

Fiscal Impacts of the Knolls of Dover

FINAL REPORT

Prepared for:

Coalition for the Responsible Growth of Dover

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INTRODUCTION

Phillips Preiss Shapiro Associates, Inc. (PPSA) was engaged by the Coalition for the Responsible Growth of Dover (CRGD) to prepare an independent fiscal impact analysis of the proposed Knolls of Dover development.

Given the project's location near the Great Swamp, Ten Mile River, and important drinking water supplies, and given the sheer scale of the residential and commercial components, the project will have major impacts on the environment, traffic, and tax base of the community. The environmental review process is a critical opportunity to review, comment on, and try to shape this major project. This analysis is intended to assist CRGD assess the likely impacts of the proposed development on the Town of Dover's municipal and service district (including school) finances.

Based on the findings of this analysis, this report includes a brief critique of the Knolls of Dover and the fiscal impact presented in the project sponsors' Draft Environmental Impact Statement (DEIS), accepted April 27, 2009. This report also includes a brief assessment of how the proposed development program might be revised to increase its fiscal benefits to the Town and service (including School) districts impacted.

METHODOLOGY

There are a number of methods for fiscal impact analysis. This study uses an average cost analysis, also often called the "per capita multiplier method," in lieu of a marginal cost analysis. PPSA made this decision primarily because of budgetary considerations—average cost analysis is simpler to perform—but also because it is a more common and straightforward procedure.

Average cost analysis attributes costs to new development according to average cost per unit of existing services, multiplied by the number of units the development is estimated to create, based on multipliers derived from Census and other similar information. It does not take into account excess or deficient capacity to deliver services, and it assumes that average costs of municipal services will remain stable in the future. Alternatively, marginal costing analyzes the demand and supply relationships for public services and is designed to highlight excess and deficient service capacity. It views growth not in a linear manner, but as a more cyclical process.

The distinction between average and marginal costing is important to consider. Marginal and average costing approaches may result in dramatically different estimates of fiscal impacts for the same development. Whether one method is more "accurate" than the other depends on what one is trying to measure. Marginal cost analysis better accounts for the incremental capital costs for certain public services, like sewer and water systems, school and fire facilities, and the like. When such facilities are built in a community, they are typically financed with long-term

debt and built with the expectation that they will also serve future population growth in the community. However, these facilities do have a “tipping point” or a threshold where surplus capacity is eventually depleted. It is at this point that the new development or new growth requires new infrastructure investment and the marginal cost of serving a new resident may actually be higher than the average cost. The marginal cost approach focuses on defining a community’s marginal response to a new development or land use change through careful attention to existing demand and supply relationships in a community.

Because of budgetary considerations, this analysis utilized the most expedient means of fiscal impact analysis, an average cost analysis. Recognizing that average cost analysis in isolation does not account for “tipping points” in public service capacity, PPSA supplemented the average cost analysis with interviews of relevant public officials (such as the tax assessor, school district, fire chief, etc.) as a reality check to identify future service constraints and capital investments (a new school, a new sewage plant) required to accommodate the growth, and to ensure that our assumptions were credible.

PPSA conducted a brief site visit with CRGD in August 2008 to tour the development site and learn more about its history and context. A brief meeting with the Town Supervisor helped provide an overview of the project, other recent residential developments in Dover, as well as data and contact information of key sources of information. PPSA then gathered all necessary municipal and service district data inputs. PPSA then created a series of spreadsheets analyzing the uses identified in the development proposal, and projected revenues based on estimated assessed values and current tax rates.

This brief report explains the results of this analysis.

SUMMARY OF THE PROPOSED PROJECT

The proposed Knolls of Dover project is a 973-acre project that will encompass and redevelop the 853-acre former New York State Harlem Valley Psychiatric Center (HVPC) campus located in the hamlet of Wingdale on Route 22 near the Harlem Valley/Wingdale station on the Metro North Harlem line, in eastern/central Dutchess County. As it currently stands the proposal includes up to 1,376 new dwelling units, 245,500 square feet of commercial space, and 77,000 square feet of community space. The residential component of the project will feature a wide variety of unit types, including single family homes, townhomes, and duplexes. The commercial space will include a grocery store and various retail shops serving the development and the surrounding trade area. Some structures, such as the former Director’s house, the former power plant, and the storehouse, may be reused, but many buildings are severely deteriorated. The development, particularly the commercial component, is centered near the railroad station and is designed to follow traditional neighborhood design principles of compact neighborhoods. Table 1 shows a summary of the proposed project.

Table 1: Summary of the Knolls of Dover

	Average size of unit (sf)	Phase I		Phase II		TOTAL	
		Units	Area (sf)	Units	Area (sf)	Units	Area (sf)
<i>Residential total</i>	1,685	549	0	827	0	1,376	2,515,332
Single family	2,469	0	0	0	0	454	1,120,926
Duplex	1,925	0	0	0	0	150	288,750
Townhouse	1,961	0	0	0	0	152	298,072
Stacked townhouse	1,403	0	0	0	0	200	280,600
Flats	1,115	0	0	0	0	242	269,830
Rsdntial. over retail	1,395	0	0	0	0	111	154,845
Conversions	1,527	0	0	0	0	67	102,309
<i>Commercial total</i>		0	200,000	0	45,500	0	245,500
Retail	n/a	0	0	0	0	0	170,500
Office	n/a	0	0	0	0	0	75,000
Total Program		549	200,000	827	45,500	1,376	2,760,800

Source: Preliminary Draft EIS, Knolls of Dover, Submitted to Town of Dover December 2008

In terms of the project's regional context and history, southern and central Dutchess County have seen tremendous growth pressures in years prior to the housing market decline that began in 2008. With its existing infrastructure and proximity to road and rail transportation, the HVPC campus represents a tremendous opportunity to encourage smart, transit-oriented growth, and capture the benefits of this growth for the good of Dover. With that in mind, in 1999 the Dover Town Board created a zoning overlay district to encourage the redevelopment of the HVPC campus and discourage the development of outlying open spaces and steep slopes.

The proposed Dover Knolls development seeks to amend the overlay zoning ordinance in several ways, primarily so that the development can incorporate additional lands beyond the HVPC campus, including adjacent open spaces and hillside slopes. The redevelopment and rezoning application are subject to State Environmental Quality Review (SEQR) actions. A Draft Environmental Impact Statement (DEIS) was submitted in late 2008 and revised in March and April 2009. The Town Board as Lead Agency under SEQR, declared the DEIS complete on April 29, 2009 and held public hearings for May 30 and June 3, 2009.

POPULATION IMPACT PROJECTIONS

Using the development program of the proposed project, discussed above, this section discusses the impacts in terms of population and schoolchildren.

Demographic Projections

The process of converting these housing unit projections into demographic impacts involves the construction of demographic multipliers relating housing type and size to the average characteristics of inhabitants. The analysis here focuses on total population and school-age

population subdivided by grade level. The purpose is to analyze the impacts on both public services and the Dover Union School District.

For multipliers (demographic, school-age children, and employment), PPSA investigated several sources, including our own analysis of Public Use Microdata Samples (PUMS) from the 2000 Census of Dutchess and Putnam Counties, and the Rutgers University Center for Urban Policy Research analysis of multipliers for New York State.

The PUMS multipliers that PPSA developed in 2006 for (Pine Plains United) were developed based on an analysis of the PUMS from the 2000 Census for Dutchess and Putnam Counties. Unlike traditional multiplier analyses, this analysis took into account the fact that newer homes may attract families at a different rate than older homes, and that urban areas (like Beacon and Poughkeepsie) may include more multifamily units than rural areas. It therefore incorporated a trend analysis that looked at the difference between units that were 10 years old and newer in 2000 and other units.

The PUMS multipliers PPSA considered using are shown in Table 2.

Table 2: Demographic Multipliers, 5 percent PUMS Sample, Dutchess/Putman Counties

	1 BR	2 BR	3 BR	4+ BR	All Units
<u>Single-family detached</u>					
School-age children per unit	0.13	0.37	0.76	1.21	0.94
Total persons per unit	2.09	2.18	3.15	3.79	3.37
<u>Townhouse</u>					
School-age children per unit	0.09	0.08	0.37	1.08	0.21
Total persons per unit	1.37	1.98	2.78	2.88	2.16
<u>Multi-family/mixed-use</u>					
School-age children per unit	0.09	0.49	1.69	0.28	0.29
Total persons per unit	1.34	2.92	4.20	3.11	2.05

Source: U.S. Census 5 percent Public Use Microdata Samples, Phillips Preiss Shapiro Associates, 2006

Preliminary analyses using the PUMS data revealed several flaws in the PUMS data, including the fact that the multipliers for multi-family/mixed-use are higher in some cases than both the single-family and the townhouse multipliers; calculations thus made would yield more school children and total persons in a traditional neighborhood development / village center mixed-use unit than in a large single-family unit on a large lot. That, of course, is inconsistent with typical residential development. PPSA also believes the multi-family/mixed-use multipliers in our PUMS data is skewed to the high end by a predominance of large families in rental and apartment

buildings in the Counties of Dutchess and Putnam.¹ However, common practice assumes residential units in a village center mixed-use setting tend to be populated by single professionals, unmarried couples, or married couples with few or no children. For these reasons, PPSA did not rely on these multipliers for this analysis.

Additionally, PPSA reviewed the multipliers from recent residential subdivisions in Dover. Reagan's Mills and the Woodwinds are both typical residential subdivisions, however, with traditional single family homes. Reagan's Mills is comprised of 110 single family homes, and generates just less than one school children per unit (0.75 per unit). The Woodwinds is 214 single family homes and generates roughly the same multiplier (0.8 per unit).² Data for different unit sizes (e.g., two-bedroom versus three-bedroom) and different unit price points could not be obtained. Finally, because the scale and type of units in the proposed project are vastly different than these subdivisions, PPSA did not utilize those multipliers in this analysis.³

The preferred multiplier set for this analysis was the Rutgers University Residential Demographic Multipliers dataset developed in 2006. This dataset was developed based on PUMS analysis of the leading experts in demographic and fiscal impact analysis, and it allows for analysis by unit size and by unit price point. The dataset has been used by PPSA in similar analyses in suburban and ex-urban Hudson Valley communities in the past, and the dataset was recommended by the Dutchess County Department of Planning. It also happens to be the same dataset that the proposed project's DEIS utilized. The multipliers are listed in Table 3.

¹ For example, according to the 2000 U.S. Census, nearly 62 percent of Poughkeepsie's population lived in rental units (18,646 out of a total population of 29,871).

² Data obtained from the Dover Union School District.

³ However, it is worth noting that the Environmental Impact Statement for the Woodwinds development used a multiplier of 0.57 per unit to project new schoolchildren. The actual number of 0.8 found in recent Dover projects is roughly *40 percent higher* than the projection. A similar scenario for the Knolls at Dover is explored on beginning on page 9 of this report.

Table 3: Residential Demographic Multipliers

Unit type	Persons per unit	Public school children per unit
Non age-restricted units		
Single-family detached		
3 BR	3.06	0.64
4 BR	3.76	1.00
5 BR	4.52	1.23
Single-family attached		
2 BR	2.16	0.17
3 BR	3.08	0.52
4 BR	3.83	0.86
Multifamily-own		
1 BR	1.86	0.15
2 BR	1.88	0.09
Multifamily-rent		
2 BR	2.51	0.43
Age restricted units	2.00	0.00

Source: Rutgers University, Center for Urban Policy Research.
Residential Demographic Multipliers. New York State. June 2006.

Based on these multipliers and the residential program of the proposed project, PPSA calculated the total new residents and schoolchildren to be generated by the project. These totals are shown in Table 4.

Table 4: Estimated New Residents and Schoolchildren

Unit type	Residential units			Estimated new persons			Estimated total new public school students		
	Phase 1	Phase 2	Total	Phase 1	Phase 2	Total	Phase 1	Phase 2	Total
Non age-restricted units									
Single-family detached									
3 BR	49	70	119	151	213	364	32	45	76
4 BR	49	72	121	185	269	455	49	72	121
5 BR	<u>12</u>	<u>21</u>	<u>33</u>	<u>56</u>	<u>93</u>	<u>149</u>	<u>15</u>	<u>25</u>	<u>41</u>
	111	162	273	392	576	968	96	142	238
Single-family attached									
2 BR	0	223	223	0	482	482	0	38	38
3 BR	66	95	161	203	293	496	34	49	84
4 BR	<u>66</u>	<u>78</u>	<u>144</u>	<u>253</u>	<u>299</u>	<u>552</u>	<u>57</u>	<u>67</u>	<u>124</u>
	132	396	528	456	1,073	1,529	91	154	245
Multifamily-own									
1 BR	13	0	13	24	0	24	2	0	2
2 BR	<u>13</u>	<u>0</u>	<u>13</u>	<u>24</u>	<u>0</u>	<u>24</u>	<u>1</u>	<u>0</u>	<u>1</u>
	26	0	26	49	0	49	3	0	3
Multifamily-rent									
2 BR	<u>66</u>	<u>45</u>	<u>111</u>	<u>166</u>	<u>113</u>	<u>279</u>	<u>28</u>	<u>19</u>	<u>48</u>
	66	45	111	166	113	279	28	19	48
Total non age restricted units	335	603	938	1,063	1,762	2,825	219	315	534
Age restricted units	204	234	438	408	468	876	0	0	0
Total	539	837	1,376	1,471	2,230	3,701	219	315	534

Source: Rutgers University, Center for Urban Policy Research. Residential Demographic Multipliers. New York State. June 2006.

It should be noted that most fiscal impact analyses *assume* that age-restricted units will not have school children living in them. This may or may not be true, particularly as demographic trends point to families having children later in life. A unit in which the couple or the head of household is over age 55 or even over age 65 may in fact have school-age children living at home. Additionally, some grandparents care for grandchildren, and so have school age children living at home. In fact, in the current marketplace, with would-be retirees reluctant or unable to sell their large homes, age-restricted units are not as sure an investment as they might otherwise be. As age-restricted units do not sell, developers scrambling for cash flow may seek to convert some or all of the age-restricted units to conventional units marketed to families with children. Thus a conservative fiscal impact analysis should not assume that the school-age multiplier for age restricted units is zero.

In order to test the population impacts of a conservative scenario in which age-restricted units actually do generate school-age children, we must first choose a multiplier. For simplicity's sake, PPSA assumes that these age-restricted units would most resemble "attached" housing units—as opposed to single-family detached units—in size and market appeal. Taking an average of the school age multipliers for the non-age restricted attached and multifamily units presented in Table 3, we derive a multiplier of 0.37 school-age children per unit. Applying this to the number of age restricted units yields a possibility for an additional 324 school-age children in the project, for a grand total of 858 possible school-age children. This data is presented in Table 5 below.

Table 5: Estimated New Residents and Schoolchildren in a Worst Case Scenario

Unit type	Residential units			Estimated new persons			Estimated total new public school students		
	Phase 1	Phase 2	Total	Phase 1	Phase 2	Total	Phase 1	Phase 2	Total
Total, non age restricted units	335	603	938	1,063	1,762	2,825	219	315	534
Age restricted units	204	234	438	408	468	876	151	173	324
Total	539	837	1,376	1,471	2,230	3,701	370	489	858

Source: Phillips Preiss Shapiro Associates, 2009

Furthermore, it bears noting that there may be a significant difference between the multipliers used for projections, and the actual results of a project. The environmental impact statement for Woodwinds, for example, projected 0.57 schoolchildren per unit. This is 40 percent less than its actual generation rate of 0.8 schoolchildren per unit, a dramatic difference. If a similar scenario were to occur for the *single family detached units* at the Knolls of Dover, there could be as many as 333 schoolchildren generated by the single family detached units. Table 6 presents these calculations.

Table 6: Effects of a 40% Increase in the Schoolchildren Multiplier

Unit type	Public school children per unit (from Table 3)	Public school children per unit x 40%	Estimated total new public school children		
			Phase 1	Phase II	Total
Non age-restricted units					
Single-family detached					
3 BR	0.64	0.90	44	63	107
4 BR	1.00	1.40	69	100	169
5 BR	1.23	1.72	<u>21</u>	<u>36</u>	<u>57</u>
			135	199	333

Source: Phillips Preiss Shapiro Associates, 2009

Comparing Table 6 to the totals from Table 4, there could be as many as 39 more schoolchildren in the first phase and 57 more in the second phase. Thus, if the Rutgers multipliers are too low, there could be as many as 96 more school children in the development (comparing Tables 6 and 4). If the worst case scenario *also* comes to pass, there would be as many as 427 schoolchildren in the first phase and 546 in the second phase, for a total of 973 schoolchildren.

Employee Projections

Using similar methods, it is also possible to estimate the number of new full time employees that might be generated by the commercial uses of the development. In this case, we use standard multipliers provided by the Urban Land Institute's Development Impact Assessment Handbook of 2004. Applying the multiplier of number of employees per commercial type to the proposed commercial program yields the estimated number of employees in the project. The multipliers and results are summarized in Table 7.

Table 7: Estimated New Employees

Commercial Use	Multiplier: Employees per 1,000 square foot	Proposed Commercial Program	Estimated New Employees
Retail	2.5	170,000	425
Office	2.5	45,500	114
Total		245,500	539

Source: Urban Land Institute Development Impact Assessment Handbook 2004

FISCAL IMPACTS OF DEVELOPMENT

Using the estimated population, schoolchildren and employee impacts developed above, it is possible to calculate the net fiscal impact (the revenues minus the expenses) for the development. As stated previously, a standard "average cost" methodology—the "per capita multiplier" method developed by the Center for Urban Policy Research at Rutgers University—has been employed to project the fiscal impacts of the proposed project on the finances of both the Town of Dover and the local Dover Union School District.

The methodology employed is simple, and *assumes that new residents will demand municipal services at the same rate as existing residents*. This assumption is reasonable so long as the growth is relatively modest compared with the size of the community in which it is occurring. More significant growth would tend to precipitate the need to make significant new investments—a new school, a sewer system, a widened roadway—that would not be taken into account using the average cost method. The methodology *also assumes the current costs are a*

good proxy for future costs—again, a sound assumption in the near term, less so for the distant future.

Revenues

Revenues are estimated based on current tax rates and assessment practices. In Dover, the market value and assessed value differ, and the property tax rate is applied against the assessed value, not the market value. PPSA conducted an overview of market values by contacting County realtors, by searching the multiple listing service, and by examining the State's residential property sales data for Dover (each property sale is registered with the State Office of Real Property Services). This research provided PPSA with a base of values from which to estimate market values of new residential single family units in Dover. However, little data from comparable developments exist in these databases. PPSA thus reviewed the residential market study produced by the project applicant in December 2008 as part of its first DEIS submission. PPSA did not fundamentally disagree with the analysis and found its conclusions to be generally reasonable. To these market values, then, we applied the Town's current assessment ratio and current tax rate to determine the property tax revenues per unit.

Commercial property values are generally estimated on an income capitalization approach, where an estimated future income (the expected revenues from rent less the operating expenses) is converted to a single capital value by discounting future earnings with a capitalization rate (a desired rate of return). Since conducting a commercial market study and property pro-forma statement is beyond the scope of this assignment, PPSA has applied basic research and its general knowledge of the Hudson Valley market place, as well as a rule of thumb capitalization rate of 8 percent.⁴ Assuming a rental rate of \$25 per square foot per year for retail space near the train station of the proposed project, a 500 square foot retail use would generate \$12,500 annually in revenue (just over \$1,000 per month) for the property owner. Assuming operating expenses equal about 25 percent (conservatively) of rent revenue, then this space would generate roughly \$9,400 in net income annually ($\$12,500 \times 0.25 = \$9,375$). At a cap rate of 8 percent, this property would be valued at \$117,500 ($\$9,400 / 0.08 = \$117,500$), or \$235 per square foot ($500 / \$117,500$). If we use a more conservative rental rate of about \$20 per square foot annually, the market value would equal about \$187 per square foot. For this analysis we will utilize a middle range market value of approximately \$210 per square foot.⁵

The Town currently assesses properties at 40 percent of their market value. Thus a home that is worth \$1 million is only assessed for \$400,000.

⁴ As an example, a building purchased for \$1,000,000 produces \$80,000 in positive net cash flow annually, then $\$80,000 / \$1,000,000 = 0.08 = 8.0\%$.

⁵ The DEIS market study used a market value of \$209 per square foot.

The property taxes applicable to this project include the Town of Dover's property tax, the school district tax, library tax, fire district tax, and County tax. These taxes total \$48.41 per \$1,000 of assessed value. These are summarized in Table 8 below.

Table 8: Local Property Tax Rates

Jurisdiction	tax /\$1000 assessed value	tax rate
Town: Dover	\$5.02	0.502%
Schools: Dover Union Free School District	\$35.33	3.533%
Fire: Town of Dover	\$1.38	0.138%
Library: Dover Library	\$0.49	0.049%
County: Dutchess	\$6.19	0.619%
Total	\$48.41	4.841%

Source: Town of Dover, Dutchess County Assessor's Office 2008

Now, with market values estimated, assessment practices understood, and tax rates in hand, it is possible to estimate the property tax impacts of the project. The property tax revenue impacts of the proposed project are summarized in the tables below, but are best illustrated in the following simple case study.

A three-bedroom unit is estimated at an average size of 1,600 square feet (it might be larger if the unit is a single family home on a small lot, and it might be smaller if it is a unit in a stacked flat building) and a value of approximately \$250 per square foot (the size and per square foot value is within the range of values from PPSA's background research and the applicant's market study). Thus this unit's market value is \$400,000. Multiplying by 40 percent, the unit's assessed value equals \$160,000. Next, multiplying the assessed value by the tax rate of 4.841 percent (from Table 7), we estimate the total property tax revenue to be \$7,746 per year.

The estimated market values of the proposed project are shown in Table 9.

Table 9: Estimated Market Values

Unit type	Residential units			Average unit size	Average value/sf	Market Values		
	Phase 1	Phase 2	Total			Phase 1	Phase 2	Total
Single-family detached								
3 BR	49	70	119	1,600	\$250	\$19,732,000	\$27,868,000	\$47,600,000
4 BR	49	72	121	1,900	\$250	\$23,431,750	\$34,043,250	\$57,475,000
5 BR	12	21	33	2,100	\$250	\$6,478,500	\$10,846,500	\$17,325,000
	111	162	273			\$49,642,250	\$72,757,750	\$122,400,000
Single-family attached								
2 BR	0	223	223	1,400	\$250	\$0	\$78,050,000	\$78,050,000
3 BR	66	95	161	1,600	\$250	\$26,400,000	\$38,000,000	\$64,400,000
4 BR	66	78	144	1,800	\$250	\$29,700,000	\$35,100,000	\$64,800,000
	132	396	528			\$56,100,000	\$151,150,000	\$207,250,000
Multifamily-own								
1 BR	13	0	13	1,200	\$250	\$3,900,000	\$0	\$3,900,000
2 BR	13	0	13	1,400	\$250	\$4,550,000	\$0	\$4,550,000
	26	0	26			\$8,450,000	\$0	\$8,450,000
Multifamily-rent								
2 BR	66	45	111	1,200	\$250	\$19,800,000	\$13,500,000	\$33,300,000
	66	45	111			\$19,800,000	\$13,500,000	\$33,300,000
Subtotal	335	603	938			\$133,992,250	\$237,407,750	\$371,400,000
Age restricted units	204	234	438	1,200	\$250	\$61,200,000	\$70,200,000	\$131,400,000
Total Residential	539	837	1,376			\$195,192,250	\$307,607,750	\$502,800,000
	Commercial area (sf)			Average		Market Values		
	Phase 1	Phase 2	Total	rent /sf		Phase 1	Phase 2	Total
Total Commercial	200,000	45,500	245,500	\$210	\$210	\$42,000,000	\$9,555,000	\$51,555,000

Source: Phillips Preiss Shapiro Associates, Inc. 2009

The assessed values of the proposed project are shown in Table 10.

Table 10: Estimated Assessed Values

Unit type	Assessed Values		
	Phase 1	Phase 2	Total
Single-family detached			
3 BR	\$7,892,800	\$11,147,200	\$19,040,000
4 BR	\$9,372,700	\$13,617,300	\$22,990,000
5 BR	\$2,591,400	\$4,338,600	\$6,930,000
	\$19,856,900	\$29,103,100	\$48,960,000
Single-family attached			
2 BR	\$0	\$31,220,000	\$31,220,000
3 BR	\$10,560,000	\$15,200,000	\$25,760,000
4 BR	\$11,880,000	\$14,040,000	\$25,920,000
	\$22,440,000	\$60,460,000	\$82,900,000
Multifamily-own			
1 BR	\$1,560,000	\$0	\$1,560,000
2 BR	\$1,820,000	\$0	\$1,820,000
	\$3,380,000	\$0	\$3,380,000
Multifamily-rent			
2 BR	\$7,920,000	\$5,400,000	\$13,320,000
	\$7,920,000	\$5,400,000	\$13,320,000
<i>Subtotal</i>	\$53,596,900	\$94,963,100	\$148,560,000
Age restricted units	\$24,480,000	\$28,080,000	\$52,560,000
Total Residential	\$78,076,900	\$123,043,100	\$201,120,000
	Assessed Values		
	Phase 1	Phase 2	Total
Total Commercial	\$16,800,000	\$3,822,000	\$20,622,000

Source: Phillips Preiss Shapiro Associates, Inc. 2009

Next, applying the tax rates for each taxing district (see Table 8), we estimate the following property tax revenues per unit type in the proposed development. These revenues are shown in Table 11.

Table 11: Estimated Property Tax Revenues by District

Type	Tax Revenues		
	Phase 1	Phase 2	Total
Town of Dover			
Residential	\$391,900	\$617,700	\$1,009,600
Commercial	\$84,400	\$19,200	\$103,600
Total Town	\$476,300	\$636,900	\$1,113,200
School District			
Residential	\$2,758,500	\$4,347,100	\$7,105,600
Commercial	\$593,500	\$135,000	\$728,500
Total School	\$3,352,000	\$4,482,100	\$7,834,100
Fire District			
Residential	\$107,700	\$169,800	\$277,500
Commercial	\$23,200	\$5,300	\$28,500
Total Fire	\$130,900	\$175,100	\$306,000
Library District			
Residential	\$38,300	\$60,300	\$98,600
Commercial	\$8,200	\$1,900	\$10,100
Total Library	\$46,500	\$62,200	\$108,700
Subtotal Town + School + Fire + Library			
	\$4,005,600	\$5,356,300	\$9,361,900
County			
Residential	\$483,300	\$761,600	\$1,244,900
Commercial	\$104,000	\$23,700	\$127,700
Total County	\$587,300	\$785,300	\$1,372,600
Grand Total Local + County			
	\$4,592,900	\$6,141,600	\$10,734,500

Source: Phillips Preiss Shapiro Associates, Inc. 2009

Expenditures

The next step is to compare these revenues with expenditures. First, the costs per person, per employed, and per student are calculated. The 2008 municipal budget expenditures was approximately \$4,507,000 million (general expenditures), or very close to \$400 for each of the Town's 8,800 residents. The same budget figure divided by the 4,000 employed persons in Dover yields \$100 per employed. School revenues raised by property taxes totaled \$15,893,500 (or \$9,650 for each of the 1,647 students in the 2008-2009 school year).

Second, these per person, per employed, and per student costs are applied to the estimated demographic impacts of the project. This analysis has estimated that the proposed projects will generate approximately 3,701 new residents, and 534 new public school age children at full

build out. The commercial space will generate 539 employees. The costs associated with this project's proposed 1,376 residences and 245,500 square feet of commercial space are thus approximately \$1,480,400 annual for new residents, \$53,900 annually for new employed, and \$5,153,100 annually for new students. Table 12 illustrates the expenditure calculation.

Table 12: Estimated Expenditures

1	Municipal expenditures per capita	\$400
2	Total new persons (see Table 5)	3,701
3	Municipal expenditures per employed person	\$100
4	Total new employed (see Table 6)	539
5	School expenditures raised from property taxes per student	\$9,650
6	Total new public school children (see Table 5)	534
<u>Estimated Expenditures</u>		
7	Municipal (line 1 x line 2 + line 3 x line 4)	\$1,534,300
8	Schools (line 5 x line 6)	\$5,153,100
9	TOTAL EXPENDITURES	\$6,687,400

Source: Phillips Preiss Shapiro Associates, Inc. 2009

Net Fiscal Impacts

The reconciliation of total costs and revenues is done by subtracting estimated expenditures from the estimated revenues. This is shown in Table 13 below.

Table 13: Estimated Net Fiscal Impacts

	Phase 1 Years 1-5	Phase 2 Years 6-11	Full buildout Year 12
Expenditures (annual)			
Municipal expenditures	\$638,200	\$903,400	\$1,541,600
<u>School expenditures</u>	<u>\$2,110,100</u>	<u>\$3,043,700</u>	<u>\$5,153,800</u>
Total annual expenditures	\$2,748,300	\$3,947,100	\$6,695,400
Worst Case Expenditures (annual)			
Municipal expenditures	\$638,200	\$903,400	\$1,541,600
School expenditures (worst case)	<u>\$3,566,800</u>	<u>\$4,714,700</u>	<u>\$8,281,500</u>
Worst Case Total annual expenditures	\$4,205,000	\$5,618,100	\$9,823,100
Revenues from property tax			
Town annual tax revenues	\$476,300	\$636,900	\$1,113,100
Fire annual tax revenues	\$130,900	\$175,100	\$306,000
Library annual tax revenues	<u>\$46,500</u>	<u>\$62,200</u>	<u>\$108,700</u>
Town + fire + library annual tax revenues	\$653,700	\$874,200	\$1,527,800
School annual revenues	\$3,352,000	\$4,482,100	\$7,834,100
Net Fiscal Impact			
Town of Dover	\$15,500	(\$29,200)	(\$13,800)
<u>Dover Schools</u>	<u>\$1,241,900</u>	<u>\$1,438,400</u>	<u>\$2,680,300</u>
TOTAL LOCAL NET FISCAL IMPACT*	\$1,257,400	\$1,409,200	\$2,666,500
Worst Case Net Fiscal Impact			
Town of Dover	\$15,500	(\$29,200)	(\$13,800)
<u>Dover Schools</u>	<u>(\$214,800)</u>	<u>(\$232,600)</u>	<u>(\$447,400)</u>
WORST CASE NET FISCAL IMPACT*	(\$199,300)	(\$261,800)	(\$461,200)
<i>NOTE: Numbers in (parentheses) are negative numbers.</i>			
<i>* does not include calculations for the County</i>			

Source: Phillips Preiss Shapiro Associates, Inc. 2009

GENERAL IMPACTS ON SERVICE CAPACITY

With the results of the fiscal impact analysis now in hand, it is prudent to examine them against known deficiencies or projected constraints in local service provisions, with an eye towards "breaking points" in service provision.

Municipal Services

PPSA is not aware of any major existing deficiencies in service provision. We do, however, note that a projected population increase (an additional 3,701 persons or 42 percent) from the proposed development will undoubtedly require an increase in municipal service spending, and, most likely, capital outlays. Municipal spending increases will likely be required in all departments of local government, from assessment to building inspections to fire protection to police services. Additionally, the projected population increase will push the total Town population to approximately 12,000 persons. This would put Dover into a classification as a first class town, according to New York State, possibly requiring additional Town services to be provided (including more regular meetings, more professional staff, full time departments, etc.).⁶ Finally, capital expenditures for additional ambulance, fire and police vehicles, for parks and recreation, and other items may be required.

Dover Union School District

Based on data from the School District, it is not apparent that there will be school capacity concerns in the very near future, but that the addition of 534 new public school children will require service increases in the School District. It is likely that any required increase in expenditures for teachers, programs, materials, etc. will be covered by the school district revenues generated by the proposed project. Also, there does not appear to be any major deficiencies in service capacity that would require capital outlays. According to the School District, there is a current capacity for nearly 500 additional students. The District's own demographic analyses have projected that enrollment will decline by 100 students over the coming years, so that by the time the first phase of the proposed project is built, there will be a capacity for 600 more students. Assuming all projections are accurate and current trends continue, there does not appear to be a need for an additional school building or classrooms.

If these projections are not correct, or if the "worst case scenario" where age-restricted units do contribute school-age children, then the capacity for 600 more students will be surpassed. This could require hiring additional staff and teachers and/or significant capital expenditures for new school buildings, facilities, buses, etc.

⁶ The population threshold is 10,000. For more information see *Information for Town Officials*, published by the New York State Comptroller's Office. Website: <http://www.osc.state.ny.us/localgov/pubs/townoff/ito.pdf>.

NET FISCAL IMPACTS BY UNIT TYPE

When taken as a whole, as a fully completed project, the proposed Knolls of Dover may be fiscally positive for both the Town and the School district. However, it is critical to consider how various components of the project perform on their own. This type of detail allows one to consider how deviations from the proposed unit mix and phasing plans might affect the overall fiscal impacts of the project.

As an example, let us consider a three bedroom single family detached unit. At an average size of 1,600 square feet and a market value of \$250 per square foot, it generates a total market value of \$400,000. The assessed value, 40 percent of the market value, is thus \$160,000. Next, applying the tax rate for total Town services (\$6.89 per \$1,000) and the tax rate for the schools (\$35.33 per \$1,000) to the assessed value yields annual property tax revenues of \$1,102 for the town services and \$5,653 for the schools.

The same unit will generate 3.06 persons and 0.64 students, according to our multipliers. Multiplying these figures by our estimates of expenditures per person (\$400) and per student (\$9,650) yields an estimated expenditure of \$1,224 for town services and \$6,176 for the schools.

The net fiscal impact, revenues less expenditures, of this unit is thus negative for both town service and school services. For town services, the net is a negative \$122 per unit of this type. For the schools, the net is a negative \$523 per unit of this type.

Table 14 considers the per unit impacts of each unit type of the proposed project.

Table 14: Net Fiscal Impacts per Unit by Unit Type

Unit type	Property Tax Revenues / unit			Expenditures / unit			Net Fiscal Impact / Unit		
	Town	School	Total	Town	School	Total	Town	School	Total
Single-family detached									
3 BR	\$1,102	\$5,653	\$6,755	\$1,224	\$6,176	\$7,400	(\$122)	(\$523)	(\$645)
4 BR	\$1,309	\$6,713	\$8,022	\$1,504	\$9,650	\$11,154	(\$195)	(\$2,937)	(\$3,132)
5 BR	\$1,447	\$7,419	\$8,866	\$1,808	\$11,869	\$13,677	(\$361)	(\$4,450)	(\$4,811)
Single-family attached									
2 BR	\$965	\$4,946	\$5,911	\$864	\$1,640	\$2,504	\$101	\$3,306	\$3,406
3 BR	\$1,102	\$5,653	\$6,755	\$1,232	\$5,018	\$6,250	(\$130)	\$635	\$505
4 BR	\$1,240	\$6,359	\$7,600	\$1,532	\$8,299	\$9,831	(\$292)	(\$1,940)	(\$2,231)
Multifamily-own									
1 BR	\$827	\$4,240	\$5,066	\$744	\$1,447	\$2,191	\$83	\$2,792	\$2,875
2 BR	\$965	\$4,946	\$5,911	\$752	\$868	\$1,620	\$213	\$4,078	\$4,290
Multifamily-rent									
2 BR	\$827	\$4,240	\$5,066	\$1,004	\$4,149	\$5,153	(\$177)	\$90	(\$87)
Age restricted units	\$827	\$4,240	\$5,066	\$800	\$0	\$800	\$27	\$4,240	\$4,266
Age restricted worst case	\$827	\$4,240	\$5,066	\$800	\$3,570	\$4,370	\$27	\$669	\$696

Source: Phillips Preiss Shapiro Associates, 2009

The fiscal impacts per unit type presents a clear picture of how phasing might affect the ultimate net impacts of the project. For example, every four bedroom single family detached unit is negative, but it could be balanced with a unit of age restricted housing, which is, per unit, quite positive. Thus the net would be balanced to the positive.

The above calculations also show quite clearly where critical assumptions are made and how these assumptions directly affect the estimated fiscal impacts of the project. For example, if three bedroom single family units are worth less than \$250 per square foot, then each unit of this type will generate even less revenue while still demanding the same expenditures. Similarly, a decreased value of an age restricted unit would decrease the net positive that each age restricted unit generates. Furthermore, if absorption of net negative units (e.g. single family homes) is as projected while absorption of net positive units (e.g. age restricted units) is slow, then the balancing effect of that net positive revenue will be slow to materialize. This could cause periodic and incremental stress on local budgets.

In addition, it bears noting again that if age-restricted units contribute school-age children, they will be far less positively fiscally than they might otherwise be. Instead of generating a net

positive of over \$4,000 per unit, they would generate just under \$700 per unit. Thus it would take *far more* age-restricted units to balance fiscal negatives resulting from net negative units.

With the relative fiscal impacts of different unit types in mind, it is useful to consider the following points:

- A mix of housing types, and specifically a project that favors attached units, multifamily units, and age restricted units, is important. A mix of housing types, and a program that responds well to the demands of the marketplace, can neutralize the negative effects of single family units and could generate positive fiscal impacts.
- The most fiscally detrimental units are the single family homes on the outskirts of the project area. To maintain fiscal neutrality or fiscal benefits, these fiscally-negative units should generally be eschewed in favor of smaller units near the railroad station.
- If population and school age multipliers increase for any reason, for example if age-restricted units actually do generate schoolchildren, the fiscal impacts of the development could be drastically different.
- In general, balanced growth that incorporates high performing residential and commercial development of all types will help balance fiscal impacts and can contribute in a positive manner to the long-term sustainability of the Wingdale area and the Town of Dover as a whole.

COMMENTS ON THE DEIS

PPSA's independent analysis utilizes the same basic methodology as the fiscal impact analysis utilized in the DEIS (see Sections III. F, III. G. and Appendices Va and Vb), thus there are similarities between the PPSA and the DEIS analyses. For example, similar multipliers for demographic and school-children projects are used. There are however several important issues with the DEIS. These generally pertain to the basic assumptions (input data) utilized in the DEIS analysis.

- *Multipliers:* The first issue is that of the multipliers for population and school-age children. While both this analysis and the DEIS analysis used commonly accepted multipliers, if the multipliers change in any way—if demographic and market trends shift, or if age-restricted units do generate schoolchildren, for example—then the fiscal impacts of the development will be drastically different. This is one of the most basic assumptions of a fiscal impact analysis, and the DEIS should acknowledge that the project's impacts may not be as positive, and in fact may be quite negative, if basic assumptions change.

- *Absorption Rate:* The market study on which the fiscal impact analysis relies estimates that, on average, 50 to 60 of the proposed units can be absorbed per year. At this rate, it would take 11 years to absorb the 539 units of the first phase and more than 16 years to absorb the 837 units of the second phase. Thus, while the build-out of the project is estimated at 10 to 12 years, the sell-out period of the project is 27 years. Since the projected property tax revenues would not be fully realized until all units (and the commercial space) are absorbed, by the time the purported fiscal revenues are realized, in year 27, assumptions, market values, multipliers, and service costs and capacities may be significantly different than today.
- *Market Values:* The scope of this report did not include a detailed market analysis. Thus this report does not take direct issues with the DEIS's market study. However, it is worth noting that in the current depressed market, housing and commercial values are significantly lower than just one year ago. Lower market values would of course result in lower property tax revenues, potentially tipping the net fiscal impact further negative. It is also worth noting that construction and operating financing for such large scale projects is difficult if not impossible to secure. This too, along with the absorption rate discussed above, is another potential roadblock that would delay the receipt of the project's purported fiscal benefits.

A brief review of real estate statistics for Dutchess County shows that between April 2008 and April 2009, single family detached home prices are down by almost 10 percent.⁷ If the project market values (an average of \$250 per square foot) of the proposed project's residential units decline by 10 percent (to an average of \$225 per square foot), then the net fiscal impacts would correspondingly decrease. This possibility is shown in Table 15.

A comparison of the results of Table 14 with the results of Table 14 is presented in Table 16. A three bedroom single family detached unit would be more negative: a net negative of 41,320 versus \$645, thereby putting Dover and the School system an additional \$646 in the red, per unit.

⁷ Source: Mid-Hudson Multiple Listing Service Inc (MHMLS), Accessed May 29, 2009.

Table 15: Per Unit Estimated Net Fiscal Impacts After a 10 Percent Drop in Market Value

Unit type	Property Tax Revenues / unit			Expenditures / unit			Net Fiscal Impact / Unit		
	Town	School	Total	Town	School	Total	Town	School	Total
Single-family detached									
3 BR	\$992	\$5,088	\$6,080	\$1,224	\$6,176	\$7,400	(\$232)	(\$1,088)	(\$1,320)
4 BR	\$1,178	\$6,041	\$7,220	\$1,504	\$9,650	\$11,154	(\$326)	(\$3,609)	(\$3,934)
5 BR	\$1,302	\$6,677	\$7,980	\$1,808	\$11,869	\$13,677	(\$506)	(\$5,192)	(\$5,698)
Single-family attached									
2 BR	\$868	\$4,452	\$5,320	\$864	\$1,640	\$2,504	\$4	\$2,811	\$2,815
3 BR	\$992	\$5,088	\$6,080	\$1,232	\$5,018	\$6,250	(\$240)	\$70	(\$170)
4 BR	\$1,116	\$5,723	\$6,840	\$1,532	\$8,299	\$9,831	(\$416)	(\$2,576)	(\$2,991)
Multifamily-own									
1 BR	\$744	\$3,816	\$4,560	\$744	\$1,447	\$2,191	\$0	\$2,368	\$2,368
2 BR	\$868	\$4,452	\$5,320	\$752	\$868	\$1,620	\$116	\$3,583	\$3,699
Multifamily-rent									
2 BR	\$744	\$3,816	\$4,560	\$1,004	\$4,149	\$5,153	(\$260)	(\$334)	(\$594)
Age restricted units									
Age restricted worst case	\$744	\$3,816	\$4,560	\$800	\$0	\$800	(\$56)	\$3,816	\$3,760
	\$744	\$3,816	\$4,560	\$800	\$3,570	\$4,370	(\$56)	\$245	\$189

Source: Phillips Preiss Shapiro Associates, 2009

Table 16: Comparison of Estimated Per Unit Net Fiscal Impacts

Unit type	Table 13 results (Market Value)			Table 14 results (Market Value less 10%)		
	Net Fiscal Impact / Unit			Net Fiscal Impact / Unit		
	Town	School	Total	Town	School	Total
Single-family detached						
3 BR	(\$122)	(\$523)	(\$645)	(\$232)	(\$1,088)	(\$1,320)
4 BR	(\$195)	(\$2,937)	(\$3,132)	(\$326)	(\$3,609)	(\$3,934)
5 BR	(\$361)	(\$4,450)	(\$4,811)	(\$506)	(\$5,192)	(\$5,698)
Single-family attached						
2 BR	\$101	\$3,306	\$3,406	\$4	\$2,811	\$2,815
3 BR	(\$130)	\$635	\$505	(\$240)	\$70	(\$170)
4 BR	(\$292)	(\$1,940)	(\$2,231)	(\$416)	(\$2,576)	(\$2,991)
Multifamily-own						
1 BR	\$83	\$2,792	\$2,875	\$0	\$2,368	\$2,368
2 BR	\$213	\$4,078	\$4,290	\$116	\$3,583	\$3,699
Multifamily-rent						
2 BR	(\$177)	\$90	(\$87)	(\$260)	(\$334)	(\$594)
Age restricted units	\$27	\$4,240	\$4,266	(\$56)	\$3,816	\$3,760
Age restricted worst case	\$27	\$669	\$696	(\$56)	\$245	\$189

Source: Phillips Preiss Shapiro Associates, 2009

- Fiscal Impacts by Unit and by Phase:* The DEIS is unclear as to which unit types will be built and offered in which phase. Thus it is impossible to analyze anything other than the impacts of full buildout, a reality that may take decades to realize. In contrast, if only the first phase is completed, and if the first phase relies heavily on single family detached homes and less so on age restricted units and commercial space, then the project is likely to result in significant negative fiscal impacts. If a second phase is not built, then the negative impacts of the first phase may never be balanced. This could have a significant negative impact on local revenues, services, and tax rates.

REFERENCES

Contacts:

Ryan Courtien, Dover Town Supervisor
George Hearn, Dover Town Building Inspector
Judy Hyatt, Dover Town Assessor
Craig Onofry, Dover Union Free School District
Joel Russell, Joel Russell Associates
Anne Saylor, Dutchess County Planning Department
Kathleen Schibanoff, The Benjamin Companies
Jill Way, former Dover Town Supervisor

Documents:

Draft Environmental Impact Statement. Knolls of Dover. Prepared for Dover Knolls Development Company II, LLC, by Saccardi & Schiff, Inc. December 30, 2008.

Draft Environmental Impact Statement. Knolls of Dover. Prepared for Dover Knolls Development Company II, LLC, by Saccardi & Schiff, Inc. March 30, 2009.

Economic and Fiscal Impacts of Dover Knolls. Prepared for Dover Knolls Development Company II, LLC by Economic Research Associates. December 1, 2008.

Economic and Fiscal Impacts of Dover Knolls. Prepared for Dover Knolls Development Company II, LLC by Economic Research Associates. March 12, 2009.

Market Study for Dover Knolls. Prepared for Dover Knolls Development Company II, LLC by Economic Research Associates. December 2, 2008.

June 30, 2009

Carolyn B. Handler, President
Coalition for the Responsible Growth of Dover
P.O. Box 544
Dover Plains, NY 12522

Subject: Per Capita Expenditure Figures in DEIS

Dear Carolyn:

Please accept this letter as an addendum to the Fiscal Impacts of the Knolls of Dover Final Report. Further review of the DEIS reveals that it uses significantly lower per capita expenditure figures for governmental expenditures than is warranted. The DEIS is not totally clear on how it arrives at the per capita expenditures that it uses. It mentions using Dutchess County data and extrapolating it to Dover specifically. This may or may not be acceptable methodology, depending on what the DEIS actually did with the data. In any case, using these lower per capita figures significantly reduces the projected annual cost of the development.

At full buildout, PPSA estimates annual expenditures of roughly \$6,687,400, to cover the needs of all new residents, employees, and schoolchildren (see PPSA Table 12). Using the DEIS per capita figures, and running them through the same Table 12, the result is an estimated annual expenditure of \$974,300 LESS than PPSA estimated.

However, if we use the DEIS' purported *municipal* (not schools) property tax revenue (Table III.G-45) of \$915,000 and subtract PPSA's projected *municipal* (not schools) expenditures (see PPSA Table 12, line 7) of \$1,534,300, the result is an **annual fiscal deficit of \$619,000**. By low-balling the annual expenditure figure, the DEIS returns a positive annual fiscal impact.

See the attached Excel sheet for calculations.

Yours sincerely,



Chris Rembold

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DEIS (see Section III., G-38) (Economic Conditions section)

per capita residential cost	\$143
per commercial worker cost	\$57

PPSA

per capita residential cost	\$400
per commercial worker cost	\$100

PROJECT'S IMPACTS

New persons	3,701
New employed	539

*See Table 12 of the PPSA report
Using the DEIS numbers from above, running them through Table 12, yields the following.*

Table 12: Estimated Expenditures

1. Municipal expenditures per capita	\$143	(DEIS data)
2. Total new persons	3,701	(PPSA projection)
3. Municipal expenditures per employed person	\$57	(DEIS data)
4. Total new employed	539	(PPSA projection)
5. School expenditures raised from property taxes per student	\$9,650	(PPSA calculation)
6. Total new public school children	534	(PPSA projection)

Estimated Expenditures

7. Municipal (line 1 x line 2 + line 3 x line 4)	\$560,000
8. Schools (line 5 x line 6)	\$5,153,100
9. TOTAL EXPENDITURES	\$5,713,100

Line 9 from PPSA report	\$6,687,400
Difference	(\$974,300)

Thus the DEIS projects nearly \$1 million less in annual expenditures than we do

LOOKING AT MUNICIPAL ONLY (not schools):

DEIS estimated property tax revenue (Table III.G-45)	\$915,000
<u>Service cost (from line 7 of PPSA Table 12)</u>	<u>\$1,534,300</u>
Net municipal fiscal impact	(\$619,300)