

## O. ECONOMICS

### EXISTING CONDITIONS

Residential and commercial development generate both costs and benefits to local government and school districts. Development results in increased service demands on infrastructure and utilities, solid waste and recycling services, fire and emergency services, public schools, and recreational services. The increased demands can result in higher maintenance costs for existing services and equipment and capital expenditures related to new or expanded facilities. A municipality attempts to meet these costs primarily through property taxes. School districts also rely on property taxes and receive funding from the State.

Current property tax rates per \$1,000 of assessed value within the study area are as follows:

1996	General Town: \$2.13 homestead \$2.59 non-homestead
1995-1996	South Colonie School District \$12.01 homestead \$14.72 non-homestead
1995-1996	Mohonasen School District \$14.76

These rates exclude special districts such as fire, water and refuse districts. The most recent equalization rate is 101.86 which reflects the Town wide property reassessment completed several years ago. The Town currently assesses properties at full value.

### IMPACTS AND MITIGATION MEASURES

#### Fiscal Considerations

To determine the overall fiscal impacts of the Projected development scenario evaluated in this DGEIS, the model contained in the *Fiscal Impact Analysis: A Guidebook, Second Edition* (CDRPC 1987) was used. Updated multipliers were used based on census data, CDRPC information and the *Development Impact Assessment Handbook* (Urban Land Institute 1988). This fiscal impact model can be used to evaluate both residential and non-residential projects, as well as the cumulative effects of a group of projects.

It uses an average costing technique which assumes a linear relationship between the costs attributed to a new development, based on the average costs per unit at present service levels. This method would not account for existing excess or deficient capacity that might exist for a specific service.

For example, if new development requires the construction of a new municipally-owned and operated wastewater treatment facility, this method would not account for the cost of the new facility. In order to project development costs more accurately, future improvements and associated capital costs have been detailed in other chapters of Section II of this DGEIS. These costs are summarized later in this chapter.

Base information from the 1996 Town Budget and tax rolls and the 1995-1996 South Colonie and Mohonasen School Districts were

used in this analysis. No adjustments have been made for inflation, therefore, the resultant mitigation costs would need to be monitored and adjusted as necessary. Development levels must also be tracked and compared to the Projected Growth Development Scenario and the required improvements to ensure that the appropriate levels of funding would be available to make the improvements.

The worksheets used to complete the Fiscal Impact Analysis are included in Appendix 6. Information gathered to complete the analysis included resident and student populations, municipal and school district budgets, property tax rates, the local equalization ratio, total number of land parcels, and the total real property value of all tax paying properties.

Estimated future municipal and school costs were obtained by calculating existing per capita expenses for both municipal and school district budgets. These per capita costs were projected to the end of the study period and were based on anticipated growth within the Study Area under the Projected Growth Development Scenario.

Municipal and school district revenues are derived from a variety of sources that can be difficult to project. The largest revenue sources for the Town are real property taxes and sales tax revenues. Likewise, the largest revenue sources for the school districts are real property taxes and state aid.

Future property tax revenues are based on the projected value and number of potential new housing units and commercial and industrial development projects. User charges, sales tax, license and permit costs, and fines and forfeitures are also calculated based on the expected population in the Study Area at the end of the planning period. State Aid is often contingent on the wealth of a community. As

a community develops and prospers, the value of some of these revenue sources may be reduced. Current trends indicate that levels of federal and state aid are decreasing, resulting in higher financial burdens for individual municipalities and school districts. For this reason, State Aid revenues were projected conservatively based on existing levels of State Aid and population.

Municipal costs associated with the Projected Growth Development Scenario are projected to be \$546,605 annually, at the end of the planning period. Revenues are projected to be \$1,254,995 annually, at the end of the planning period, resulting in an annual net fiscal benefit of \$708,390.

As previously stated, major sources of school district revenues include real property taxes and State Aid. Table II-O-1 outlines tax and State Aid revenues for the two school districts in the study area for the 1995-1996 school year.

School district revenues calculated in the model are limited to real property taxes and State Aid. The remaining revenue sources are a comparatively small part of the budget and can vary dramatically from year to year. Projected costs and revenues associated with the school districts, related to the Projected Growth Development Scenario, are shown in Table II-O-2.

As previously stated, the Fiscal Impact Model only identifies costs and revenues associated with maintaining existing service levels and does not address any need for capital improvements or existing excess capacity. The increased population and increases in non-residential land uses would place higher demands on services and require Capital Improvements to the municipal infrastructure and road network. Additionally, upgrades to

**Table II-O-1**  
**Lisha Kill - Kings Road Area DGEIS**  
**Major School District Revenues Sources - 1995-1996**

School System	Real Property Taxes	State Aid	% of Budget
South Colonie	\$30,432,400	\$12,729,298	93
Mohonasen	\$10,652,845	\$10,335,985	92

**Table II-O-2**  
**Lisha Kill - Kings Road DGEIS**  
**School District Costs and Revenues Associated with Project Development**  
**(Fiscal Impact Model - Analysis)**

	Costs	Revenues	Net Fiscal Impact
South Colonie	\$3,144,651	\$3,373,870	\$229,219
Mohonasen	\$661,109	\$2,081,073	\$1,419,964

police, fire, emergency rescue services and new parkland would be required.

Table II-O-3 provides the capital costs for municipal services that were derived from estimates provided by Town officials and other entities, as discussed in Section II.M. Annual costs for services were also projected but not included in Table II-O-3.

Under the Projected Growth Development Scenario, the Colonie Police Department will probably need to hire 3 additional officers at a total cost of \$204,000 per year. Emergency medical Services projects an additional annual cost of about \$100,000. Although the fire districts have an annual budget, there are no paid staff and, therefore, no significant increase in expenditures as a result of

development, other than the capital costs identified in Table II-O-3.

**Funding Mechanisms**

New development results in increased demand for services. This often requires service upgrades which in turn require capital outlays. Capital improvements can be funded through a number of sources including SEQR, developer financed improvements, local tax dollars, state and federal tax dollars, and improvements funded by utility companies. Examples of capital spending include: improvements to transportation systems, utilities (sewer, water, natural gas, telephone, cable television and electric), municipal

**Table II-O-3**  
**Lisha Kill - Kings Road Area DGEIS**  
**Costs Associated with Projected Development**  
**in the Study Area**

Capital Improvement Costs	Cost (1996 Dollars)
Water Service	\$9,773,400
Transportation (Alternative 1)	\$1,470,000
Transportation (Alternative 2)	\$5,145,000
Recreation	\$675,000
Fire	\$1,025,000
Police	\$25,000
SEQR Costs	\$165,000
TOTAL	\$18,278,400

services (schools, fire departments, ambulance corps, police departments, and solid waste disposal) and recreation facilities.

**Mitigation Cost System**

The Town is currently using a Development Mitigation Cost System in two areas in the Town to finance required improvements related to development (Boght Road - Columbia Street Area and the Airport Area GEIS). In both instances, a GEIS was prepared which identified impacts, mitigation measures, and the costs of required improvements related to potential development. The mitigation costs were developed by calculating the costs of providing adequate services to new development in the Study Area. Existing needs and deficiencies were identified and not assessed to new development. Mitigation costs are collected on a per unit (residential), per square foot (non-residential), and per acre basis. These development mitigation costs are being used

by the Town to make the required improvements identified in the above referenced GEIS.

The mitigation costs outlined in Tables II-O-4, 5, and 6 can be levied as a one time lump sum payment upon final project approval or collected over a period of time. Any number of options could be explored to determine which set of payment arrangements would best suit the needs of the municipality and the developer.

Mitigation costs could also be assessed on an annual basis for new development similar to the manner in which property taxes are collected. Costs could be spread over the 20 year planning period so that a developer would not need to make a full, up-front payment for mitigation costs levied by the municipality. This method would be particularly well-suited for structures such as apartments or leased commercial space. Owners of such property normally rely on a payment stream from rents

to cover debt service, and operating and maintenance costs. Until such a property becomes substantially occupied it is difficult for an owner to cover all debts which may be incurred. As a result, lump sum mitigation costs would make it more difficult for a developer to build this type of rental property.

The manner in which mitigation costs are recovered by the lead agency and other involved agencies would need to be determined in the Statement of Findings. However, it would be prudent to consider a common method to assess all identified mitigation costs represented in Table II-O-4 to simplify their collection.

Development mitigation costs have not been calculated for school and fire districts. The Town does not have the legislative authority

under New York State Law to collect funds for distribution to other agencies. If either the school or fire districts identifies the need for additional land as a result of development projected under the Projected Growth Development Scenario, then the Town could acquire land through the plan review process. The need for land has not been raised as an issue by the school or fire districts.

Development of mitigation costs have also not been calculated for police protection and emergency medical services. These costs are not capital improvements but reflect additional annual operating expenses that would be included in the Town of Colonie's annual budget.

**Table II-O-4**  
**Lisha Kill - Kings Road Area GEIS**  
**Water Mitigation Cost Summary**

Water Improvement Sub-Area	Residential Cost (\$/Dwelling Unit)	Industrial/Commercial Cost (\$/SF)
1	\$3,010	\$1.18
2	-----*	\$3.22
3	-----*	\$0.88
4	\$2,068	\$0.81
5	\$1,914	-----*

\* This type of land use is not projected for sub-area.

**Table II-O-5**  
**Lisha Kill - Kings Road Area DGEIS**  
**Transportation Improvements Mitigation Costs**

<b>Alternative 1</b>		
<b>Land Use Category</b>	<b>Sub-Area 1</b>	<b>Sub-Area 2</b>
Residential	\$107/Dwelling Unit	\$154/Dwelling Unit
Commercial	\$0.50/sq. ft.	-----*
Industrial	\$0.09/sq. ft.	-----*
<b>Alternative 2</b>		
Residential	\$405/Dwelling Unit	\$154/Dwelling Unit
Commercial	\$1.90/sq. ft.	-----*
Industrial	\$0.33/sq. ft.	-----*

\* This type of land use is not projected for sub-area.

**Table II-O-6**  
**Lisha Kill - Kings Road Area GEIS**  
**Other Municipal Mitigation Costs**

<b>Improvements</b>	<b>Mitigation Cost</b>
Recreation	\$510/Acre
Solid Waste	\$78/Dwelling Unit \$0.10/Square Feet
SEQR Preparation	\$126/Acre

**Development Example**

Typical development scenarios were created for each general land use type. To illustrate the worst-case scenario in terms of cost, commercial and industrial development are assumed to occur within water improvement sub-area 2 and under transportation alternative

2 (construction of new connector road), sub-area 1. Residential development is assumed to occur in water improvement sub-area 1 and would also be subject to the alternative 2, sub area 1 transportation costs. Table II-O-7 thru II-O-9 show what typical developments would pay in mitigation fees.

Project Statistics - Residential

Lot Size = 100 acres  
Density = 1.94 units/acre based on A-2  
District and subtracting 20 percent for roads,  
utilities, open space, etc.  
Total Units = 190

Project Statistics - Commercial

Lot Size = 1 acre  
Building Size = 10,000 gsf

Project Statistics - Industrial

Lot Size = 5 acre  
Building Size = 50,000 gsf

**Table II-O-7**  
**Lisha Kill - Kings Road Area DGEIS**  
**Example Mitigation Cost - Residential**

<b>Mitigation Item</b>	<b>Cost</b>
Water	\$571,900
Transportation	\$77,000
Recreation	\$51,000
Solid Waste	\$14,800
SEQR Preparation	\$12,600
<b>TOTAL COST</b>	<b>\$727,300</b>
<b>Total Cost per Unit</b>	<b>\$3,828</b>

**Table II-O-8**  
**Lisha Kill - Kings Road Area DGEIS**  
**Example Mitigation Cost - Commercial**

Mitigation Item	Cost
Water	\$32,200
Transportation	\$18,990
Recreation	\$510
Solid Waste	\$1,000
SEQR Preparation	\$126
<b>TOTAL COST</b>	<b>\$52,826</b>
<b>Total Cost per Square Foot</b>	<b>\$5.28</b>

**Table II-O-9**  
**Lisha Kill - Kings Road Area DGEIS**  
**Example Mitigation Cost - Industrial**

Mitigation Item	Cost
Water	\$161,000
Transportation	\$16,550
Recreation	\$2,600
Solid Waste	\$5,000
SEQR Preparation	\$630
<b>TOTAL COST</b>	<b>\$185,780</b>
<b>Total Cost per Square Foot</b>	<b>\$3.72</b>



## Other Funding Mechanisms

Although the mitigation cost system has been identified as the preferred funding mechanism, a number of other possible funding sources are discussed below.

In current practice the major portion of capital improvement costs associated with new development are generally funded by developers. Capital improvement funding is concentrated within the confines of a proposed development and includes costs for roads, sanitary sewer, public water, storm sewer, natural gas, electric service, and recreation. Developers are also responsible for the cost of extending telephone and cable television lines into a new subdivision. The costs of off-site capital improvements are often not borne by developers due to lack of cumulative analysis of development proposals by a municipality. Development would progress to a point where the existing infrastructure (sewer, water, roads) has reached or exceeded its capacity and can no longer provide adequate service to users.

When developments are independently reviewed with respect to specific impacts generated by that particular project, one project considered alone may not exceed the threshold which would require major improvements to upgrade adjacent or off-site infrastructure. However, from a cumulative standpoint, the combined impact of other developments that may be proposed within a given area may result in a significant reduction in the level of adequate service of existing infrastructure.

The practice of reviewing projects on an independent basis within defined areas results in the "last one in" scenario for determining who would be responsible for funding required improvements. Major improvements are normally not required until a threshold is

reached and the developer whose project exceeds this threshold is generally responsible for the entire cost of upgrading the infrastructure system. The project which exceeds the threshold however, may have only contributed to a small percentage of the total need for additional infrastructure.

Capital improvements may also be financed through the expenditure of local, state and/or federal tax revenues. The burden of capital improvements related to new development is placed on everyone who pays taxes. In the past financing capital improvements through a combination of tax revenues and federal government appropriations was more common.

Usually government participation was significant enough to bring necessary tax increases to manageable levels. However, appropriations from the federal government for local infrastructure improvements continue to decline. Municipalities cannot rely on the federal government to finance these capital improvements. Therefore, municipalities must continue to explore additional financing sources.

Utility companies are generally mandated by the New York State Public Service Commission to provide primary service within their respective jurisdictions. Costs for the installation of secondary improvements (e.g. service within new subdivisions) although installed by public utility companies, are usually incurred by the individual developer(s).

The funding mechanisms discussed above are, or have been, in common practice in municipalities in New York State. Other financing techniques not as common but worth considering are outlined below.

## Impact Fees

Although not in common practice in New York State, impact fees have been used in other states to offset costs of new development. "An impact fee can be defined as a monetary charge imposed by a local government on new development to recoup or offset a proportionate share of public capital costs required to accommodate such development with necessary public facilities" (Nicholas 1987). Impact fees have evolved in states such as Florida and California which have experienced rapid growth with declining tax revenues for capital improvements. The basic premise behind impact fees implementation is the protection of the health, safety, and public welfare.

Impact fees can be used to fund capital improvements for various public services including water and waste water facilities, public safety, roads, recreation, solid waste, public buildings, schools, libraries and cemeteries. In order to be valid, the following criteria should be met:

- the need for additional capital facilities that would be financed with impact fees must be a consequence of new development rather than arising from existing developments;
- the charges or fees imposed on a new development must be no more than a proportionate share of the local government's cost of new capital facilities needed to serve new developments; and
- the revenues raised must be managed and expended at such time that the development paying the fee would receive a substantial benefit from the improved facility.

In New York State to date, municipalities do not have the authority to institute impact fees. However, they may become a valued funding mechanism in the future.

## Transportation Development Districts

Transportation improvements may be financed through Transportation Development Districts (TDDs). TDDs are similar to special assessment districts, in that owners of property which would benefit from a public improvement would bear the cost of that improvement. New York State currently does not have any statewide enabling legislation for the establishment of TDDs.

Without the enactment of statewide enabling legislation, municipalities must establish local legislation to establish TDDs in their jurisdiction. Several local laws of this nature have been successful in the past. The NYSDOT is able to assist any municipality in developing the necessary legislative language but believes that statewide legislation to give all localities the authority to create a TDD would be more appropriate. As with impact fees, the collection of costs in a TDD in general must approximate the benefits within a defined area.

Another form of financing public improvements associated with new development is the imposition of development excise taxes. As defined by the U.S. Supreme Court, "An excise tax is a tax imposed upon a particular use of property or the exercise of single power over property incidental to ownership" (Strauss 1988). In relation to property ownership, "when a tax is levied on only one of the many incidents of ownership and all other incidents may be fully enjoyed free of the tax, the tax would be characterized not as a property tax, but as an excise tax" (Strauss 1988).

As with an impact fee, a municipality must have authority for enacting an excise tax. "A number of states, including Arizona, California, Colorado, Kansas, Maine, Maryland, New York, Pennsylvania, Tennessee, and perhaps West Virginia, allow the impositions of an excise or privilege tax by a local government on the business of new construction" (Strauss 1988).

The major difference between a development excise tax and development impact fee is that a development excise tax "is not subject to a reasonable relationship, needs nexus, or rational nexus tests; therefore, monies collected need not relate specifically to needs created or benefits accruing to a particular development, and are not subject to geographic or temporal nexus requirements" (Strauss 1988). Thus, the main purpose of the tax is to raise revenues. An impact fee's purpose is regulatory in nature; land use or development is regulated by assuring the provision of adequate public facilities to serve the new development.

According to Strauss (1988), the following guidelines should be incorporated by a municipality in drafting an excise tax on the business of development:

- impose the tax on the activity of development rather than on the property or the property owner;

- avoid specifically "earmarking" the revenues collected;
- state expressly and clearly that the purpose of the tax is to raise revenues;
- set the amount of the tax at a reasonable level both to avoid charges that it is confiscatory and to avoid allegations that the principal intent of the tax is to regulate (i.e. limit) growth;
- avoid tying imposition of the tax to a regulatory process (e.g. subdivision approval or building permit issuance) if the tax is collected at such time;
- do not base the amount of the tax on the assessed valuation of property; and
- insure that the tax is nondiscriminatory in its application.

If properly implemented, development excise taxes may provide a viable alternative for financing improvements associated with new development.