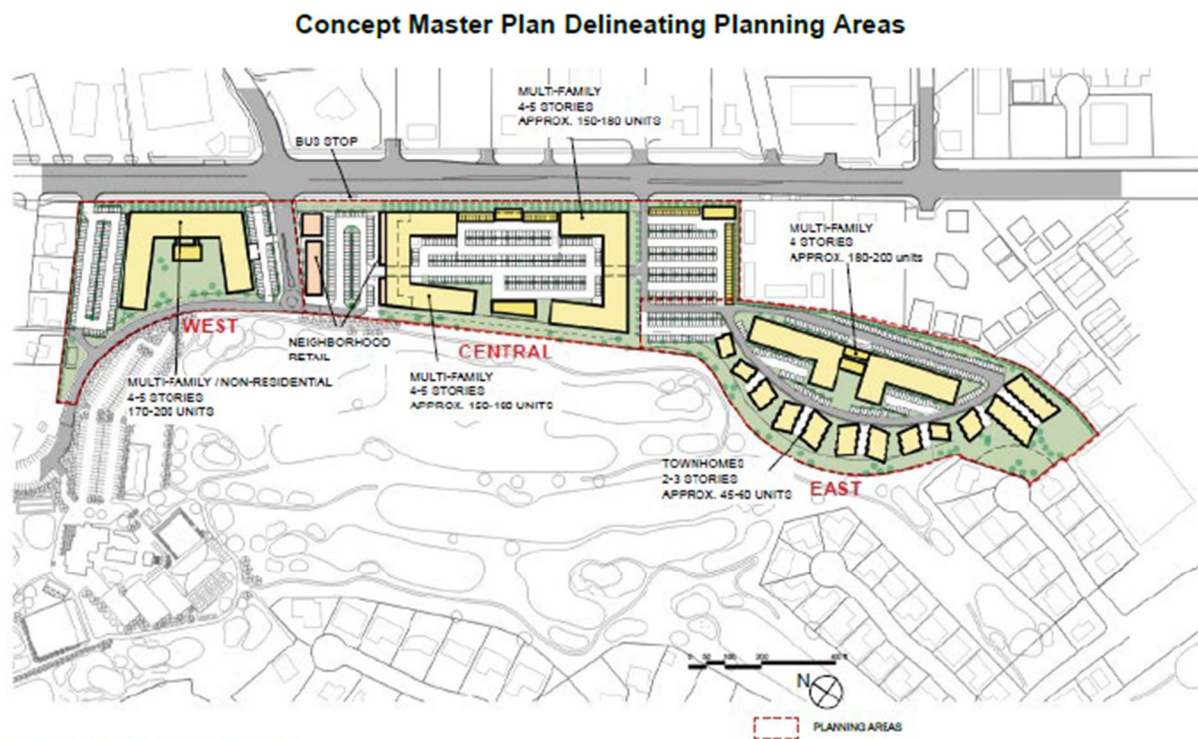


Residences at River Club was broken down into two distinct projects:

- A Residential development consisting of a projected 691 units:
  - 45 Townhomes averaging approximately 1,270 square feet and broken down into 12 total buildings containing the following townhome Unit Types:
    - Unit A – 2 Bedroom, 3 Bath (15 total units)
    - Unit B – 3 Bedroom, 3 Bath (15 total units)

- Unit C – 4 Bedroom, 4 Bath (15 total units)
  - 651 Apartment units averaging approximately 850 square feet and broken down into 4 buildings and containing five unit types;
    - Studio, 1 Bath (90 total units)
    - 1 Bedroom, 1 Bath (243 total units)
    - 1 Bedroom, 1 Den, 1 Bath (70 total units)
    - 2 Bedroom, 2 Bath (193 total units)
    - 3 Bedroom, 2 Bath (55 total units)
- A Commercial development consisting of 4 neighborhood retail buildings for a combined 40,000 square feet.

Figure 2 - Conceptual Site Plan



**CONCEPT MASTERPLAN**

**LPCWEST**  
LANDSCAPE ARCHITECTURE

NOTE: Building footprints are approximate. Depending on market demands, design is expected to evolve during Design Review Application within the provisions in the approved Specific Area Plan.

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Revenue calculations for the project were based on the following:

- Property Taxes - FY 2023 Levy rates for Garden City only.
- Residential Assessed Property Values at approximately:
  - \$555,500 per unit for townhomes
  - \$335,000 per unit for apartments
- Homeowners Exemption was excluded as all units will be rental property and not owner occupied.

Expenditure calculations were based on the following factors:

- FY 2023 Garden City Budget
- Population data from the State of Idaho and the U.S. Census.
- Variable costs for City services and Residential vs Commercial impacts based on Fiscal Impact Studies, conducted by TGS Consulting, for other Idaho Cities.

### ***Methodology***

TGS Consulting, through a series of calculations, forecasted the total anticipated property value of the proposed Residences at River Club Project and its corresponding revenue to Garden City. The cost to provide the services necessary to support the proposed development was then calculated to evaluate the net impact to the City from the Residences at River Club Project.

There are several primary driving factors when evaluating economic impact to a jurisdiction which include: the operating expenditure budget for the jurisdiction, population estimates, the mix between residential and commercial development, and the relationship between fixed and variable operating costs of the jurisdiction. A vital factor in a fiscal impact analysis is the variability of each City service, or the degree to which the City budget for a specific service reacts or increases due to growth, as not all services are variable. For example, if the City were to double in size, it would not require two Mayors. It would, however require twice as many police officers. The majority of administrative functions are typically fixed, while the majority of police functions are typically variable. A final factor that affects costs is related to the mix between residential and commercial development. For example, administrative costs are more heavily impacted by residential development and police services are basically shared equally between residential and commercial needs. In this fiscal impact analysis, assumptions about variability and land use were based on historical studies conducted by TGS Consulting for several cities in Southwestern Idaho. All of these factors were then reviewed by Garden City staff to ensure they reflect their operations.

Population can have a dramatic impact on both the revenue and expenditure calculations in a fiscal impact analysis. Typical city services that are most directly affected by population include Fire, Police, and Parks/Recreation. Fire services are provided by the North Ada County Fire and Rescue District. This entity will receive corresponding property taxes to fund growth in its jurisdictions under the normal Idaho growth formula.



The residential component of the project is the only source of population growth. The estimated persons per single family units as identified in the 2021 American Community Survey 5-Year Estimates is illustrated in **Figure 3**.

*Figure 3 - Garden City PPHU*

| Housing Type               | Persons | Housing Units | Persons per Housing Unit | Housing Unit Mix |
|----------------------------|---------|---------------|--------------------------|------------------|
| Single Family <sup>1</sup> | 10,398  | 4,884         | 2.13                     | 84%              |
| Multifamily <sup>2</sup>   | 1,606   | 931           | 1.73                     | 16%              |
| Total                      | 12,004  | 5,815         | 2.06                     |                  |

Notes:

1 Includes attached and detached single family homes and mobile homes

2 Includes structures with 2+ units

Source: U.S. Census Bureau, 2021 American Community Survey 5-Year Estimates

## Results

At full buildout (year 2027), the Residences at River Club project is anticipated to add approximately \$243 Million in new taxable value and approximately 1,222 new residents to Garden City. This would increase the size of Garden City by approximately 10.4% in taxable value and 10.2% in population.

The methodology in these calculations is straightforward. The total operating expenditure budget for the General Fund of Garden City is identified by department. Although Residences at River Club accounts for a 10.2% increase in population, it accounts for an 10.4% increase in taxable value. This would be considered the worst-case scenario and would assume that the city would expend more resources than their proportionate share from the project. While this is not a realistic assumption, it does reflect a boundary that the city is highly unlikely to cross. As such, TGS Consulting ran its model using this worst-case scenario as an extremely conservative approach to provide assurance to the city that the project would be financially beneficial. This allocated expenditure amount was then segmented into the fixed and variable components, as mutually agreed upon by City staff and TGS Consulting. Finally, these costs were again segmented into their residential and commercial components. Revenues were calculated based on the assessed value of each element reduced to 90%<sup>1</sup>. This value was multiplied by Garden City levy rate to generate property tax revenue. Sales and Liquor taxes are formulas based on the population growth.

The Enterprise Funds including Sewer and Water are budgeted based on fee for service and therefore will always have the opportunity to adjust their rates to maintain adequate cash flow. Funding for capital costs related to the project are assumed to be negotiated through the development agreement. As such, these funds were not included in this analysis. Also, no impact to districts or entities apart from

<sup>1</sup> See page 5 Addition Assumptions for explanation.





the City are included in this analysis, as these authorities would communicate directly with the developer, should they have issues or concerns.

Based on the variability and land use assumptions used in the analysis, Garden City's General Fund would experience a positive net fiscal impact of approximately \$2.2 million for Garden City's General Fund over the fifteen-year analysis period. A net present value calculation of the surplus over the 15-year period, using a 3%, 6% and 9% annual discount rate, resulted in \$1.7 million, \$1.3 million, and \$1.0 million in revenue surpluses for the city, respectively. As an alternative calculation, because of the timing of property tax revenues to the City, a modified cash flow was created. Under this scenario, the City could experience a funding shortfall in the first few years but would recover these funds and receive positive cash flows thereafter. The NPV's under this scenario are also positive at \$1.1 million, \$793,000, and \$574,000.

A supplemental calculation was created to identify the benefit of this development in relation to its costs whereby any number greater than one would indicate a net benefit to the city and anything below one would be a detriment. This project should be expected to fall in the 1.2 to 1.5 benefit range for the vast majority of the project.

Additionally, Garden City could reasonably expect to receive nearly \$1.8 million in permit fee revenue from the development phases, as well. While permit fees are one-time in nature, they are paid at building permit before construction of each phase commences and would offset the costs incurred by city planning and development staff and potentially provide a funding source for planning related capital improvements.

### ***Secondary Analysis***

The Residences at River Club, is unique in its potential to push Garden City into a situation where it would be eligible to receive the excess distribution from State sales tax distributions. The State formula provides for a base level of sales tax distribution that increases by 1% annually, to all jurisdictions. A secondary excess distribution occurs when the sales tax per capita for a jurisdiction is below the average for all jurisdictions in the State. Currently, Garden City is above the average at \$27.46 compared to the Statewide average of \$25.95. Once completed, the Residences at River Club would expand the population to approximately 13,500 residents and would lower the per capita revenue to \$25.23 while the corresponding Statewide average would only decline to \$25.93. This would make the city eligible for approximately \$200,000 per year in excess sales tax distributions. If this were to occur, the surplus to the city related to the project would be \$5.8 million over the same 15-year period and the net present value calculations would be \$4.5 million, \$3.6 million and \$2.9 million, using the discount rates presented earlier.

### ***Additional Assumptions***

Newly enacted legislation (originally introduced as HB 389) in Idaho may result in reduced revenues from new development for many cities and counties. Prior to HB 389, cities and counties were able to receive the full value of annexation and new construction and were not limited in their property tax



collections. This is now no longer the case. Annexation and new construction values are limited to 90% of their total value and are additionally limited to prevent the jurisdiction from raising total property taxes above 8% over the prior year. The Residences at River Club development is fairly large and at full buildout it accounts for approximately 10.4% total taxable value growth for Garden City. This phased project alone would enable Garden City to stay below the 8% cap in any given year. However, the City would need to review all of their pending and approved projects for the next few years to ensure that the City is able to maximize proceeds from new development.

Finally, it should be recognized that all real estate developments experience a lag time before the properties hit the tax rolls and may have temporary short-term funding shortfalls, depending on strategic decisions taken by the municipality. As such, the actual length time for development completion and the actual city impact factors will have an effect on the overall results. The first few years of a new development generally has the greatest negative impact to a jurisdiction because services are anticipated to be provided when the development begins, while new tax revenue will not be collected at least a year into the future.

To quantify the impact, TGS Consulting assumed a complete buildout of 4-5 years with an overall analysis horizon of 15 years and calculated the fiscal impact for the first year. Under this scenario, the General Fund would be obligated to provide a temporary funding source of approximately \$247,000 for the first three years, until the development is self-funding and providing consistent positive cash flows. A small portion of the permit fees collected from the project could be identified as dedicated funding to alleviate this shortfall. It should be recognized that the worst-case scenario was used to determine this amount. Alternatively, the City could simply choose to not provide additional services and collect revenue for the first few years, recognizing that their service levels may decline slightly in an effort to match costs to funding sources. This would be a viable method to bridge the short-term deficit and is a very practical approach as it is not possible to hire part of a typical full-time position. The City would wait until the growth justifies hiring full-time positions, which could take up to three years and would easily bridge the funding shortfall. Both of these approaches are included in the Cash Flow Summary section of this analysis, as possible methods to temporarily fund any shortfalls. The City is eminently qualified to make the best decision for their constituents.

### **Notes**

It should be noted that this analysis was conducted on the fiscal impact of Residences at River Club on Garden City's annual operating budget for the General Fund. It does not take into consideration the cost of any offsite capital infrastructure that may be necessitated by the proposed development such as police or fire stations. These costs will be recovered by the City through exactions, contributions and/or impact fees.