
MEMORANDUM

To: Mayor of the City of Walker
Walker City Commission

Cc: Frank Wash

From: Walker Orchard Land Partners, LLC

Date: October 5, 2006

Re: Economic Impact of Orchard Park

The purpose of this memorandum is to summarize the economic impact that the Orchard Park development is expected to have on the City of Walker and the Walker community, which would include Kenowa Hills schools, KISD and a number of other Walker community stakeholders.

In preparing this summary we have used the economic impact analysis provided in the Preliminary Area Site Plan and Re-zoning submittal, letters from various department heads at the city and letters from other government and quasi-government entities affected by this development. The erroneous calculation of property tax revenues used in the economic impact analysis, which was pointed out in the City Assessor's memorandum, has been corrected in this memorandum.

In analyzing the economic impact of the Orchard Park development, the first issue to consider is the amount of revenue that will be provided to the city and community. There will be three main revenue sources generated by this project: property taxes, income taxes and building and permit fees.

Property Taxes

We have estimated the projected build out value of Orchard Park to be \$289 million. Based on this value we expect that Orchard Park would generate property taxes of approximately \$6.17 million per year. The present value of these taxes is estimated to be \$88.8 million.¹

¹ \$6.17 million per year growing at 2.5% per year and discounted at 8% for 30 years.

Approximately \$254,000 of the real estate tax revenue would go directly to the city and yields a present value of \$3.7 million.² The remainder would go to the school district and other community stakeholders in the amount of approximately \$85.1 million.³

Income Taxes

With some small revisions to our original analysis found in the rezoning application and submittal we believe the City of Walker will collect an additional \$848,000 in income tax revenue per year. This translates into a present value of \$12.9 million.⁴ According the estimates of the Walker Income Tax Director, Orchard Park would produce \$646,000 in annual income tax revenue which yields a present value of \$9.8 million.⁵

Building Permits and Fees

There is also a benefit to the City of Walker due to the number of new buildings that need to be built. The building and zoning department expects to generate \$533,000 in revenue from Orchard Park building fees and permits alone.

Total Revenue

The total revenue that Orchard Park is expected to provide on an annual basis is \$7.02 million.⁶ This equates to a value to the Walker community, in today's dollars, of \$101.7 million.⁷ The value to the City of Walker alone is estimated to be \$1.1 million per year,⁸ with an additional \$533,000 from fees and permits in the build out period. This translates into a value today of \$16.6 million.⁹

The second issue that arises with respect to the economic impact analysis is the incremental cost to the City of Walker and community stakeholders when Orchard Park is developed.

59th District Court

The 59th District Court performed an analysis based on their experience when the mall in Grandville was built. They believe that they may need additional staff and workplaces for an increased case load. They do, however, believe that the increased fines and charges will offset the cost of additional staff.

² \$254,000 per year growing at 2.5% per year and discounted at 8% for 30 years.

³ \$88.8 million total present value less \$3.7 million value attributed to the City of Walker.

⁴ \$848,000 per year increased by 3% per year discounted at 8% for 30 years.

⁵ \$646,000 per year increased by 3% per year discounted at 8% for 30 years.

⁶ \$6.17 million in property taxes plus \$848,000 in income taxes.

⁷ Present value of property taxes plus the present value of the income taxes.

⁸ \$254,000 in property taxes plus \$848,000 in income taxes.

⁹ Present value of property taxes attributable to the city plus the present value of the income taxes.

Police Department

The Police Department expects no need for additional officers in the first 1-2 years of the development. They do believe that they may need an additional 1-2 officers after about 3-5 years based on the projected growth in the area surrounding the project.

Fire Department

The City of Walker Fire Chief was very positive on this project and appears to have done considerable research comparing Orchard Park to like projects. He expects that the fire department may need an additional staff member as the project builds out to handle the increased number of inspections that will take place. He does not see a need for additional fire fighting equipment the way Orchard Park is designed, but could foresee more equipment being needed if additional land around Orchard Park experiences significant build out.

Kenowa Hills Public Schools

There are several considerations of the economic cost for the Kenowa Hills Public Schools (KHPS). One consideration is the amount of new students the school will see due to the residential units being built in Orchard Park. KHPS expects very few school age children to live in the residential areas of Orchard Park, meaning the development by itself will have little impact on enrollment. They do state, however, that a development like this could lead to other residential growth in the surrounding areas.

Growth in residential development in the surrounding areas leads to a second consideration. That is an increase in surrounding area's residential growth may increase enrollment and could, at some point in the future, create a need for a new school to be built.

KHPS also points out that if there is an increase in enrollment operational funding could benefit, but there may be a point of diminishing returns. One area where they will definitely benefit is the Debt Retirement Fund. A project like this has the potential to relieve taxpayer burdens in the entire school district.

Public Transportation

The Interurban Transit Partnership has analyzed Orchard Park and concluded from a fiscal impact standpoint, that depending on the frequency and type of routes to and from Orchard Park, the increased tax base could cover the increased ridership. For example, if a 30 minute route from Central Station was implemented, there would likely be a shortfall in funds. If, however, Route 9 Alpine were extended there would be a net economic benefit.

Department of Public Works

The Department of Public Works (DPW) analyzed Orchard Park with the assumption that there would be an additional 5 miles of city roads. It should be noted at this time that the ownership of the roads through this development has yet to be determined. Assuming, however, that there are 5 miles of city roads, an extra \$23,000 will need to be spent by the city to maintain these roads. This is based on the DPW's estimate of costs to maintain these roads and the offset of increased funding from the state which is based on the number of miles of city road.

It is also possible that with improvements to surrounding roads and the addition of the 5 miles of city roads, there may be a need for an additional staff member. DPW will need to analyze this however as the project is developed.

There are several caveats to this economic analysis and discussion of the impact to the City of Walker. These caveats include issues of who will own/improve the roads and how they will be funded, the availability of a Brownfield TIF, and several other issues that will need to be determined prior to final site plan approval.

We believe that this project will be a tremendous asset to the City of Walker and the surrounding communities. It will enhance the quality of life for the Walker residents, draw visitors to the community and its businesses, create job opportunities within the City, and generate revenues to fund Walker's increasing needs.

We thank you for your consideration and the continued positive feedback we have received from you and your constituents.

Walker Orchard Land Partners, LLC