

FISCAL IMPACT STUDY



Fiscal Impact Analysis of the 9 North Wildhorse Development

April 10, 2024

Introduction

R2 Partners retained Triple Point Strategic Consulting to conduct a fiscal impact study of the 9 North Wildhorse Preliminary Plan Application. The project is located in the northeast corner of the Castle Valley Ranch planned unit development (PUD) subdivision, in the Town of New Castle, Colorado. R2 Partners is proposing to develop 130 multifamily, rental apartment units in the 9 North Wildhorse neighborhood.

According to the Town's Preliminary Plan checklist, a calculation of "projected ongoing revenues and costs to be received or incurred by the town as a result of development of the subdivision proposed in the application" is required. Such calculations shall be provided for the first 15 years after full development of the proposed subdivision.

In this analysis, revenues to be received and costs to be incurred as a result of the proposed development have been projected out to 2045 on the basis of available data and various assumptions. The projection period through 2045 is intended to capture ongoing impacts for the first 15 years following full build-out.

According to the Town's 2024 adopted budget:

During the past few years New Castle has experienced high inflation, swiftly rising housing costs, labor shortages, high construction costs, rising operational costs, and other challenges that were not in place prior to the COVID pandemic. Despite these challenges, New Castle has been able to maintain or in some cases expand on its' services and commitment to the community. New Castle remains committed to being fiscally responsible, forward-thinking, and protective of our strong community values. We understand why residents choose to call New Castle their home and stand determined to manage the town's finances and resources in the best interest of those that we serve.

On the basis of various assumptions—such building cost per square foot, annual local spending per household, and others—we will estimate the economic impact arising from construction of the residential units and from the increased economic activity over time.

Methodology

To study the fiscal impacts of the proposed development, Triple Point Strategic Consulting constructed a hybrid build-out–proforma model. The number of units by type, phasing, and construction costs were used to create a build-out model of the development occurring over two years from 2025 through 2026.

The financial impacts of construction were estimated using an additional economic input-output model developed by IMPLAN and using national average data. Two different industry sectors were incorporated in the model representing infrastructure and multifamily construction. Total construction cost is estimated to be \$43.7 million, not including soft costs such as architecture. This amount was reduced to 60 percent, or \$26.2 million, to conservatively capture only local impact. IMPLAN modeling also estimates multiplier effects known as indirect and induced impacts as construction investment ripples through New Castle's economy. IMPLAN also provides estimates of the number of jobs resulting from a given level and type of investment.

Financial impacts were extrapolated from the incremental growth in population and units arising from the development. IMPLAN was used to estimate indirect and induced impacts arising from incremental economic activity (see below for more information).

Property tax impacts are inferred for each type of proposed property based on comparable property assessments and using New Castle's 8.551 mill levy. The property is current taxed as vacant commercial property. Once the apartments would be developed, the property would be taxed as multifamily residential at the 6.8 percent assessment rate. The current property tax paid on the three parcels is netted out of estimates of future property tax revenues. All revenues and expenses are assumed to escalate at 2.5 percent annually.

The following revenue and expense categories are explicitly modeled:

- Construction sales tax, including multiplier effects
- Construction use tax
- Building permits, TAP, and other fees
- Incremental general fund revenue, including incremental sales tax
- Incremental utility fund revenue (housing units)
- Property tax – residential
- Property tax – current (negative)
- Incremental general fund expense (residents)
- Incremental utility fund expense (housing units)

Total property tax impacts are also estimated; these include revenue for school, water, transportation, and other jurisdictions in addition to the Town of New Castle.

Results

The population of New Castle has grown at an annual average rate of 1.8 percent from 2017 to 2022. To be conservative, we estimate the population growing at an annual average rate of 1.5 percent from 2023 to 2045. The rate of 1.5 percent is taken from the State Demographer's Office (SDO) forecast for Garfield County. At this rate, New Castle's population will grow from 4,949 in 2023 to 6,953 in 2045, an increase of 2,004. For empty nester units, we assume an average of 1.8 people per unit. For the other units, we use the SDO estimate of 2.56 people per housing unit. Based on this information, the proposed development would house a total of 313 people beginning in 2027.

The \$26.2 million construction investment modeled would generate an indirect impact of \$10.5 million and an induced impact of \$28.2 million, for a total of \$64.9 million. Thirty-six percent of the local construction impact (\$23.6 million) is estimated to be intermediate expenditures and largely subject to

sales tax. We assume New Castle sales tax (3.5 percent) would be paid on 55 percent of intermediate expenditures. To be conservative, we assume the 2 percent use tax would be paid on 45 percent of the 60 percent of actual estimated cost. This sales tax benefit is estimated to be \$454,398 and the use tax would be \$236,097 over the two years from 2025 through 2026.

Incremental general fund revenue is extrapolated from the estimated number of new residents in the development. This is revenue that results from everything from tobacco taxes to soccer registration. Taking an average of 2021 actual through 2024 budget, we find an average of \$1,073 per person.

Incremental utility fund revenue is extrapolated in a similar manner as general fund revenue from the estimated number of new housing units in the development. Only the three primary operating accounts are included: water, wastewater, and trash.

Property tax on the new development begins in 2027. The current property tax amount of \$3,101 is netted out beginning in 2027, when the Town's share of the property tax payment is estimated to be \$25,673. The table below shows the total amount of property tax is estimated to be \$187,024. The amount accruing to each tax authority in 2027 is also shown.

Tax Authorities in Tax Area 38	Tax Rate	Tax Amount
GARFIELD COUNTY	11.14	\$33,446
GARFIELD COUNTY - R&B FUND	0.047	\$141
GARFIELD COUNTY - NEW CASTL	0.047	\$141
GARFIELD COUNTY - SOCIAL SE	0.519	\$1,558
GARFIELD COUNTY - CAPITAL E	0.935	\$2,807
GARFIELD COUNTY - RETIREMEN	0.467	\$1,402
TOWN OF NEW CASTLE - GENERA	8.551	\$25,673
COLORADO RIVER FIRE PROTECT	11.102	\$33,332
COLO RIVER WATER CONS	0.5	\$1,501
SCHOOL DIST RE-2 GENERAL FU	7.72	\$23,178
SCHOOL DIST RE-2 - BOND	6.283	\$18,864
COLORADO MTN COLLEGE	2.977	\$8,938
GARFIELD COUNTY PUBLIC LIBR	2.501	\$7,509
SCHOOL DIST RE-2 - MILL LEV	6.853	\$20,575
RFTA	2.65	\$7,956
Total Taxes Billed 2027	62.292	\$187,024

The incremental increased costs incurred by the Town are estimated by taking the average general fund expenditure per person for the years 2021 to 2024 budget (\$985 per person). Utility fund expenses are extrapolated in the same manner as utility fund revenues, from incremental housing units and per-unit expenses.

Employment

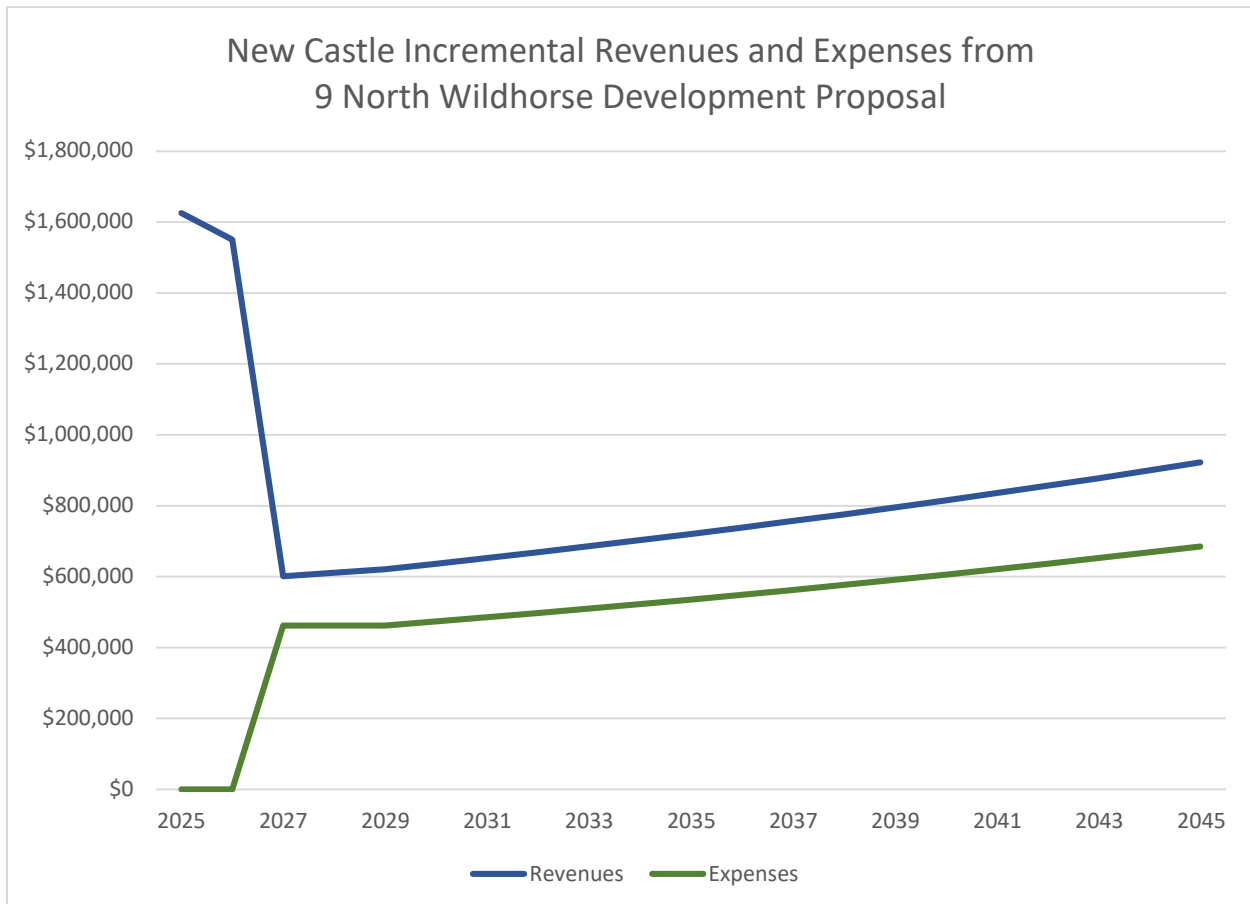
The table below shows the annual average number of jobs directly resulting from construction as well as the total jobs including multiplier impacts. The direct jobs are included in the total job count.

Type of Job	2025	2026
Direct Jobs	127.8	105.6
Total Jobs	224.6	181.0

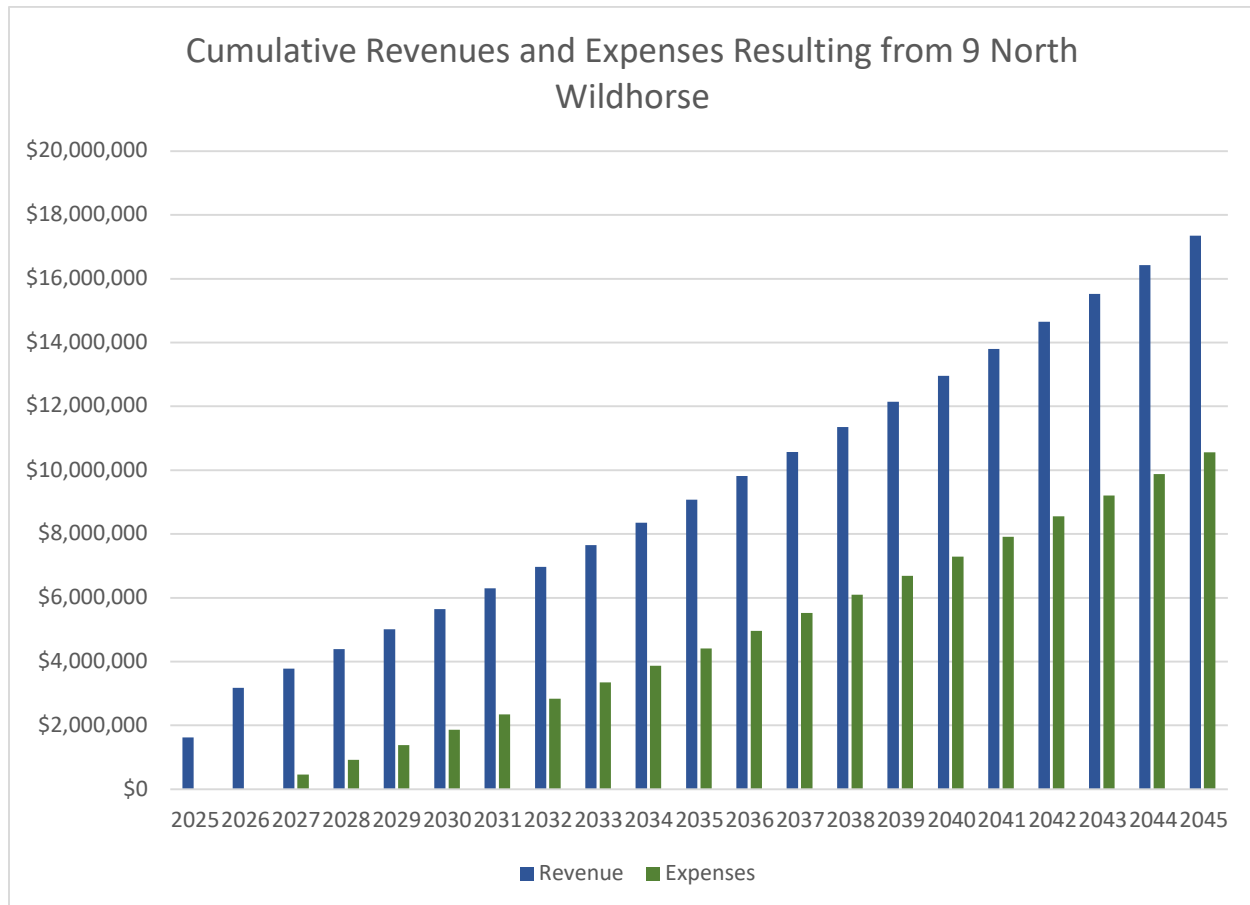
Combined Fiscal Impacts

The initial economic benefit to the Town would be \$3.2 million during the two years of construction. From 2027 through 2045, the average annual net benefit would be \$190,177, as shown in the chart below.

From 2027, the total amount of property tax collected for all tax authorities in tax area 38 would exceed \$5 million.



The chart below compares cumulative revenues and expenses. By 2045, the total revenue received by New Castle would exceed \$17 million, while expenses would cumulate to over \$10 million.



About IMPLAN

The IMPLAN economic software system is used to estimate the benefits that would result from constructing and operating the Project. IMPLAN uses annual regional data to predict how specific economic changes would impact a given regional economy. For example, IMPLAN estimates supply chain (i.e., indirect) spending, such as the purchase of fuel and lumber for construction, and labor income (i.e., induced) spending, such as grocery and retail goods purchased by employees. The IMPLAN system incorporates more than 90 different datasets. For example, employment and labor income data are sourced from information provided by the U.S. Bureau of Labor Statistics Census of Employment and Wages, U.S. Census Bureau's County Business Patterns Reports, and U.S. Bureau of Economic Analysis' Regional Economic Accounts. Other sources include the National Agricultural Statistical Service, National Bureau of Economic Research, Internal Revenue Service, and Energy Information Administration.

About Triple Point Strategic Consulting

Triple Point specializes in developing custom economic and financial models. We deliver results for our clients with high-value and accurate information, as demonstrated by our many repeat clients. Triple Point is active across the western United States and Canada, modeling for scenario planning, financial forecasting, permitting and approvals, optimal resource allocation, and improved decision-making. Economic impact studies are conducted using the IMPLAN model.

In 2013, Jeff Moffett founded Triple Point Strategic Consulting to provide marketing, strategic planning, and economic analysis services. Focus areas are renewable energy, affordable housing, health assessments, sustainable tourism, and economic development. Jeff earned his M.S. in Econometrics and Ph.D. in Applied Statistics at the University of Washington, Seattle. For more information visit www.tpsconsulting.net.

Jeff is joined by Nathan Perry, Ph.D. Nathan is a Professor of Economics at Colorado Mesa University. He has conducted many regional economic studies in Colorado, including economic impact studies, public land studies, and energy studies, and has published academic work on deficits and debt, inflation, and the Great Depression. Dr. Perry regularly presents on the economic conditions in western Colorado and the national economy, and serves on the Governor's Revenue Estimating Advisory Committee (GREAC).