



To: Mayor VerHeulen
City Commission

From: Julie Blok, Income Tax Director

Date: September 15, 2006

Subject: Orchard Park Income Tax Analysis

Frank Wash, City Planner, asked me to review and comment on the Orchard Park income tax analysis from the economic impact section of the preliminary area site plan dated September 12, 2006.

Overall the methodology used is appropriate, however there are some minor changes that I feel would make the estimate more accurate.

Evaluation of data by column:

1. Square feet—amounts in this column are consistent with footage appearing elsewhere in the site plan and appear reasonable
2. Employee ratio—number of employees per square foot appears high based on our experience. I am unable to evaluate this portion because requested information regarding source documents was not received.
3. Calculated employees—based on columns one and two. In my opinion, it would be more reasonable to assume that a large number of these new positions will be part-time, especially in the retail and restaurant portion of the calculation. Personal exemptions have not been taken into account in this analysis and have a significant impact on income tax collected. For example, one non-resident employee making \$25,000 per year results in a tax liability of \$118. If that income is split between 10 part-time employees, the income tax liability of each employee is reduced to \$5, for a total liability of \$50.
4. Average annual employee salary—average annual employee salary appears high based on our experience. Again, I am unable to evaluate this portion because requested information regarding source documents was not received.
5. Total annual salary—calculated column based on columns two and three
6. Average city income tax rate—calculated to be .75% based on the assumption that ½ of the new employees would be residents (1%) and ½ would be non-residents (.5%). The plan shows 3,175 new full-time positions. Assuming that a large number of these positions would be part-time, it is more likely that there will be

closer to 7,000 employed at this location. Since the plan shows 280 units of new residential housing, it is not reasonable to assume that ½ of the employees would be residents of Walker. I prefer to calculate the tax of the estimated employees at the non-resident rate of .5% and add in a separate calculation for the 280 residential units at 1% based on actual statistics of average revenue per resident household.

7. Total income tax generated—calculated column based on columns five and six.

I have attached a revised estimate of income tax revenue generated that incorporates the changes suggested above. In the revised estimate, full-time positions have been converted to equivalent part-time and personal exemptions have been subtracted based on actual of 2.4 per return. The non-resident rate of .5% has been applied to the result, assuming that most new positions would be held by non-residents based on the number of jobs created in relation to the housing units created. Resident income tax generated has been calculated by multiplying the 280 units of housing by the average actual collection per household of \$548. This double counts the income of residents that also work in the Orchard Park development, but I think the overstatement is minor.

The income tax analysis from the economic impact section of the preliminary area site plan dated September 12, 2006 estimates that \$859,022 would be generated annually from this project in income tax revenue. The revised analysis attached shows an estimate of \$646,115. The majority of the area in question is currently vacant land which generates no income tax revenue, so clearly this is a significant increase.

I do not foresee that additional income tax employees or facilities would be necessary as a result of this project. We continue to work on ways to use technology to collect income tax from both employers and residents. The development of electronic filing technology can offset the need for data entry time to process the additional returns that will be generated. The development of electronic payment capabilities can offset the need for data entry time to record the withholding payments related to the new employees. Both projects are currently in the beginning stages.

I would be happy to answer any questions that you may have about the revised income tax analysis attached at your convenience.

**Orchard Park
Income Tax Analysis
As Revised by Walker Income Tax Department**

Property Type	(2) Employees	(2) Avg. Annual F/T Employee Salary	(3) Equivalent F/T Multiplier	(3) Avg. Annual P/T Employee Salary	(3) Equivalent P/T Employees	(4) Avg. Exempt per Return	Avg. P/T Salary after Ex	Total Taxable Wages	(5) Tax Rate	Income Tax Generated
Town Center										
Anchor	100	\$ 32,500	2	\$ 16,250	200	\$ 1,800	\$ 14,450	\$ 2,890,000	0.50%	\$ 14,450
Retail	838	27,500	3	9,167	2,514	1,800	7,367	18,520,638	0.50%	92,603
Office	300	75,000	1	75,000	300	1,800	73,200	21,960,000	0.50%	109,800
Outparcel Retail/Restaurant	238	27,500	3	9,167	714	1,800	7,367	5,260,038	0.50%	26,300
Light Mixed Use										
Retail	200	27,500	3	9,167	600	1,800	7,367	4,420,200	0.50%	22,101
Office	200	75,000	1	75,000	200	1,800	73,200	14,640,000	0.50%	73,200
Residential	80 units	(1)	N/A	N/A	N/A	N/A	N/A			43,840
Residential	200 units	(1)	N/A	N/A	N/A	N/A	N/A			109,600
Regional Retail										
Anchor	253	32,500	2	16,250	506	1,800	14,450	7,311,700	0.50%	36,559
Outparcel Retail/Restaurant	790	27,500	3	9,167	2,370	1,800	7,367	17,459,790	0.50%	87,299
Hotel										
Hotel 1	83	32,500	2	16,250	166	1,800	14,450	2,398,700	0.50%	11,994
Hotel 2	117	35,000	2	17,500	234	1,800	15,700	3,673,800	0.50%	18,369
	<u>3,119</u>									<u>\$ 646,115</u>

(1) Average actual tax collected per resident return (household) is \$548.

(2) Number of employees per square foot and average annual salary appears high. Unable to evaluate this portion as requested information regarding source documents was not received.

(3) Exemptions of \$750 per taxpayer not taken into account in original analysis.

(4) Based on actual--2.4 exemptions per return filed.

(5) 280 units of housing planned v. 3,119 new employees projected. It is not reasonable to assume that 1/2 of the new employees will be residents. Resident income tax calculated based on actual separately.