

ANALYSIS OF PROPOSED VALHALLA BRANDYWINE DEVELOPMENT BY ALBERT M. GREENFIELD & CO., INC., IN WALLACE TOWNSHIP, PA

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EXECUTIVE SUMMARY

Albert M. Greenfield & Co. (“Greenfield”) is proposing the Valhalla Brandywine, a country club development in Wallace Township, Pennsylvania (“the Township”). The Valhalla Brandywine development will include 281 residential units that will sell for \$1.1 million, as well as 300,000 square feet of non-residential uses: restaurants, 689 parking spaces, a golf course and clubhouse, and a wellness center with fitness and recreational facilities.

Our goal in this report has been to estimate the fiscal impact of this development, in terms of net new revenues and expenditures to the Township as well as to the Downingtown Area School District and to Chester County. On the revenue side, we consider property tax revenues, real estate transfer tax revenues, and earned income tax revenues, which together sum to the total revenue impact for the three governing jurisdictions. On the expenditure side, we estimate the marginal impact of the new development, in terms of its addition in residential units and in non-residential activity, to expenditures for the three governing jurisdictions.

Throughout the report, we tended to be conservative in our estimates, in terms of underestimating the revenues and overestimating the expenditures associated with the Valhalla Brandywine development. Nevertheless, the Valhalla Brandywine scenario was still determined to have a significantly positive net fiscal impact for all three levels of government (see Figure E.1 and Figure E.2).

Figure E.1 – Net New Annual Fiscal Impact for the Valhalla Brandywine Development (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	\$ 784,516
School District - Total	\$ 3,978,067
County - Total	\$ 404,526

Source: Econsult Corporation (2008)

Figure E.2 – Net New Annual Fiscal Impact for the Valhalla Brandywine Development, as a Percentage of Annual Government Budgets (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	43.1%
School District - Total	2.1%
County - Total	0.1%

Source: Econsult Corporation (2008)

In addition to employing very conservative estimates along the way, to ensure that the potential net fiscal impact of the Valhalla Brandywine development was not overstated, we conducted a sensitivity analysis to determine the scale of the variance from the original assumptions that would lead to the Valhalla Brandywine development's net fiscal impact to be reduced to zero (i.e. the equivalent of allowing no new development). While it is impossible to predict any development's future net fiscal impact, a sensitivity analysis can minimize fears that deviations from original assumptions, whether due to micro-economic changes, macro-economic trends, or human error will result in initially favorable forecasts turning into unfavorable results.

We found, for example, that house prices within the Valhalla Brandywine development would have to plummet, or, alternatively, that marginal expenditures per new resident within the Valhalla Brandywine development would have to soar, in order for the Valhalla Brandywine development to have no positive fiscal impact.

This suggests that the proposed development is fundamentally more fiscally attractive to the Township than allowing no development. This conclusion is to be expected: the Valhalla Brandywine development's higher density, house price levels, and resident income levels equate to higher tax revenue amounts for the Township, which more than offset any additional municipal expenditures. Meanwhile, the School District and County are likely to see both higher tax revenues and lower expenditures from the Valhalla Brandywine development.

1.0 INTRODUCTION

Albert M. Greenfield & Co. (“Greenfield”) is proposing the Valhalla Brandywine, a country club development in Wallace Township, Pennsylvania (“the Township”). The Valhalla Brandywine development will include 281 3-bedroom and 4-bedroom residential units that will sell for \$1.1 million, which will be sold as first, second, and third homes. It will also include 300,000 square feet of non-residential uses, including restaurants, 689 parking spaces, a golf course and clubhouse, and a wellness center with fitness and recreational facilities.

Our goal in this report has been to estimate the fiscal impact of the Valhalla Brandywine development, in terms of net new revenues and expenditures to the Township as well as to the Downingtown Area School District and to Chester County. In doing so, we build from existing knowledge gained from our own October 2007 study of earlier iterations of this development scenario on behalf of the Township, and from a study commissioned by Greenfield and produced by David C. Babbitt & Associates, LLC, in December 2007.

We did not directly comment on the market feasibility of the uses and price points associated with the Valhalla Brandywine development, but assumed their validity in our calculations. However, in Section 4.2, we conducted a sensitivity analysis, which determined the effect of various deviations from the original assumptions, including such important variables as house prices and the proportion of housing units that are sold as primary residences.

Furthermore, throughout the report, we tended to be conservative in our estimates, in terms of underestimating the revenues and overestimating the expenditures associated with the Valhalla Brandywine development. The sensitivity analysis then provides an additional sense of assurance concerning the results estimated for the net fiscal impacts to the Township and the other governing jurisdictions of the development.

2.0 REVENUE IMPACT

The Valhalla Brandywine development would generate net new tax revenues for Wallace Township, the Downingtown Area School District, and Chester County. In estimating the revenue impact on the three governing jurisdictions, we included only property tax revenues, real estate transfer tax revenues, and earned income tax revenues. These three tax revenue amounts sum to the total revenue impact for the three governing jurisdictions.

While we tended to focus our analysis on revenue and expenditure impacts to the Township, we were sure to consider and calculate fiscal impacts to the School District and County as well. Partially this was because these taxing authorities have a stake in the outcome of the land in question, and partially this was because fiscal impacts to a school district and county often lead to fiscal impacts to a municipality and to its residents, to the extent that changes in revenues and/or expenditures at the school district and county level can affect the tax burden and service levels experienced by a municipality and its residents.

2.1 Property Tax Revenue Impact

Property taxes are collected at the municipal, school district, and county level, and are calculated by multiplying millage rates by assessed value. In determining the property tax revenue impact for the Valhalla Brandywine development, we made the following assumptions (see Figure 2.1 and Figure 2.2):

- We used the client's estimates for the number of units, sales price, and non-residential characteristics.
- We used the County's 2007-2008 equalization ratio (i.e. the proportion between assessed value and market value).
- We used 2007-2008 millage rates for the three governing jurisdictions.
- We used the Township's collection rate of 98 percent.
- We conservatively assumed the market value of the non-residential component to be equal to its development cost.¹

¹ Absent an official assessment of the properties, we cannot at this time directly predict the assessed value of the non-residential portion of the Valhalla Brandywine development. We can, however, very conservatively assume that market value will be equal to development costs; this is the equivalent of saying that a developer of a property would earn no profit. This is therefore very conservative in terms of understating the potential increase in overall assessed value as a result of the Valhalla Brandywine development.

Figure 2.1 – Net New Annual Property Tax Revenues for the Residential Component of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# Housing Units	281	Client Estimate
\$ Average House Price	\$1,100,000	Client Estimate
Total Market Value	\$309,100,000	Consultant Calculation
STEB Ratio	51.8%	2007-2008 PA State Tax Equalization Board
Total Assessed Value	\$160,113,800	Consultant Calculation
Property Tax Rate (Per \$1000) - Wallace Township	2.4	2008 Wallace Township
Property Tax Rate (Per \$1000) - Downingtown Area School District	24.05	2008 Downingtown Area School District
Property Tax Rate (Per \$1000) - Chester County	3.804	2008 Chester County
Collection Rate	98%	2008 Wallace Township
Annual Property Tax Revenue - Wallace Township	\$376,588	Consultant Calculation
Annual Property Tax Revenue - Downingtown Area School District	\$3,773,722	Consultant Calculation
Annual Property Tax Revenue - Chester County	\$596,891	Consultant Calculation

Figure 2.2 – Net New Annual Property Tax Revenues for the Non-Residential Component of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# Non-Residential SF	300,000	Client Estimate
Development Cost / SF	\$175	Client Estimate
# Parking Spaces	689	Client Estimate
Development Cost / Parking Space	\$1,500	Consultant Estimate
Total Development Cost	\$53,533,500	Consultant Calculation
Development Cost / Market Value	100%	Consultant Estimate
Total Market Value	\$53,533,500	Consultant Calculation
STEB Ratio	51.8%	2007-2008 PA State Tax Equalization Board
Total Assessed Value	\$27,730,353	Consultant Calculation
Collection Rate	98%	2008 Wallace Township
Annual Property Tax Revenue - Wallace Township	\$65,222	Consultant Calculation
Annual Property Tax Revenue - Downingtown Area School District	\$653,577	Consultant Calculation
Annual Property Tax Revenue - Chester County	\$103,377	Consultant Calculation

Based on these assumptions, we estimate the Valhalla Brandywine development will generate a significant amount of annual property tax revenues to the Township, the School District, and the County (see Figure 2.3).

Figure 2.3 – Annual Property Tax Revenues for the Valhalla Brandywine Development

<i>Valhalla Brandywine</i>	
Annual Property Tax Revenue - Wallace Township	\$441,809
Annual Property Tax Revenue - Downingtown Area School District	\$4,427,299
Annual Property Tax Revenue - Chester County	\$700,268

Source: Econsult Corporation (2008)

2.2 Real Estate Transfer Tax Revenue Impact

Real estate transfer taxes are collected at the municipal and school district level, and are calculated by multiplying tax rates by sales price each time a property is sold. In the case of a new development, real estate transfer tax revenues would be generated upfront, as all residential units are sold for the first time, and then ongoing, as those units turn over. In determining the real estate tax revenue impact for the Valhalla Brandywine development, we made the following assumptions (see Figure 2.4):

- We used 2007-2008 tax rates for the two governing jurisdictions.
- We assumed houses would subsequently turn over every ten years (i.e. that 10 percent of houses would be bought and sold each year).²
- We did not assume any turnover in the non-residential components.

Based on these assumptions, we estimate the Valhalla Brandywine development will generate a significant amount in annual real estate transfer tax revenues to the Township and the School District.

² This may be a conservative assumption, given that a lower proportion of the Valhalla Brandywine housing units are primary residences, which tend to turn over less frequently than second and third homes.

Figure 2.4 – Net New Upfront One-Time and Ongoing Annual Real Estate Transfer Tax Revenues for the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# Housing Units	281	Client Estimate
\$ Average House Price	1,100,000	Client Estimate
Total Market Value	\$309,100,000	Consultant Calculation
Real Estate Transfer Tax Rate - Township	0.5%	2008 Wallace Township
Real Estate Transfer Tax Rate - School District	0.5%	2008 Downingtown Area School District
Time Required at Start to Sell All Houses (in Years)	2	Consultant Estimate
Average House Turnover (in Years)	10	Consultant Estimate
Upfront Real Estate Transfer Tax Revenue - Wallace Township	\$1,545,500	Consultant Calculation
Upfront Real Estate Transfer Tax Revenue - Downingtown Area School District	\$1,545,500	Consultant Calculation
Ongoing Real Estate Transfer Tax Revenue - Wallace Township	\$154,550	Consultant Calculation
Ongoing Real Estate Transfer Tax Revenue - Downingtown Area School District	\$154,550	Consultant Calculation

2.3 Earned Income Tax Revenue Impact

Earned income taxes are collected at the municipal and school district level, and are calculated by multiplying tax rates by income. In determining the earned income tax revenue impact for the Valhalla Brandywine development, we made the following assumptions (see Figure 2.5 and Figure 2.6):

- We used 2007-2008 tax rates for the two governing jurisdictions.
- We assumed average annual incomes for the new residents based on a monthly mortgage payment that represented 28 percent of average annual income, and that included annual homeowner's insurance premiums of \$960, the client's estimate of homeowner's association fees (\$1000 per month for the Valhalla Brandywine development), and a 30-year mortgage at 6 percent with 10 percent down.³
- We used the client's estimate of percentage of housing units within Valhalla Brandywine that are primary dwellings (the remainder of which would thus not pay earned income taxes to the Township).
- We used the client's estimates of the number of wage earners in the non-residential component.
- We assumed that 20 percent of the wage earners in the non-residential component would be residents of the Township.
- We assumed that wage earners in the non-residential component of the Valhalla Brandywine development earn two-thirds the average annual income for Chester County, since such jobs are mostly service-oriented.⁴

³ This may be a conservative assumption, given that a high proportion of the Valhalla Brandywine housing units are second and third homes, thus suggesting that average annual incomes may in fact be higher than these calculated levels.

⁴ This may be a conservative estimate, since while many of the jobs in the Valhalla Brandywine development are low-end service jobs, many will be high-end service jobs.

Figure 2.5 – Net New Annual Earned Income Tax Revenues for the Residential Component of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# Housing Units	281	Client Estimate
\$ Average House Price	\$1,100,000	Client Estimate
Property Tax, Insurance, Fees for Homeowners	\$2,517	Assumes Annual HOI of \$960 + Client Estimate of HOA Fees
\$ Average Monthly Mortgage Payment	\$8,834	Assumes 30-Year Mortgage @ 6.5% with 10% Down Payment
Monthly Mortgage Payment as % of Income	28%	Consultant Estimate
\$ Average Annual Income, New Residents	\$378,609	Consultant Calculation
% Housing Units That Are Primary Dwellings	67%	Client Estimate
Earned Income Tax Base	\$70,926,004	Consultant Calculation
Earned Income Tax Rate - Wallace Township	0.5%	2007 Downingtown Area School District
Earned Income Tax Rate - Downingtown Area School District	0.5%	2007 Downingtown Area School District
Ramp-Up Period (in Years)	2	Consultant Estimate
Earned Income Tax Revenue - Wallace Township	\$354,630	Consultant Calculation
Earned Income Tax Revenue - Downingtown Area School District	\$354,630	Consultant Calculation

Figure 2.6 – Net New Annual Earned Income Tax Revenues for the Non-Residential Component of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# Wage Earners	220	Client Estimate
# Wage Earners That are Wallace Township Residents	20%	Consultant Estimate
Average Annual Wage	\$34,424	Consultant Estimate
Earned Income Tax Base	\$1,514,656	Consultant Calculation
Earned Income Tax Rate - Wallace Township	0.5%	2007 Downingtown Area School District
Earned Income Tax Rate - Downingtown Area School District	0.5%	2007 Downingtown Area School District
Earned Income Tax Revenue - Wallace Township	\$7,573	Consultant Calculation
Earned Income Tax Revenue - Downingtown Area School District	\$7,573	Consultant Calculation

Based on these assumptions, we estimate that the residential component of the Valhalla Brandywine development will generate a significant amount in annual income tax revenues to the Township and the School District, but that it will not generate nearly as much from the non-residential component. Summing the residential and non-residential components, the Valhalla Brandywine development is anticipated to generate a significant amount in annual income tax revenues to the Township and the School District (see Figure 2.7).

Figure 2.7 – Net New Annual Earned Income Tax Revenues for the Valhalla Brandywine Development

<i>Valhalla Brandywine</i>	
Earned Income Tax Revenue - Wallace Township	\$362,203
Earned Income Tax Revenue - Downingtown Area School District	\$362,203

Source: Econsult Corporation (2008)

2.4 Total Revenue Impact

In combining the three revenue sources to determine total revenue impact by governing jurisdiction, we must also account for the extent to which estimated revenue amounts ramp up to their eventual annual levels. We assume that houses will take two years upfront to sell, but that the non-residential component will happen immediately.⁵

- Thus, for property tax revenues, the full annual amount estimated will be enjoyed in Year 2, with 50 percent enjoyed in Year 1.
- For real estate transfer tax revenues, the upfront amount estimated will be enjoyed over the first two years, and then the ongoing annual amount will be enjoyed every year after that.
- For earned income tax revenues, the full annual amount associated with the residential component will be enjoyed in Year 2, with 50 percent enjoyed in Year 1.

We must further assume growth rates in these respective tax bases. For simplicity's sake, we assume that the growth rate for assessed values, house prices, and wages is equal to inflation, and thus that real growth is zero.⁶

In framing these revenue amounts against the respective budgets of the three governing jurisdictions, we assume that budgets will grow at 3 percent above inflation, or twice the rate of tax revenue growth rates.⁷

⁵ This may be a conservative estimate, since it is quite possible that the non-residential uses for Valhalla Brandywine will be ready from the beginning, thus generating the full amount of earned income tax revenues right away.

⁶ In other words, we assumed an inflation rate of 3 percent, and a growth rate on property values, assessed values, and wages of 3 percent as well. This means that there is no real change in amounts over time; they neither appreciate nor deteriorate in real terms. This may be a conservative estimate, since it is quite possible that the residential units in Valhalla Brandywine will appreciate more over time, to the extent that there is stronger demand in that segment of the local and national real estate market.

Given these assumptions, we see that the Valhalla Brandywine development would generate a very large amount of revenues relative to the Township's operating budget, but a relatively small amount of revenues relative to the School District and County budgets (see Figure 2.8 and Figure 2.9).

Figure 2.8 – Net New Annual Tax Revenues for the Valhalla Brandywine Development (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	\$ 1,042,381
School District - Total	\$ 4,828,596
County - Total	\$ 665,255

Source: Econsult Corporation (2008)

Figure 2.9 – Net New Annual Tax Revenues for the Valhalla Brandywine Development, as a Percentage of Annual Government Budgets (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	57.3%
School District - Total	2.5%
County - Total	0.1%

Source: Econsult Corporation (2008)

⁷ This may be a conservative estimate, since it assumes that government budgets are growing faster than tax bases, and thus the tax revenue amounts estimated for the Valhalla Brandywine development represents a diminishing proportion of the respective government budgets.

3.0 EXPENDITURE IMPACT

In determining the expenditure impact of the Valhalla Brandywine development, we are interested in estimating the marginal impact of the new development, in terms of its addition in residential units and in non-residential activity, to expenditures for the three governing jurisdictions. The general approach to determining this amount is to isolate the non-fixed portion of the respective government budgets, normalize them over some unit such as population or assessed value, and then determine how much a new development is adding to the government jurisdiction, as a proportion of each jurisdiction's current population and assessed value.

In this sense, this calculation is less direct than that related to the revenue impact, in which various revenue amounts can be directly calculated by multiplying the tax base they add to the jurisdiction by that jurisdiction's tax rate. Thus, marginal expenditures are more difficult to determine. At one end, the marginal increase in expenditures associated with adding one additional resident, or one additional school-age child, or one additional square foot of commercial space, might very well be zero, as the various governing jurisdictions are able to take on the additional item with no additional costs. Indeed, for relatively small additions in population and activity, the expenditure impact of a new development may very well be zero.

At the other end, one can calculate an average cost per resident or school-age child or commercial square foot, and assume that adding each additional item will lead to a commensurate increase in each governing jurisdiction's budget. Such estimates would be too high, because average costs are not marginal costs. The reason why average costs are higher than marginal costs is because average costs take into consideration all of the costs associated with running a government. Many of those costs are fixed (that is, even relatively large additions in population and activity will not cause those costs to increase).

Determining the marginal costs associated with such additions thus requires that one determine which of a government's budget represents that fixed portion and which is variable (that is, costs going up and down as population and activity go up and down). That marginal portion of a government's budget can then be compared with the proportion of population and activity that is being added as a result of a new development.

3.1 Municipal Expenditure Impact

Municipal expenditures result from the addition of residential units and non-residential activity, to the extent that these additions necessitate greater outlays of resources to clean streets, provide police protection, and repair roads, among other functions. The general approach for estimating the marginal amount of municipal expenditures generated by a new development is as follows:

- Determine the proportion of the municipal budget that is variable in nature;

- Apportion that variable amount into residential and non-residential components;
- Divide the residential component by the current population to obtain the marginal cost per new resident;
- Estimate the number of new residents a new development will add to the municipality;
- Multiply marginal cost per new residents by the estimated number of new residents to determine the marginal increase in municipal expenditures generated by the residential portion of the new development;
- Determine the marginal increase in municipal expenditures generated by the non-residential portion of the new development by comparing the total assessed value of the municipality's existing non-residential property with the assessed value of the non-residential property being added through the new development.

We first looked at Wallace Township's budget to determine what portion could be considered variable and what could be considered relatively fixed. We conservatively assumed that out of the Township's 2008 budget of \$1.59 million, 100 percent of the public safety, highways, and culture/recreation line items are variable, and that 50 percent of the administrative and other line items is variable.⁸ This means that about \$1.37 million of the Township's budget is variable in nature and might go up if new residents were added (see Figure 3.1).

Figure 3.1 – Determining the Variable Portion of Wallace Township's Budget

<i>Budget Category</i>	<i>Recent Year's Annual Total</i>	<i>% That Can Be Considered Variable</i>	<i>Variable Portion</i>
Public Safety	\$929,250	100%	\$929,250
Highways	\$132,645	100%	\$132,645
Culture / Recreation	\$83,025	100%	\$83,025
Admin, Other	\$441,517	50%	\$220,758
Total	\$1,586,437		\$1,365,678

Source: Econsult Corporation (2008)

⁸ This may be a conservative estimate, since it is likely that a large part of every line item is fixed, and that even for the variable portions, the marginal cost is lower than the average cost. Take a jurisdiction with a police chief and 100 police officers. A ten percent increase in population would not likely lead to the hiring of an additional one-tenth of a police chief, and, if the police force is currently properly deployed, it would probably not lead to the hiring of ten percent more police officers, but rather some percent less than ten (although likely greater than zero).

In estimating what proportion of that \$1.37 million was to be assigned to residential expenditures versus non-residential expenditures, we first determined the proportion of non-residential assessed value to total assessed value. In the case of Wallace Township, non-residential assessed value represents about nine percent of all assessed value in the Township.

However, empirically, the proportion of the budget assigned to non-residential use is not linear with the proportion of assessed value.⁹ A “refinement coefficient” was used to determine this relationship. That coefficient was determined by calculating the ratio of the average assessed value for non-residential units to the average assessed value for all units. The commensurate refinement coefficient informed us that while non-residential uses represented about nine percent of the Township’s assessed value, they should represent about 15 percent of the Township’s budget (see Figure 3.2):

- Proportion of Township expenditures assigned to non-residential (14.9%) =
- Non-residential assessed value to all assessed value (8.7%) x
- Refinement coefficient of 1.72, based on average non-residential assessed value to average all assessed value of 139%.

⁹ “The Fiscal Impact Handbook,” Robert W. Burchell and David Listoken (1988).

Figure 3.2 – Apportioning the Township’s Budget into Residential and Non-Residential Components

	<i># Properties</i>	<i>Total Assessed Value</i>	<i>Average Assessed Value</i>	<i>Source / Year / Comments</i>
Residential	1237	\$231,152,355	\$186,865	2007 Chester County Board of Assessment
Non-Residential	82	\$21,899,160	\$267,063	2007 Chester County Board of Assessment
All Properties	1319	\$253,051,515	\$191,851	2007 Chester County Board of Assessment
Average Non-Residential Assessed Value vs. Average All Assessed Value			139%	Consultant Calculation
Refinement Coefficient			1.72	New Practitioner's Guide ¹⁰
Non-Residential Assessed Value to All Assessed Value			8.7%	Consultant Calculation
Proportion of Wallace Township Expenditures Assigned to Non-Residential			14.9%	Consultant Calculation
Proportion of Wallace Township Expenditures Assigned to Residential			85.1%	Consultant Calculation

Considering first the residential component of the Township’s budget, we then divided that amount by the number of residents in the Township. To obtain a 2008 population estimate, we extrapolated 2004 population estimates from the US Census Bureau forward to 2008, assuming the same growth rate for the Township from 2004 to 2008 as it likely experienced from 2000 to 2004 (see Figure 3.3). We then divided the residential component of the variable portion of the Township’s budget by this population estimate to determine a marginal expenditure per capita (see Figure 3.4).

¹⁰ “The New Practitioner’s Guide to Fiscal Impact Analysis,” Robert W. Burchell / David Listokin / William R. Dolphin (1985).

Figure 3.3 – 2008 Population Estimate for the Township

	<i>Amount</i>	<i>Source / Year / Comments</i>
2000 Township Population	3,240	US Census Bureau
2004 Township Population	3,367	US Census Bureau (Estimate)
2000-2004 Township Population Growth Rate	1.0%	Consultant Calculation
2008 Township Population	3,499	Consultant Calculation

Figure 3.4 – Marginal Annual Expenditure per Capita for the Township

	<i>Amount</i>	<i>Source / Year / Comments</i>
2008 Applicable Wallace Township Budget	\$1,365,678	2008 Wallace Township
Applicable Wallace Township Budget Assigned to Non-Residential	\$203,280	Consultant Calculation
Applicable Wallace Township Budget Assigned to Residential	\$1,162,398	Consultant Calculation
2008 Wallace Township Population	3,499	Consultant Calculation
Marginal Wallace Township Expenditure per Resident	\$332	Consultant Calculation

Finally, we used Census estimates to translate the residential units for the Valhalla Brandywine development into an estimated number of residents to be added. Multiplying by our marginal expenditure per capita, we reached an estimate of the new expenditures to the Township resulting from the residential component of each of the Valhalla Brandywine development (see Figure 3.5).

Figure 3.5 – Net New Annual Expenditures for the Township Resulting from the Residential Portion of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# 3-Bedroom Units	187	Client Estimate
# 4-Bedroom Units	94	Client Estimate
Residents per 3BR Unit	2.527	2000 US Census Bureau - Public Use Microdata Sample
Residents per 4BR Unit	3.461	2000 US Census Bureau - Public Use Microdata Sample
Estimated New Residents	798	Consultant Calculation
Township Expenditure per Capita	\$332	Consultant Calculation
New Township Expenditures Attributable to New Residential Development	\$265,065	Consultant Calculation

As for the non-residential component, we first determined the proportion of new non-residential assessed value to existing non-residential assessed value. In the case of the Valhalla Brandywine development, the new non-residential assessed value is estimated to be 161 percent of existing non-residential assessed value.

However, empirically, the proportion of new expenditures resulting from the addition of non-residential uses is not linear with the proportion of assessed value. A refinement coefficient was again used to determine this relationship. That coefficient was determined by calculating the ratio of the new non-residential assessed value to the average assessed value for all units. The commensurate refinement coefficient informed us that the new non-residential uses for Valhalla Brandywine would represent a \$19,000 increase in Township expenditures (see Figure 3.6):

- New Township expenditures attributable to new non-residential development (\$19,306 for Valhalla Brandywine) =
- Current Township budget assigned to non-residential (\$203,280) x
- New assessed value as a proportion of existing assessed value (127% for Valhalla Brandywine,) x
- Refinement coefficient of 0.08 (for Valhalla Brandywine), based on new assessed value to average all assessed value (103.8 for Valhalla Brandywine).¹¹

¹¹ This is likely far too conservative in terms of overstating the net new expenditures associated with the non-residential portion of the Valhalla Brandywine development. Many of these expenditures are for functions that the Township would not have to provide nearly as much of for the Valhalla Brandywine development, which intends to maintain its own roads and staff its own private security.

To put these figures in perspective, it is useful to consider what they represent in terms of the equivalent full-time residents that are being added to the Township. In other words, having determined a marginal Township expenditure per capita, we can express the new Township expenditures attributable to new non-residential development as the equivalent full-time residents that are being added as a result of the non-residential development.

At \$332 per new resident, the \$19,306 attributable to the non-residential component of the Valhalla Brandywine development is equivalent to adding 58 more residents. This seems reasonable, given that it will employ 220 workers, each of whom will be on site for a third or less of each work day (eight out of 24 hours) or a quarter or less of each week (40 out of 168 hours). Factoring in visitors, one could reasonably estimate that each of those 220 service workers would represent slightly more than one-quarter of a full-time resident in terms of expenditure impact, for a total of slightly more than 55 full-time equivalents, or not far from the 58 that the \$19,306 amount represents in terms of new Township expenditures.

Figure 3.6 – Net New Annual Expenditures for the Township Resulting from the Non-Residential Portion of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
New Assessed Value	\$27,730,353	Consultant Calculation
Existing Assessed Value	\$21,899,160	2007 Chester County Board of Assessment
New Assessed Value as a Proportion of Existing Assessed Value	127%	Consultant Calculation
Existing Average Assessed Value	\$267,063	2007 Chester County Board of Assessment
New Assessed Value as a Proportion of Existing Average Assessed Value	103.8	Consultant Calculation
Refinement Coefficient	0.08	New Practitioner's Guide ¹²
Township Budget Assigned to Non-Residential	\$203,280	Consultant Calculation
New Township Expenditures Attributable to New Non-Residential Development	\$19,306	Consultant Calculation

Based on these assumptions, we estimate the Valhalla Brandywine development will incur relatively little in annual municipal expenditures (see Figure 3.7).

¹² "The New Practitioner's Guide to Fiscal Impact Analysis," Robert W. Burchell / David Listokin / William R. Dolphin (1985).

Figure 3.7 – Net New Annual Expenditures for the Township Resulting from the Valhalla Brandywine Development

<i>Valhalla Brandywine</i>	
New Township Expenditures Attributable to New Residential Development	\$265,065
New Township Expenditures Attributable to New Non-Residential Development	\$19,306
New Township Expenditures Attributable to New Development	\$284,371

3.2 School District Expenditure Impact

In determining the impact on the Downingtown Area School District, we started by isolating the variable portion of its budget. We conservatively assumed that out of the School District’s 2008 budget of \$165.6 million, 100 percent of the instructional categories are variable, and that 50 percent of the other categories are variable.¹³ This means that about \$130.5 million of the Township’s budget is variable in nature and might go up if new school-age children were added (see Figure 3.X). We then divided the variable portion of the School District’s budget by the total number of students enrolled to determine a marginal expenditure per student (see Figure 3.8).

¹³ This may be a conservative estimate, since it is likely that a large part of the instructional categories is fixed, and that even for the variable portions, the marginal cost is lower than the average cost. Take a school district with a superintendent and 100 teachers. A ten percent increase in population would not lead to the hiring of an additional one-tenth of a superintendent, and, unless the school district is extremely overcrowded, it would probably not lead to the hiring of ten percent more teachers, but rather some percent less than ten (although likely greater than zero).

Figure 3.8 – Determining the Variable Portion of Downingtown Area School District’s Budget

<i>Budget Category</i>	<i>Recent Year's Annual Total</i>	<i>% That Can Be Considered Variable</i>	<i>Variable Portion</i>
Instructional	\$95,455,275	100%	\$95,455,275
Other	\$70,144,725	50%	\$35,072,363
Total	\$165,600,000		\$130,527,638

Source: Econsult Corporation (2008)

Figure 3.9 – Net New Annual Expenditure per Capita for the School District

	<i>Amount</i>	<i>Source / Year / Comments</i>
2008 Applicable Downingtown Area School District Budget	\$130,527,638	Consultant Calculation
2007-2008 Student Enrollment	11,724	2007-2008 Downingtown Area School District
Marginal School District Expenditure per Student	\$11,133	Consultant Calculation

Finally, we used Census estimates to translate the residential units for each of the Valhalla Brandywine development into an estimated number of school-age children to be added. We must then further account for school-age children that do not attend public schools because they are home-schooled or enrolled in private schools.¹⁴

Multiplying by our marginal expenditure per student, we reached an estimate of the new expenditures to the School District resulting from the residential component of each of the Valhalla Brandywine development. Based on these assumptions, we estimate the Valhalla Brandywine development will incur relatively little in annual school district expenditures (see Figure 3.10).

¹⁴ This may be doubly conservative, since the residents in the Valhalla Brandywine scenario are wealthier, and wealthier residents are less likely to send their children to public schools; and they are more likely to own these homes as primary residences, and thus are more likely to be sending their children to schools in other districts.

Figure 3.10 – Net New Annual Expenditures for the School District Resulting from the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# 3-Bedroom Units	187.0	Client Estimate
# 4-Bedroom Units	94.0	Client Estimate
School-Age Children per 3BR Unit	0.415	2000 US Census Bureau - Public Use Microdata Sample
School-Age Children per 4BR Unit	0.802	2000 US Census Bureau - Public Use Microdata Sample
% Housing Units That Are Primary Dwellings	67%	Client Estimate
% School-Age Children That Attend Public School	75%	2000 US Census Bureau
# New Public-School Children	76	Consultant Calculation
Average Expenditure per Student	\$11,133	Consultant Calculation
New School District Expenditures	\$850,528	Consultant Calculation

3.3 County Expenditure Impact

County expenditure impact was determined through a process similar to the one used to determine municipal expenditure impact, and is repeated below:

- Determine the proportion of the county budget that is variable in nature;
- Apportion that variable amount into residential and non-residential components;
- Divide the residential component by the current population to obtain the marginal cost per new resident;
- Estimate the number of new residents a new development will add to the county;
- Multiply marginal cost per new residents by the estimated number of new residents to determine the marginal increase in county expenditures generated by the residential portion of the new development;
- Determine the marginal increase in county expenditures generated by the non-residential portion of the new development by comparing the total assessed value of the county's existing non-residential property with the assessed value of the non-residential property being added through the new development.

Thus, we first looked at Chester County's budget to determine what portion could be considered variable and what could be considered relatively fixed. We conservatively assumed that out of the County's 2008 budget of \$456 million, 50 percent of the judicial, public safety, corrections, public works, human services, and culture and recreation line items are variable, and that 25 percent of the administrative and other line items is variable.¹⁵ This means that about \$201 million of the County's budget is variable in nature and might go up if new residents were added (see Figure 3.11).

¹⁵ This may be a conservative estimate, even more so than for the reasons described above for municipal and school district expenditures, because the amount of new population and activity added by the new development is such a small percentage of the existing population and activity that it is much more likely that marginal expenditures will be at or near zero.

Figure 3.11 – Determining the Variable Portion of Chester County's Budget

<i>Budget Category</i>	<i>Recent Year's Annual Total</i>	<i>% That Can Be Considered Variable</i>	<i>Variable Portion</i>
General Government	\$37,462,871	25%	\$9,365,718
Judicial	\$42,238,249	50%	\$21,119,125
Public Safety	\$16,679,344	50%	\$8,339,672
Corrections	\$36,884,081	50%	\$18,442,041
Public Works	\$1,126,148	50%	\$563,074
Human Services	\$235,531,963	50%	\$117,765,982
Culture and Recreation	\$14,799,959	50%	\$7,399,980
Conservation and Development	\$5,559,838	25%	\$1,389,960
Debt Service	\$38,507,997	25%	\$9,626,999
Miscellaneous	\$27,259,405	25%	\$6,814,851
Total	\$456,049,855		\$200,827,400

Source: Econsult Corporation (2008)

In estimating what proportion of that \$201 million was to be assigned to residential expenditures versus non-residential expenditures, we first determined the proportion of non-residential assessed value to total assessed value. In the case of the County, non-residential assessed value represents about 24 percent of all assessed value in the County.

However, empirically, the proportion of the budget assigned to non-residential use is not linear with the proportion of assessed value.¹⁶ A “refinement coefficient” was used to determine this relationship. That coefficient was determined by calculating the ratio of the average assessed value for non-residential units to the average assessed value for all units. The commensurate refinement coefficient informed us that while non-residential uses represented about 24 percent of the County's assessed value, they should represent about 31 percent of the County's budget (see Figure 3.12):

Proportion of County expenditures assigned to non-residential (31.5%) =

¹⁶ “The Fiscal Impact Handbook,” Robert W. Burchell and David Listoken (1988).

- Non-residential assessed value to all assessed value (23.7%) x
- Refinement coefficient of 1.33, based on average non-residential assessed value to average all assessed value of 352%.

Figure 3.12 – Apportioning the County’s Budget into Residential and Non-Residential Components

	<i># Properties</i>	<i>Total Assessed Value</i>	<i>Average Assessed Value</i>	<i>Source / Year / Comments</i>
Residential	170,996	\$28,985,214,081	\$169,508	2007 Chester County Board of Assessment
Non-Residential	12,345	\$8,992,288,544	\$728,415	2007 Chester County Board of Assessment
All Properties	183,341	\$37,977,502,625	\$207,141	2007 Chester County Board of Assessment
Average Non-Residential Assessed Value vs. Average All Assessed Value			352%	Consultant Calculation
Refinement Coefficient			1.33	New Practitioner's Guide ¹⁷
Non-Residential Assessed Value to All Assessed Value			23.7%	Consultant Calculation
Proportion of County Expenditures Assigned to Non-Residential			31.5%	Consultant Calculation
Proportion of County Expenditures Assigned to Residential			68.5%	Consultant Calculation

¹⁷ "The New Practitioner's Guide to Fiscal Impact Analysis," Robert W. Burchell / David Listokin / William R. Dolphin (1985).

Considering first the residential component of the County's budget, we then divided that amount by the number of residents in the County. To obtain a 2008 population estimate, we extrapolated 2006 population estimates from the US Census Bureau forward to 2008, assuming the same growth rate for the County from 2006 to 2008 as it likely experienced from 2000 to 2006 (see Figure 3.13). We then divided the residential component of the variable portion of the County's budget by this population estimate to determine a marginal expenditure per capita (see Figure 3.14).

Figure 3.13 – 2008 Population Estimate for the County

	<i>Amount</i>	<i>Source / Year / Comments</i>
2000 County Population	433,501	US Census Bureau
2006 County Population	482,112	US Census Bureau (Estimate)
2000-2006 County Population Growth Rate	1.8%	Consultant Calculation
2008 County Population	499,498	Consultant Calculation

Figure 3.14 – Marginal Annual Expenditure per Capita for the County

	<i>Amount</i>	<i>Source / Year / Comments</i>
2008 Applicable Chester County Budget	\$200,827,400	2007 Chester County
Applicable Chester County Budget Assigned to Non-Residential	\$63,243,870	Consultant Calculation
Applicable Chester County Budget Assigned to Residential	\$137,583,530	Consultant Calculation
2008 Chester County Population	499,498	Consultant Calculation
Marginal Chester County Expenditure per Resident	\$275	Consultant Calculation

Finally, we used Census estimates to translate the residential units for the Valhalla Brandywine development into an estimated number of residents to be added. Multiplying by our marginal expenditure per capita, we reached an estimate of the new expenditures to the County resulting from the residential component of the Valhalla Brandywine development (see Figure 3.15).

Figure 3.15 – Net New Annual Expenditures for the County Resulting from the Residential Portion of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
# 3-Bedroom Units	187.0	Client Estimate
# 4-Bedroom Units	94.0	Client Estimate
Residents per 3BR Unit	2.527	2000 US Census Bureau - Public Use Microdata Sample
Residents per 4BR Unit	3.461	2000 US Census Bureau - Public Use Microdata Sample
Estimated New Residents	798	Consultant Calculation
County Expenditure per Capita	\$275	Consultant Calculation
New County Expenditures Attributable to New Residential Development	\$219,772	Consultant Calculation

As for the non-residential component, we first determined the proportion of new non-residential assessed value to existing non-residential assessed value. In the case of the Valhalla Brandywine development, the new non-residential assessed value is estimated to represent 0.31 percent of the existing non-residential assessed value.

However, again, empirically, the proportion of new expenditures resulting from the addition of non-residential uses is not linear with the proportion of assessed value. A refinement coefficient is again used to determine this relationship. That coefficient was determined by calculating the ratio of the new non-residential assessed value to the average assessed value for all units. The commensurate refinement

coefficient informed us that the new non-residential uses for the Valhalla Brandywine development would represent a \$41,000 increase in County expenditures (see Figure 3.16):

- New County expenditures attributable to new non-residential development (\$40,957 for Valhalla Brandywine) =
- Current County budget assigned to non-residential (\$63,243,870) x
- New assessed value as a proportion of existing assessed value (0.31 percent for Valhalla Brandywine) x
- Refinement coefficient (0.21 for Valhalla Brandywine), based on average non-residential assessed value to average all assessed value (38.1 for Valhalla Brandywine).¹⁸

¹⁸ To put these figures in perspective, it is useful to consider what they represent in terms of the equivalent full-time residents that are being added to the County. In other words, having determined a marginal County expenditure per capita, we can express the new County expenditures attributable to new non-residential development as the equivalent full-time residents that are being added as a result of the non-residential development.

At \$275 per new resident, the \$40,957 attributable to the non-residential component of the Valhalla Brandywine development is equivalent to adding 149 more residents. This seems quite high, given that it will employ 220 workers, each of whom will be on site for a third or less of each work day (eight out of 24 hours) or a quarter or less of each week (40 out of 168 hours). Factoring in visitors, one could reasonably estimate that each of those 220 service workers would represent slightly more than one-quarter of a full-time resident in terms of expenditure impact, for a total of slightly more than 55 full-time equivalents, or far less than the 149 that the \$40,957 amount represents in terms of new County expenditures.

Figure 3.16 – Net New Annual Expenditures for the County Resulting from the Non-Residential Portion of the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>	<i>Source / Year / Comments</i>
New Assessed Value	\$27,730,353	Consultant Calculation
Existing Assessed Value	\$8,992,288,544	2007 Chester County Board of Assessment
New Assessed Value as a Proportion of Existing Assessed Value	0.31%	Consultant Calculation
Existing Average Assessed Value	\$728,415	2007 Chester County Board of Assessment
New Assessed Value as a Proportion of Existing Average Assessed Value	38.1	Consultant Calculation
Refinement Coefficient	0.21	New Practitioner's Guide ¹⁹
County Budget Assigned to Non-Residential	\$63,243,870	Consultant Calculation
New County Expenditures Attributable to New Non-Residential Development	\$40,957	Consultant Calculation

Based on these assumptions, we estimate the Valhalla Brandywine development will incur relatively little in annual county expenditures (see Figure 3.17).

¹⁹ "The New Practitioner's Guide to Fiscal Impact Analysis," Robert W. Burchell / David Listokin / William R. Dolphin (1985).

Figure 3.17 – Net New Annual Expenditures for the County Resulting from the Valhalla Brandywine Development

	<i>Valhalla Brandywine</i>
New County Expenditures Attributable to New Residential Development	\$219,772
New County Expenditures Attributable to New Non-Residential Development	\$40,957
New County Expenditures Attributable to New Development	\$260,728

Source: Econsult Corporation (2008)

3.4 Total Expenditure Impact

In looking at our results over time, we conservatively assume no faster growth on the expenditure side than on the revenue side. In framing these expenditure amounts against the respective budgets of the three governing jurisdictions, we assume that budgets will grow at 3 percent above inflation. Given these assumptions, we see that the Valhalla Brandywine development would represent a relatively large proportion of the Township’s annual operating budget.

Figure 3.18 – Net New Annual Expenditures for the Valhalla Brandywine Development (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	\$ 257,865
School District - Total	\$ 850,528
County - Total	\$ 260,728

Source: Econsult Corporation (2008)

Figure 3.19 – Net New Annual Expenditures for the Valhalla Brandywine Development, as a Percentage of Annual Government Budgets (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	14.2%
School District - Total	0.4%
County - Total	0.0%

Source: Econsult Corporation (2008)

4.0 CONCLUSION

4.1 Net Fiscal Impact

Despite many conservative estimates along the way, the Valhalla Brandywine scenario was still determined to have a significantly positive net fiscal impact at all three levels of government. The amounts were particularly great in raw terms for the Downingtown Area School District, and particularly great in relative terms for Wallace Township (see Figure 4.1 and Figure 4.2).

Figure 4.1 – Net New Annual Fiscal Impact for the Valhalla Brandywine Development (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	\$ 784,516
School District - Total	\$ 3,978,067
County - Total	\$ 404,526

Source: Econsult Corporation (2008)

Figure 4.2 – Net New Annual Fiscal Impact for the Valhalla Brandywine Development, as a Percentage of Annual Government Budgets (Average over Ten Years)

	<i>Valhalla Brandywine</i>
Township - Total	43.1%
School District - Total	2.1%
County - Total	0.1%

Source: Econsult Corporation (2008)

4.2 Sensitivity Analysis

As stated throughout this report, in analyzing the Valhalla Brandywine development, we constantly sought to be conservative in the assumptions used to calculate its fiscal impact; and yet it proved to have a very

high net fiscal impact. Nevertheless, it may be useful for the Township to further consider what effect various magnitudes of “worst case scenarios” would have on the estimated net fiscal impact of the Valhalla Brandywine development.

One way to quantify such a consideration is to conduct a sensitivity analysis on the fiscal impact numbers. Specifically, we calculated the scale of the variance from the original assumptions that would lead to the Valhalla Brandywine development’s net fiscal impact to be reduced to zero (i.e. the equivalent of allowing no new development).

By determining the scale of this variance, we can see whether even minor modifications to our initial estimates would no longer make the Valhalla Brandywine development as attractive from a net fiscal impact standpoint; or, alternatively, whether even major modifications to our initial estimates would still leave the Valhalla Brandywine development a more attractive option than allowing no development. In other words, while it is impossible to predict any development’s future net fiscal impact, a sensitivity analysis can minimize fears that deviations from original assumptions, whether due to micro-economic changes, macro-economic trends, or human error will result in initially favorable forecasts turning into unfavorable results.²⁰

In these calculations, we tested variances to three key variables: house sales price, percentage of houses sold as primary residences, and marginal expenditure per new resident. The sales price of the residential units is a key variable in determining net fiscal impact, since if the Valhalla Brandywine development could not sell out at average house prices of \$1.1 million and had to slash prices, the Township would not generate as much in tax revenues: the property tax revenue base would decline due to lower assessed values, the real estate transfer tax revenue base would decline due to lower market prices, and the earned income tax revenue base would decline due to the presumed lower average annual incomes of the households who have purchased a house in the development as a primary residence. However, despite having made numerous conservative estimates along the way, it is estimated that prices would have to plummet significantly for the Valhalla Brandywine development to generate no net positive fiscal impacts (see Figure 4.3).

²⁰ We conducted sensitivity analyses only on net fiscal impacts to the Township, but similar calculations could be made for the School District and County. We considered a ten-year window, to account for both upfront and ongoing amounts, as well as any ramping up of activity.

Figure 4.3 – Decrease Required in Average House Price for Valhalla Brandywine Development to Have No Positive Net Fiscal Impact to the Township over Ten Years

	<i>No Development</i>
House prices would have to fall to - (\$)	\$173,731
House prices would have to fall by - (%)	84%

Source: Econsult Corporation (2008)

The percentage of houses sold as primary residences is another potentially important variable in determining net fiscal impact, since if it turned out that less than the originally assumed two-thirds of units in the Valhalla Brandywine development were sold as primary residences, the Township would not generate as much in earned income tax revenues.²¹ However, despite having made numerous conservative estimates along the way, it is estimated that even if this proportion plummeted to zero, the Valhalla Brandywine development would still generate positive net fiscal impacts (see Figure 4.4).²²

Figure 4.4 – Decrease Required in Percentage of Houses Sold as Primary Residences for Valhalla Brandywine Development to Have No Positive Net Fiscal Impact to the Township over Ten Years

	<i>No Development</i>
% Houses sold as primary residences would have to fall to - (%)	N/A
% Houses sold as primary residences would have to fall by - (%)	N/A

Source: Econsult Corporation (2008)

Finally, marginal expenditures per new resident is another potentially important variable in determining net fiscal impact, since if it turned out that new residents added more expenditures to the Township budget,

²¹ Importantly, while a lower proportion of primary residences leads to lower earned income tax revenues for the Township and thus for the School District, it also results in far lower expenditures for the School District.

²² See Appendix A for the net new fiscal impact of the Valhalla Brandywine development to the three taxing jurisdictions at 0 percent, 50 percent, and 100 percent primary residences.

that might overtake the tax revenue gains associated with the Valhalla Brandywine development. However, despite having made numerous conservative estimates along the way, it is estimated that marginal expenditures per new resident would have to skyrocket for the Valhalla Brandywine development to generate no net positive fiscal impacts (see Figure 4.5).

Figure 4.5 – Increase Required in Marginal Annual Expenditure per Capita for the Township for Valhalla Brandywine Development to Have No Positive Net Fiscal Impact to the Township over Ten Years

	<i>No Development</i>
Marginal expenditures per new resident would have to rise to - (\$)	\$1,425
Marginal expenditures per new resident would have to rise by - (%)	329%

Source: Econsult Corporation (2008)

4.3 Summary

In summary, for all of the fiscal impact model's key drivers, relatively high deviations from the stated estimates would be required for the net fiscal impact of the Valhalla Brandywine development to be less fiscally attractive to the Township than allowing no development. This was in spite of a number of conservative assumptions made along the way, and thus helps allay any concern that some of the variables and estimates used in constructing this fiscal impact model are necessarily hard to determine to a high level of accuracy.

This suggests that the proposed development is fundamentally more fiscally attractive to the Township than allowing no development. This conclusion is to be expected: the Valhalla Brandywine development's higher density, house price levels, and resident income levels equate to higher tax revenue amounts for the Township, which more than offset any additional municipal expenditures. Meanwhile, the School District and County are likely to see both higher tax revenues and lower expenditures from the Valhalla Brandywine development.

APPENDIX A – NET NEW ANNUAL FISCAL IMPACT FOR VALHALLA BRANDYWINE DEVELOPMENT (AVERAGE OVER TEN YEARS), ASSUMING DIFFERENT PERCENTAGES OF PRIMARY RESIDENCES

	<i>Valhalla Brandywine 0% First Homes</i>	<i>Valhalla Brandywine 50% First Homes</i>	<i>Valhalla Brandywine 67% First Homes</i>	<i>Valhalla Brandywine 100% First Homes</i>
Township - Total	\$ 447,618	\$ 700,292	\$ 784,516	\$ 952,966
School District - Total	\$ 4,491,697	\$ 4,106,475	\$ 3,978,067	\$ 3,721,252
County - Total	\$ 404,526	\$ 404,526	\$ 404,526	\$ 404,526

Source: Econsult Corporation (2008)