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**GRAND JUNCTION CITY COUNCIL
THURSDAY, JUNE 18, 2020**

**WORKSHOP, 11:30 AM
CITY HALL AUDITORIUM
250 N. 5TH STREET**

To become the most livable community west of the Rockies by 2025

1. Discussion Topics

- a. Presentation and Discussion of the Recently Completed Fiscal Impact Analysis for the Redlands 360 Annexation and Potential Development Project

2. City Council Communication

An unstructured time for Councilmembers to discuss current matters, share ideas for possible future consideration by Council, and provide information from board & commission participation.

3. Next Workshop Topics

4. Other Business

What is the purpose of a Workshop?

The purpose of a Workshop is for the presenter to provide information to City Council about an item or topic that they may be discussing at a future meeting. The less formal setting of a Workshop is intended to facilitate an interactive discussion among Councilmembers.

How can I provide my input about a topic on tonight's Workshop agenda?

Individuals wishing to provide input about Workshop topics can:

- 1. Send an email (addresses found here www.gjcity.org/city-government/) or call one or more members of City Council (970-244-1504);
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2. Provide information to the City Manager (citymanager@gjcity.org) for dissemination to the City Council. If your information is submitted prior to 3 p.m. on the date of the Workshop, copies will be provided to Council that evening. Information provided after 3 p.m. will be disseminated the next business day.
 3. Attend a Regular Council Meeting (generally held the 1st and 3rd Wednesdays of each month at 6 p.m. at City Hall) and provide comments during “Citizen Comments.”
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Grand Junction City Council

Workshop Session

Item #1.a.

Meeting Date: June 18, 2020

Presented By: Tamra Allen, Community Development Director

Department: Community Development

Submitted By: Tamra Allen

Information

SUBJECT:

Presentation and Discussion of the Recently Completed Fiscal Impact Analysis for the Redlands 360 Annexation and Potential Development Project

EXECUTIVE SUMMARY:

The Applicant, Redlands Three Sixty LLC, has requested annexation of 237.57 acres located south of the Redlands Parkway/Highway 340 intersection that is to be considered by City Council at its July 15, 2020 hearing. The 237.57 acres is a portion of the larger 624 acre proposed development referred to as Redlands 360. As the City considers this major annexation and development Staff believes it is important for the City to understand the fiscal impacts to on-going operations as well as one-time capital costs of both the annexation and the overall development. Thus, a fiscal analysis report has been completed to provide such information to the City.

BACKGROUND OR DETAILED INFORMATION:

Background

The Applicant, Redlands Three Sixty LLC, has requested annexation of 237.57 acres located south of the Redlands Parkway/Highway 340 intersection. City Council accepted the referral petition and exercised land use jurisdiction of the property at its May 20, 2020 meeting. The final annexation hearing is scheduled for July 15, 2020. The 237.57 acres is a portion of the larger 624 acre proposed development referred to as Redlands 360. As the City considers this major annexation and development Staff believes it is important for the City to understand the fiscal impact on on-going operation as well as one-time capital costs of both the annexation and the overall development. Thus, at the request of the City, Redlands Three Sixty LLC agreed to the conduct of and to fund a Fiscal Analysis of the proposed annexation and development

conducted by a qualified consulting firm. BBC research and Consulting was retained to conduct the study and the study has been paid for in full by the development company.

The primary objective of the study is to provide City policy makers with an authoritative analysis of the fiscal impact of the proposed annexation as well as the total Redlands 360 project. A presentation of the study by the consultant will be provided at the workshop, followed by questions and discussion of the findings.

Proposed Project

Both the property presently inside the City limits and the parcel being annexed are currently vacant. The area totals approximately 624 acres which the Applicant is proposing to develop as a Planned Development (PD) which will be considered by City Council for zoning approval in the future. The current concept for development has been taken from the proposed Redlands 360 Metropolitan District to be heard by City Council at its June 17, 2020 meeting. The District proposes a total of 1,644 housing units of mixed types (multifamily, townhomes and single family), a small commercial area of 30,000 square feet of leasable space and an extensive network of developed and undeveloped open space, trails and developed parks.

FISCAL IMPACT:

This item is for discussion purposes only and therefore is no resulting direct fiscal impact. As Council considers taking formal action regarding annexation of this and other developments, the fiscal impact will be calculated and presented.

SUGGESTED ACTION:

Discussion only.

Attachments

1. Proposed Redlands 360 Development Location Map
2. Proposed Redlands 360 Development Concept Design
3. Redlands 360 Development - Fiscal Impact Analysis

PROPOSED REDLANDS 360 DEVELOPMENT



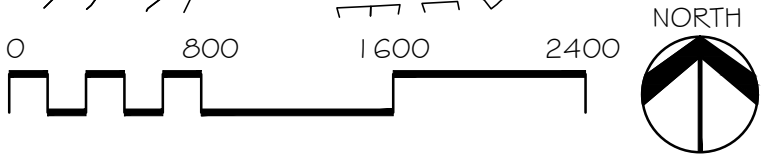
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Exhibit B

CONCEPT LAND USE LEGEND

- SINGLE FAMILY
- HIGH DENSITY/MULTI-FAMILY
- COMMERCIAL
- OPEN SPACE

Redlands Three Sixty
CONCEPT LAND USE PLAN



CIAVONNE, ROBERTS & ASSOCIATES, INC.
LAND PLANNING AND
LANDSCAPE ARCHITECTURE
222 N. 7TH STREET GRAND JUNCTION, CO 81501 www.ciaavonne.com
970-241-0745 (P) 970-241-0765 (FX)



Redlands 360 Annexation Fiscal Impact Study

DRAFT REPORT

Draft Report

June 11th, 2020

Redlands 360 Annexation Fiscal Impact Study

Prepared for:

The City of Grand Junction
250 North 5th Street
Grand Junction, CO 81501

Prepared by:

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SECTION I.

Introduction

Redlands 360 is a proposed 624-acre development in southwest Grand Junction located at the southern end of 23 Road. It is bounded on the northeast by Broadway, on the northwest by Redlands Parkway, on the west and southwest by South Camp Road, and on the east by the Ridges development. Approximately 60 percent of the property is currently within the boundaries of the city and the remainder is in unincorporated Mesa County. The proposed development program for Redlands 360 includes 1,644 residences and 30,000 square feet of commercial property comprising retail, office, and warehouse space. Beyond residential and commercial uses, the development will also include parks, open spaces, and a clubhouse. The developer intends to complete construction over a 20-year period as market conditions allow, beginning in 2023. Upon completion, the developer estimates that 3,765 residents will live in Redlands 360.

The Redlands 360 development will require various services and amenities that the City of Grand Junction (the City) provides to its residents and businesses, including public safety services, road maintenance, and recreational facilities. The developer has worked with the City to develop a plan for 9 independent metro districts to help fund services and amenities for the development that are not typically provided in Grand Junction. Metro districts are independent governmental entities that are established to finance, design, acquire, install, construct, operate and maintain public improvements that are not otherwise being provided. The developer has also petitioned the City to annex the portions of Mesa County on which the property lies. The developer submitted a consolidated service plan for the metro districts on March 31, 2020 and the City has scheduled an annexation hearing with the Grand Junction City Council in July 2020.

A. Grand Junction Fiscal Background

The City of Grand Junction is the largest municipality in the Western Slope of Colorado with more than 63,000 residents. The total annual budget for the City in 2020 is \$161 million. More than 80 percent of the total budget is allocated to public safety, planning, and infrastructure investment. The City allocates its budget over two major fund categories:

- **General government funds**, which includes the general fund and other funds associated with providing basic government services, such as public safety, parks, and transportation;
- **Enterprise funds**, which are for self-supporting government activities where the jurisdiction provides goods or services to the public for a fee such as utilities, trash service, and parking;

B. Persigo Agreement

As part of a lawsuit settlement in 1998, the City and County agreed on the requirements for any annexation occurring in the designated service area of the City's Persigo Wastewater Treatment Plant. The service area is called the Persigo 201 service area and includes the entire Redlands 360 property. The agreement specifies that any development land within the service area

boundaries that meets certain criteria will be annexed into the City. Those criteria include the development being located in the Redlands and being located within one-quarter mile of the City's boundaries. Because the Redlands 360 development meets those and other criteria, annexation of the portions of Mesa County on which the property lies is a foregone conclusion.

C. Fiscal Impacts of Redlands 360

New developments such as the Redlands 360 may have substantial fiscal impacts for municipalities with respect to *one-time capital investments* and *recurring operations*, due in particular to the influx of new residents and businesses. *One-time capital investments* refer to one-time investments that a city must make in capital infrastructure once a development is completed to provide services and amenities to new residents and businesses, including building or renovating public safety structures and purchasing equipment. *Recurring operations* refer to ongoing costs that a city must incur in providing services to new residents and businesses, such as road maintenance and public safety services. As the number of residents and businesses increases, a city needs to spend more money to provide such amenities and services.

The City is interested in understanding the fiscal impacts of the Redlands 360 with respect to both one-time capital investments and recurring operations. BBC Research & Consulting (BBC) relied on data from the City and information from the developer to examine the construction and occupancy of the proposed Redlands 360 development and estimate those impacts. The City will be able to use results from the study to assess effects that the development has on its general government funds, which in turn will inform fiscal policy decisions that the City must make in connection with the new development.

SECTION II. Methodology

BBC worked closely with the City to develop an appropriate methodology for analyzing the fiscal impacts of the Redlands 360 development and the related annexation of portions of Mesa County. The study team relied on information and previous analyses that the City provided and information from the developer to estimate fiscal impacts in terms of both *one-time capital investments* and *recurring operations*.

A. One-time Capital Investments

A city must make several capital investments upon completion of new developments to extend its services to new residents and businesses. Cities often implement *development impact fees* to compel developers to contribute financially to those investments and ensure that existing residents, businesses, and services are not financially burdened by new growth. In 2019, the City approved development impact fees in an effort to help offset the costs of new development. In calculating those fees, the City estimated the maximum defensible amount for each category of impact fee and each type of land use. Below is a summary of how the City calculated impact fees for each relevant service category, according to Ordinance No. 4878:

- **Police and Fire.** The City will charge the maximum defensible impact fees related to police and fire services beginning on January 1, 2022. The City calculated those fees based on the following land use categories: single family homes, multi-family homes, retail and commercial development, office and institutional construction, industrial development, and warehouse development. The City will increase the fees annually to account for inflation.
- **Parks and recreation.** The City has previously implemented impact fees related to parks and recreation and decided to increase those fees to reach 75 percent of the maximum defensible amount by 2023. As with police and fire fees, the City implemented fees based on the following land use categories: single family homes, multi-family homes, retail and commercial development, office and institutional construction, industrial development, and warehouse development.
- **Transportation.** The City has also previously implemented impact fees related to transportation and also decided to increase those fees to reach 75 percent of the maximum defensible amount by July 1, 2023. The City used a more detailed fee structure for transportation based on land use categories:
 - *Residential:* The City implemented four categories of single-family home fees based on the size of the residence. The City also implemented fees for multi-family residential buildings and mobile homes.
 - *Retail, commercial, and hotels:* The City implemented unique fees on a per-1000-square-foot basis for hotels, shopping centers, automobile sales and service establishments, movie theaters, sit-down restaurants, drive-through restaurants, banks, and convenience stores. The City also implemented fees for golf courses on a per-hole basis.
 - *Office:* The City implemented separate fees for general office space, medical offices, veterinary clinics, and hospitals on a per-1,000-square foot basis.
 - *Institutional:* The City implemented fees for nursing homes, places of worship, day care centers, and public buildings on per-1000-square-foot basis.
 - *Industrial and warehouse:* The City implemented fees for warehouses, mini warehouses, and industrial space on a per-1000-square-foot basis.

BBC used information from the developer's consolidated service plan to estimate the cost of one-time capital investments associated with the Redlands 360 development (i.e., *expenditures*) and information on impact fees (i.e., *revenue*) to estimate how much the City will be able to collect from the developer to offset those costs. The study team then used those estimates in the following calculation:

$$\text{Fiscal impact} = \text{Estimated revenue} - \text{Estimated expenditures}$$

The result was an estimate of the total fiscal impact for the City of one-time capital investments.

B. Recurring Operations

BBC worked with the City to estimate the expenses and revenue that would result from annual recurring operations in connection with the Redlands 360 development and providing services

to its residents and businesses. We based those estimates on the City’s 2020 budget and revenue data.

1. Expenditures. The City’s budget includes approximately \$84 million of expenditures on general government in 2020, nearly all of which is related to providing services to residential development. The City provides some recurring services to commercial development and business owners—such as collecting sales taxes and providing businesses licenses—but the fees associated with those services almost completely offset the cost of providing them, so the City’s expenditures for those services are negligible. BBC worked with the City to categorize recurring expenditures by department, as presented in Figure II-1. BBC used that information as the basis to estimate the recurring expenditures per household in the Redlands 360 development.

Figure II-1.
Recurring expenditure
categories

Source:
City of Grand Junction and
BBC Research & Consulting.

Budget category
City manager, attorney, clerk
Community development
General services
Human resources
Finance
City council
Public works
Parks & Recreation
Fire
Police

2. Revenue. For 2020, the City projects that more than \$100 million in general government fund revenue will be directed toward general government activities for residential and commercial development. The City generates the majority of that revenue from eight sources, which are presented in Figure II-2. We provide a brief description of each source below.

a. City general government sales and use taxes. The largest component of general fund revenue is from sales and use taxes. The City has a 3.25 percent sales and use tax made up of three components: 2.0 percent general fund tax, 0.5 percent first responder tax, and 0.75 percent capital improvement program tax. Two of those components—the general fund tax and first responder taxes—fund general government operational activities.

**Figure II-2.
Recurring
revenue sources**

Source:
City of Grand Junction and
BBC Research & Consulting.

Revenue category
Sales and use taxes
Property taxes
County sales taxes
Charges for services
Intergovernmental charges
Franchise fees
Economic development
Other fees and services

b. Property taxes. The City has a property tax of 8 mills on commercial and residential property homeowners. This sets the amount per \$1,000 in assessed value that the City charges. Below is the equation used to calculate the property tax owed to the City:¹

$$\text{Value of the property} \times \text{Assessment rate} \times \text{Mill Levy}$$

c. County sales tax revenue. The County provides a portion of its general sales tax and public safety sales tax revenue to each city and town in the county.

d. Charges for services. The City also collects fees and charges for services, such as recreation classes, ambulance transportation, and facility rental.

e. Intergovernmental charges. Certain City departments support enterprise fund activities by providing accounting, human resources, and information technology services. The City collects revenue from the enterprise funds to offset the cost of providing those services. The enterprise funds pass those costs on to their customers.

f. Franchise fees. The City charges fees to utility companies, including electricity providers, natural gas providers, and cable television companies. The utility companies pass those fees along to customers as part of their monthly bills.

g. Economic development. The Grand Junction City Council receives a portion of the 0.75 percent capital improvement sales tax to fund economic development activities.

h. Other fees and services. The City also collects additional taxes and fees such as motor vehicle registration, cigarette taxes, and liquor taxes.

C. Redlands 360 Development Assumptions

The Redlands 360 development is proposed to have 1,644 residential units and 30,000 square feet of commercial development—including retail, office, and warehouse space—upon completion. The fiscal impacts of the development depend on the timing and property value of

¹ Due to the Gallagher Amendment to the Colorado State Constitution, the assessment rate is higher for commercial property (29%) than residential property (7.15%).

the development. BBC used information from the developer's consolidated service plan submitted to estimate the timeline for the development, which is presented in Figure II-3.

**Figure II-3.
Redlands 360
development timeline**

Source:
City of Grand Junction and
BBC Research & Consulting.

Year	Single-family attached (units)	Single-family detached (units)	Multi-family (units)	Total residential (units)	Commercial development (square feet)
1	0	0	0	0	0
2	0	0	0	0	0
3	16	28	0	44	0
4	33	50	0	83	10,000
5	33	64	0	97	10,000
6	13	49	30	92	10,000
7	22	22	30	74	0
8	19	63	15	97	0
9	27	55	0	82	0
10	17	64	0	81	0
11	32	42	0	74	0
12	24	37	30	91	0
13	23	35	15	73	0
14	25	54	15	94	0
15	25	65	15	105	0
16	40	45	0	85	0
17	40	44	0	84	0
18	39	36	0	75	0
19	23	49	0	72	0
20	17	67	0	84	0
21	16	42	0	58	0
22	16	33	0	49	0
23	16	34	0	50	0
Total	516	978	150	1,644	30,000

SECTION III. Results

BBC estimated the fiscal impacts of the proposed Redlands 360 development for the City in terms of both one-time capital investments and recurring operations based on information from the developer and information and previous analyses that the City provided.

A. One-time Investments

BBC used information from the developer's consolidated service plan to estimate the cost of one-time capital investments associated with the Redlands 360 development (i.e., *expenditures*) and information on impact fees that the City will be able to collect from the developer to offset those costs (i.e., *revenue*).

1. Residential development. Figure III-1 presents one-time revenue (column b of Figure III-1), expenditures (column c of Figure III-1), and fiscal impacts (column d of Figure III-1) for each type of residential unit and service category relevant to the Redlands 360 development (column a of Figure III-1), based on construction beginning in 2023. As shown in Figure III-1, whereas the cost of providing fire and police services will be offset by corresponding impact fees, parks and recreation and transportation services show a deficit for all types of residential units. Those deficits are due to the fact that the City's impact fees related to those services will only reach 75 percent of the maximum defensible amount by 2023. The deficits range from \$283 (parks and recreation services associated with each multi-family unit) to \$2,347 (transportation services associated with each single-family detached unit).

Figure III-1.
One-time capital investment revenue and expenditures by residential unit type and service category

a. Residential type	b. Revenue (per unit)	c. Expenditure (per unit)	d. Fiscal Impact (Rev. - Exp.) (per unit)
Single-family			
Fire	\$ 710	\$ 710	\$ -
Police	\$ 305	\$ 305	\$ -
Parks and Recreation	\$ 1,260	\$ 1,680	\$ (420)
Transportation	\$ 5,377	\$ 7,169	\$ (1,792)
Single-family detached			
Fire	\$ 710	\$ 710	\$ -
Police	\$ 305	\$ 305	\$ -
Parks and Recreation	\$ 1,260	\$ 1,680	\$ (420)
Transportation	\$ 7,042	\$ 9,389	\$ (2,347)
Multi-family			
Fire	\$ 467	\$ 467	\$ -
Police	\$ 200	\$ 200	\$ -
Parks and Recreation	\$ 848	\$ 1,131	\$ (283)
Transportation	\$ 2,811	\$ 3,748	\$ (937)

Source: City of Grand Junction and BBC Research & Consulting.

2. Commercial development. Figure III-2 presents one-time revenue (column b of Figure III-1), expenditures (column c of Figure III-1), and resulting fiscal impacts per 1,000 square feet (column d of Figure III-1) for each type of commercial development and service category relevant to the Redlands 360 development (column a of Figure III-1), based on construction beginning in 2023. Similar to residential development, whereas as the cost of providing fire and police services will be offset by corresponding impact fees, transportation services show a deficit for all types of commercial development. The deficits range from \$307 per 1,000 square feet (warehouse development) to \$2,409 per 1,000 square feet (retail development). The City does not provide parks and recreation services associated with commercial development, so there are no expenditures or revenues associated with those services.

Figure III-2.
One-time capital investment revenue and expenditures
by commercial development type and service category

a. Commercial type	b. Revenue (per 1,000 sf)	c. Expenditure (per 1,000 sf)	d. Fiscal Impact (Rev. - Exp.) (per 1,000 sf)
Retail			
Fire	\$ 489	\$ 489	\$ -
Police	\$ 206	\$ 206	\$ -
Parks and Recreation	\$ -	\$ -	\$ -
Transportation	\$ 7,227	\$ 9,636	\$ (2,409)
Office			
Fire	\$ 191	\$ 191	\$ -
Police	\$ 81	\$ 81	\$ -
Parks and Recreation	\$ -	\$ -	\$ -
Transportation	\$ 5,799	\$ 7,732	\$ (1,933)
Warehouse			
Fire	\$ 34	\$ 34	\$ -
Police	\$ 14	\$ 14	\$ -
Parks and Recreation	\$ -	\$ -	\$ -
Transportation	\$ 921	\$ 1,228	\$ (307)

Source: City of Grand Junction and BBC Research & Consulting.

3. Redlands 360 development. The Redlands 360 development is expected to have 1,644 residential units and 30,000 square feet of commercial development—including retail, office, and warehouse space—upon completion. Based on those expectations and the calculations presented in Figures III-1 and III-2, Figure III-3 presents the one-time revenue (column b of Figure III-3), expenditures (column c of Figure III-3), and resulting fiscal impacts (column d of Figure III-3) for the different types of residential and commercial development that will be part of the completed Redlands 360 development (column a of Figure III-3), assuming that construction begins in 2023. As shown at the bottom of Figure III-3, at completion of the development, the City might expect approximately \$13.9 million of revenue from impact fees but approximately \$17.9 million in expenditures for services, resulting in a one-time deficit of approximately \$4.1 million.

B. Recurring Operations

In addition to one-time capital investments, there are fiscal impacts for the City associated with recurring operations in connection with serving the Redlands 360 development. BBC used information from the developer's consolidated service plan as well as information about the City's current development, annual budget, and taxes and fees to estimate recurring expenditures and revenues associated with serving the Redlands 360 development on a recurring basis.

Figure III-3.
One-time capital investment revenue and expenditures by
development type and service category for the Redlands 360 development

a. Development type	b. Revenue	c. Expenditure	d. Fiscal impact (Rev. - Exp.)
Single-family attached (516 units)			
Fire	\$ 366,360	\$ 366,360	\$ -
Police	\$ 157,380	\$ 157,380	\$ -
Parks and Recreation	\$ 650,160	\$ 866,880	\$ (216,720)
Transportation	\$ 2,774,532	\$ 3,699,376	\$ (924,844)
Single-family detached (978 units)			
Fire	\$ 694,380	\$ 694,380	\$ -
Police	\$ 298,290	\$ 298,290	\$ -
Parks and Recreation	\$ 1,232,280	\$ 1,643,040	\$ (410,760)
Transportation	\$ 6,887,076	\$ 9,182,768	\$ (2,295,692)
Multi-family (150 units)			
Fire	\$ 70,050	\$ 70,050	\$ -
Police	\$ 30,000	\$ 30,000	\$ -
Parks and Recreation	\$ 127,200	\$ 169,600	\$ (42,400)
Transportation	\$ 421,650	\$ 562,200	\$ (140,550)
Commercial - Retail			
Fire	\$ 4,890	\$ 4,890	\$ -
Police	\$ 2,060	\$ 2,060	\$ -
Parks and Recreation	\$ -	\$ -	\$ -
Transportation	\$ 72,270	\$ 96,360	\$ (24,090)
Commercial - Office			
Fire	\$ 1,910	\$ 1,910	\$ -
Police	\$ 810	\$ 810	\$ -
Parks and Recreation	\$ -	\$ -	\$ -
Transportation	\$ 57,790	\$ 77,053	\$ (19,263)
Commercial - Warehouse			
Fire	\$ 340	\$ 340	\$ -
Police	\$ 140	\$ 140	\$ -
Parks and Recreation	\$ -	\$ -	\$ -
Transportation	\$ 9,210	\$ 12,280	\$ (3,070)
Total	\$13,858,778	\$17,936,167	\$ (4,077,389)

Source: City of Grand Junction and BBC Research & Consulting.

1. Residential development. Figure III-4 presents recurring expenditures and revenue associated with the various services that the City provides its residents. Both expenditures and revenue are expressed per household, based on the number of households in Grand Junction.

a. Expenditures. The top panel of Figure III-4 presents the various recurring expenditures for the City associated with resident services. Although the core mission of the City is to serve its own residents, some of the City's expenditures result from serving people who commute to Grand Junction for work or visit for recreation. Based on discussions with the City, BBC determined that recurring expenditures in connection with public works, parks and recreation,

police, and fire are related to providing services to both Grand Junction residents and non-residents. It would be inappropriate to include non-resident expenditures as part of estimating the cost of providing services to Redland 360 residents, so BBC estimated the proportion of those expenditures that are attributable specifically to Grand Junction residents.

Figure III-4.
Recurring revenue and expenditures

a. Category	b. Annual expenditures/ revenue (in thousands)	c. Resident Percentage	d. Adjusted for residents (in thousands)	e. Per Household
Expenditures				
City manager, attorney, clerk	\$ 2,312	100 %	\$ 2,312	\$ 88
Community development	\$ 1,687	100 %	\$ 1,687	\$ 65
General services	\$ 1,845	100 %	\$ 1,845	\$ 70
Human resources	\$ 2,048	100 %	\$ 2,048	\$ 78
Finance	\$ 2,111	100 %	\$ 2,111	\$ 81
City council	\$ 4,059	100 %	\$ 4,059	\$ 155
Public works	\$ 9,125	67 %	\$ 6,113	\$ 234
Parks & Recreation	\$ 10,032	67 %	\$ 6,721	\$ 257
Fire	\$ 21,158	83 %	\$ 17,561	\$ 672
Police	\$ 29,211	67 %	\$ 19,571	\$ 749
Total	\$ 83,587	NA	\$ 64,029	\$ 2,449
Revenue				
Sales and use taxes	\$ 44,054	22 %	\$ 9,692	\$ 371
Property taxes	\$ 9,680	40 %	\$ 3,872	\$ 261*
County sales taxes	\$ 8,128	22 %	\$ 1,788	\$ 68
Charges for services	\$ 9,808	100 %	\$ 9,808	\$ 375
Intergovernmental charges	\$ 2,390	100 %	\$ 2,390	\$ 91
Franchise fees	\$ 2,790	100 %	\$ 2,790	\$ 107
Economic development	\$ 3,225	22 %	\$ 710	\$ 27
Other fees and services	\$ 8,496	100 %	\$ 8,496	\$ 325
Total	\$ 88,571	NA	\$ 39,545	\$ 1,364
Revenue - Expenditures				\$ (1,085)

Note: Numbers may not sum perfectly due to rounding.

*The average property taxes per household for the entire City is approximately \$148 year. The value shown in column e reflects the property taxes expected from the type and value of residences in the proposed Redlands 360 development.

Source: City of Grand Junction and BBC Research & Consulting.

i. Fire department expenditures. For the fire department, BBC used the estimate of service calls to areas outside of Grand Junction as a proxy for the share of expenditures attributable to non-residents. The City reports that 17 percent of the fire department's service calls are for services it provides outside of Grand Junction. Thus, as shown in the column c of Figure III-4, BBC assumed that 83 percent of the fire department's expenditures are attributable to City residents.

ii. Public works, parks and recreation, and police. For public works, parks and recreation, and police, BBC estimated the total number of individuals who spend time in Grand Junction each day and potentially use the City's services. Those individuals fall into three categories: residents, daily commuters, and visitors. BBC used data from the Colorado Department of Local Affairs

State Demography Office to estimate that there is a total of approximately 64,200 Grand Junction residents. Using data from the Mesa County Regional Transportation Planning Organization, BBC estimated that approximately 19,000 individuals commute into Grand Junction each day. In order to estimate the number of daily visitors to Grand Junction, BBC relied on survey and lodging data from Visit Grand Junction:

- **Annual number of overnight visitors to Grand Junction.** Visit Grand Junction estimates that there are 1.6 million overnight visitors to Grand Junction each year.
- **Total annual days for overnight visitors.** Visit Grand Junction reports that most visitors stay one or two days (58%), but the remainder stay longer. BBC assumed an average stay of 2 days for overnight visitors to estimate that the total visitor days associated with overnight visitors is 3.2 million days (1.6 million visitors x 2 days = 3.2 million days for overnight visitors).
- **Day visitors to Grand Junction.** Based on survey data, Visit Grand Junction estimates that overnight visitors account for 71 percent of total visitors. Based on that information, BBC estimates that there are approximately 1.3 million day visitors to Grand Junction annually (1.6 million visitors x 73% = 1.3 million day visitors).
- **Total annual overnight and day visitors.** Using the data described above, BBC estimated that the total annual overnight and day visitors in Grand Junction is approximately 4.5 million (3.2 million overnight visitors + 1.3 million day visitors = 4.5 million visitors).
- **Daily visitors.** On average, Grand Junction might expect 12,300 visitors each day (4.5 million visitors/365 days = 12,300 visitors each day).

Based on the above analyses, BBC estimates that public works, parks and recreation, and police serve approximately 95,500 individuals each day (64,200 residents + 19,000 commuters + 12,300 visitors = 95,500 individuals), and 67 percent of those individuals are residents (64,200 residents/95,500 individuals = 0.67). Thus, as shown in the column c of Figure III-4, BBC assumed that 67 percent of the expenditures associated with public works, parks and recreation, and police are attributable to City residents.

iii. Total expenditures. To estimate total annual expenditures per household, BBC took annual budgeted expenditures for each relevant department (column b of Figure III-4), multiplied by the proportion of each department's budgeted expenditures that is attributable to residents (column c of Figure III-4), divided the adjusted values (column d of Figure III-4) by the number of total households in Grand Junction (26,141), and then summed across all relevant departments. Using that calculation, BBC estimated that the total annual expenditures for the City is \$2,449 per household, as shown in column e of the top panel of Figure III-4.

b. Revenue. The bottom panel of Figure III-4 presents the various sources of recurring revenue for the City based on various taxes and fees that it collects. As with recurring expenditures, the City and BBC estimated the proportion of revenue from each source is attributable specifically to Grand Junction residents. The City and BBC determined that four revenue sources—sales and use taxes, property taxes, county sales taxes, and economic development—are only partially attributable to Grand Junction residents.

i. Sales and use taxes, county sales taxes, and economic development. The City has a 3.25 percent sales and use tax made up of three components: 2.0 percent general fund tax, 0.5 percent first responder tax, and 0.75 percent capital improvement program tax, which funds the City's economic development initiatives. A recent sales tax study that BBC conducted for the City indicates that residents generate 22 percent of sales tax revenue in Grand Junction whereas commuters, businesses and visitors generate the other 78 percent of that revenue. Thus, BBC assumed that 22 percent of sales and use taxes, county sales taxes, and economic development funds are attributable to Grand Junction residents, as shown in column c of Figure III-4.

ii. Property taxes. Based on City data, BBC determined that approximately 30 percent of the City's property taxes are attributable to commercial development whereas 70 percent is attributable to residential development, as shown in column c of Figure III-4. In the City data, 40 percent of the City's property taxes are attributable to residential development whereas 60 percent is attributable to commercial development, as shown in column c of Figure III-4. This indicates about \$148 per household in Grand Junction. However, to reflect the household types and their average market prices in Redlands 360, BBC determined property taxes per household using data from the developer's consolidated plan, as shown in column e of Figure III-4.

iii. Total revenue. BBC took annual estimated revenue from each relevant source (column b of Figure III-4), multiplied by the proportion of each source that is attributable to residents (column c of Figure III-4), divided the adjusted values (column d of Figure III-4) by the number of total households in Grand Junction (26,141), and then summed across all relevant departments. Using that calculation, BBC estimated that the total annual revenue for the City is \$1,625 per household, as shown in the column e of the bottom panel of Figure III-4.

c. Recurring fiscal impact. BBC's estimates \$1,625 of recurring revenue for the City per household and \$2,449 of recurring expenses per household, resulting in an \$824 annual operating deficit for the City per household.

2. Commercial development. In order to properly estimate the fiscal impact of the Redlands 360 development, it is necessary to estimate recurring expenditures and revenue related to both residential development and commercial development.

a. Expenditures. The City provides some recurring services to commercial development and business owners, such as collecting sales taxes and providing businesses licenses. However, vendor and license fees associated with those services almost completely offset the cost of providing them, so the City's expenditures for those services are negligible.

b. Revenue. There are two primary sources of recurring revenue from commercial development in Grand Junction: sales and use taxes and property taxes.

i. Sales taxes. The City charges retail businesses a 3.25 percent sales tax on all sales, 2.50 percent of which goes into its general fund. (The other 0.75 percent goes to the City's capital improvement program, and it primarily funds capital projects that the City undertakes.) In 2017, CoStar reported a national average of \$325 of annual business sales per square foot. Historically, Grand Junction businesses have earned somewhat less in sales per square foot than the national average. The City and BBC determined that \$300 is a reasonable estimate of annual business

sales for Grand Junction businesses per square foot, meaning that the City generates approximately \$7.50 in sales tax revenue per square foot from those businesses (\$300 per square foot x 2.5% sales tax = \$7.50 in sales tax per square foot).

The City's recent sales tax study indicates that residents generate 22 percent of sales tax revenue whereas commuters and visitors generate the other 78 percent of that revenue. To avoid double-counting sales tax revenue attributable to residents—which BBC took already took into account as part of its analyses of recurring fiscal impacts for residential development—we reduced the \$7.50 sales tax per square foot figure proportionally for an adjusted figure of \$5.85 sales tax per square foot (\$7.50 sales tax per square foot x 78% attributable to commuters and visitors = \$5.85 sales tax per square foot).

ii. Property taxes. All commercial properties—including retail, office space, and warehouse space—must pay property taxes to the City on an annual basis. The City charges commercial properties \$0.464 per square foot in property taxes.

3. Redlands 360 development. The Redlands 360 development is expected to have 1,644 residential units and 30,000 square feet of commercial development upon completion. Based on those expectations and BBC's estimates of annual fiscal impacts for residential development (see Figure III-4) and commercial development (see discussion immediately above), Figure III-5 presents the annually recurring revenue (column b of Figure III-5), expenditures (column c of Figure III-5), and resulting fiscal impacts (column d of Figure III-5) for the residential and commercial development that will be part of the completed Redlands 360 development (column a of Figure III-5). As shown at the bottom of Figure III-5, upon completion of the Redlands 360 development, the City might expect approximately \$2.7 million of revenue from the development each year but approximately \$4.0 million in expenditures for recurring services, resulting in annually recurring deficits of approximately \$1.3 million.

SECTION IV. Discussion

The City commissioned BBC to estimate the fiscal impacts associated with the development of Redlands 360 in Grand Junction and annexing the portions of unincorporated Mesa County on which the development lies. BBC estimated the fiscal impacts with respect to both one-time capital investments and recurring operations.

A. Summary of Results

Our analyses indicate that the Redlands 360 development will cost the city approximately \$4.1 million in one-time capital investments during development and approximately \$1.3 million in annually recurring deficits upon completion. Those results are not entirely surprising, given certain state and local policies:

- The Gallagher Amendment to the State of Colorado Constitution requires that state and local governments maintain a consistent ratio from year-to-year of the property taxes that they collect from residential and commercial properties. Since its enactment in 1982,

residential property values have increased much more rapidly than commercial property values. As a result, the assessment rate for residential properties has been reduced from 21 percent to 7.15 percent while the commercial assessment rate has remained constant at 29 percent. Those changes have resulted in substantially lower property tax collections per dollar of valuation for residential units.

Figure III-5.
Recurring revenue and expenditures by development type for the Redlands 360 development

a. Development type	b. Revenue (in thousands)	c. Expenditures (in thousands)	d. Fiscal impact (Rev. - Exp.) (in thousands)
RESIDENTIAL (1,644 UNITS)			
Expenditures			
City manager, attorney, clerk	NA	\$ 145	
Community development	NA	\$ 106	
General services	NA	\$ 115	
Human resources	NA	\$ 129	
Finance	NA	\$ 133	
City council	NA	\$ 255	
Public works	NA	\$ 385	
Parks & Recreation	NA	\$ 423	
Fire	NA	\$ 1,105	
Police	NA	\$ 1,231	
Revenues			
Sales and use taxes	\$ 610	NA	
Property taxes	\$ 429	NA	
County sales taxes	\$ 112	NA	
Charges for services	\$ 617	NA	
Intergovernmental charges	\$ 150	NA	
Franchise fees	\$ 176	NA	
Economic development	\$ 44	NA	
Other fees and services	\$ 534	NA	
Total	\$ 2,672	\$ 4,027	\$ (1,355)
COMMERCIAL (30,000 SQ. FT.)			
Expenditures			
Commercial and business services	NA	\$ -	
Total	NA	\$ -	\$ -
Revenues			
Sales and use tax (10,000 applicable sq. ft.)	\$ 59	NA	
Property tax (30,000 applicable sq. ft.)	\$ 14	NA	
Total	\$ 72	\$ -	\$ 72
TOTAL FISCAL IMPACT	\$ 2,744	\$ 4,027	\$ (1,283)

Notes: Sales and use tax for commercial development based on 10,000 expected sq. ft. of retail space

Source: City of Grand Junction and BBC Research & Consulting.

- The City, along with most other Colorado communities, relies heavily on sales tax to fund general government expenses. For regional economic centers and tourist-oriented communities such as Grand Junction, non-residents generate a substantial proportion of

sales tax revenue. As a result, increases in the number of residents that the City must serve, results in spreading sales tax revenue generated from non-residents over a larger number of people.

- As discussed in Section I, the Persigo agreement requires the City to annex new development within the boundaries of the Persigo 201 service area. Because of that requirement, the City must annex developments with relatively large amounts of commercial land use, which usually result in net fiscal benefits for municipalities. However, the City must also annex developments with relatively large amounts of residential land use, which usually result in net fiscal deficits for municipalities.
- According to Ordinance No. 4878, the City's impact fees related to parks and recreation and transportation will only reach 75 percent of the maximum defensible amount by 2023. As a result, the City's one-time capital investments related to those services show deficits for all types of residential and commercial development. (The City does not provide parks and recreation amenities or services to commercial development.)

B. Considerations

Given the policy considerations that they must make, many Colorado communities struggle with the fiscal impacts of increasing the number of households they serve. Below are some considerations that City leaders should make in analyzing the Redlands 360 development and future development:

- Many communities authorize new metro districts along with new developments. Metro districts are independent governmental entities that are established to finance, design, acquire, install, construct, operate and maintain public improvements that are not otherwise being provided. The developer has proposed 12 metro districts that will provide capital investments for infrastructure beyond those the City currently provides for its residents. Some communities work with metro districts to find ways to offset costs of development.
- Some communities use the annexation process to ensure that new development meets other goals such as affordable housing as well as increasing open and public space. Although such concessions rarely offset costs of development, they can further different City priorities.
- As with the agreement the City has with Mesa County regarding City and County sales taxes, many municipalities have agreements with their county governments and neighboring municipalities to share sales tax in an effort to prevent competition among municipalities for new commercial development.

C. Caveats and Limitations

BBC's analyses provide estimates of the potential fiscal impacts of the Redlands 360 development based largely on past fiscal data from the City. Although those estimates are based on the best information available to BBC and the City, many uncertainties about future fiscal projections remain:

- The assessment ratio between commercial and residential property as defined by the State of Colorado Legislature may continue to change. Initial projections for a revised assessment ratio would lower the ratio from 7.15 percent to 5.88 percent, resulting in an 18 percent reduction in property taxes that the City could collect from residential development.
- The relative competitiveness of Grand Junction's retail offerings among residents, commuters, and visitors compared with alternatives online or from other communities has a substantial impact on the overall fiscal health of the City and new developments. Any changes in the competitiveness of Grand Junction's retail offerings would have related, fiscal impacts.
- The analyses presented in this report assume that the City would provide levels of service to residents and businesses in the Redlands 360 development that are comparable to the levels of service that the City currently provides to Grand Junction residents and businesses. If those levels of service change due to changes in the City's objectives or budget or due to changes in resident expectations, then adjustment to the analyses might be warranted.
- The current decrease in sales taxes and unemployment resulting from the COVID 19 pandemic will have a substantial impact on sales tax in 2020 and perhaps in subsequent years. Beyond current economic conditions, a large share of Grand Junction's economy relies on the oil and gas industry, which has experienced substantial fluctuations over the past decades. Those fluctuations impact all City revenue and have required the City to reduce its level of resident service and forego or delay maintenance and replacement of capital infrastructure.
- The fiscal impact of Redlands306 depends on assumptions that the City and BBC made about the timing of development, the mix of property types, and physical characteristics of public infrastructure within the development. Any changes in those assumptions could result in different estimates of fiscal impacts.