

M. ECONOMICS

1. Fiscal Considerations:

New development, both residential and commercial, results in additional municipal and school district costs and revenues. The Town of Colonie 1989 tax rate excluding special districts such as fire, water and refuse districts is forty six point one seven zero three (46.1703) per one thousand dollars (\$1,000) of assessed valuation. Based on the assessment roll and levy model property classification summary dated August 25, 1988, for the Town of Colonie and both Villages, the average assessed single family home value was under five thousand dollars (\$5,000) translating into a Town tax bill of less than two hundred thirty dollars (\$230). Many homes fall above and below this value. New homes generally have higher assessments and pay higher taxes.

Commercial, industrial and other non-residential uses also pay Town taxes at the same tax rate. In the Town of Colonie and the Villages of Colonie and Menands, there are currently one thousand five hundred twenty eight (1,528) developed non-residential parcels.

School taxes are also based on the total assessed value of the land and structures on a given property. According to the 1988-1989 North Colonie Central School District budget, the tax rate for this school year is one hundred ninety two dollars and seventy four cents (\$192.74) per one thousand dollars (\$1,000) of assessed valuation. This supports the 1988 - 1989 school budget of over twenty-seven million dollars (\$27,000,000).

2. Funding Mechanisms:

Capital improvements currently associated with new development are funded through various mechanisms. These include: developer financed improvements; improvements financed with local tax dollars; improvements financed with State and Federal tax dollars; and improvements funded by utility companies. Costs and funding discussed above are related to improvements to transportation systems, utilities (sewer, water, natural gas, telephone, electric and cable television), municipal services (schools, fire departments, ambulance corpse and police departments), and recreational facilities.

A major portion of capital improvement costs associated with new development are funded by the developers of a particular development. This capital improvement funding is mainly concentrated within the confines of the proposed development and includes costs for roads, sanitary sewer, public water, storm sewer, gas, electric and recreation. Developers are also responsible for the cost of extending telephone and cable television lines into a new subdivision.

Currently, however, not all off-site capital improvement costs are borne by developers. This results from the lack of cumulative analysis by the municipality and appropriate cost apportionment when reviewing new development proposals. This methodology is standard practice when traditional land use controls (zoning and subdivision regulations) are employed for funding future development. Development usually progresses to a point where the existing infrastructure (sewer, water, roads) is at capacity or has exceeded its capacity to provide adequate service.

In most towns, developments are independently reviewed with respect to specific impacts generated by that particular project. One project considered

alone may not necessarily exceeded the threshold where major improvements were warranted for upgrading the adjacent or off-site infrastructure. However, from a cumulative standpoint when other developments that may be proposed within a defined area which has common boundaries are analyzed together the thresholds for significant reduction in the level of adequate service of the existing infrastructure is often times exceeded. The practice of reviewing projects on an independent basis within areas of common boundaries results in the "last one in" scenario for funding the required improvements since major improvements are normally not required until this threshold is reached, the unfortunate developer whose project does exceed this threshold is usually responsible for the entire costs of upgrading the infrastructure system, although his particular project may only contribute a small percentage of the total problem.

Another method of financing capital improvements associated with new development is through expenditure of Local, State and/or Federal tax revenues. This places the burden of capital improvement costs for new development on the general tax base of the municipality.

In addition, the base for local infrastructure improvements, the federal government, has continued to decrease revenues to local governments. "Beginning with the Carter Administration and extending through the Reagan Administration, the federal government has progressively reduced revenue sharing grants and loans for construction and maintenance of state and local infrastructure: the basic network of facilities such as transportation, water, sewer, drainage, and park systems" (Frielich, 1986). Therefore, alternative financing for infrastructure improvements must be explored (see Impacts and Mitigation Section).

Utility companies are generally mandated by the Public Service Commission to provide primary service within their respective jurisdictions.

Costs for the installation of secondary improvements (i.e., service within new subdivision) although installed by public utility companies, are usually incurred by the individual developer(s).

Impacts and Mitigation Measures

Fiscal Considerations

To determine the fiscal impacts of the potential development in the project study area the cumulative costs and revenues associated with new residential and non-residential facilities must be evaluated. This anticipated growth will result in both an increased demand for municipal services and higher costs to provide these municipal services. Revenues will also be associated with this new growth primarily in the form of property and sales tax dollars and other revenues.

There are a variety of techniques available to evaluate fiscal impacts of development. For the purposes of the DGEIS, a handbook published by the Capital District Regional Planning Commission entitled, Fiscal Impact Analysis a Guidebook, was used. This method can be used to evaluate both residential and non-residential projects as well as the cumulative affects of a series of proposed projects. It utilizes a marginal 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 will not account for existing excess or deficient capacity that might exist for a specific service. For example, if new development will require the construction of a new Town-owned and operated sewage treatment plant facility, this method will not account for the significantly higher cost of a new facility. This analysis may result in the prediction of lower costs associated with a given project than may actually occur. In order to more accurately project development costs, necessary future

improvements and the costs for these improvements have been detailed in sections on Transportation, Utilities and Municipal Services, Groundwater and Recreational Resources. These costs are not included in this analysis, however, they are outlined in the paragraphs that follow the fiscal impact analysis.

In addition, the values used for this analysis are for the base year 1989, with no adjustments made for inflation. The 1989 Town of Colonie budget and the 1988-1989 North Colonie Central School District Budget were utilized through both planning periods. This analysis will provide the Town with the magnitude of the costs and revenues associated with the anticipated growth through both planning periods (1999 and 2009) in 1989 dollars.

The estimation of future municipal costs was obtained by calculating existing per capita expenses for the municipal budget and the school district budget. These per capita costs were projected through the years 1999 and 2009, based on the anticipated growth within the study area. Worksheets used to calculate these costs and revenues are included in Appendix 4.

Town and school district revenues are obtained through a variety of sources, that are sometimes difficult to project. The largest revenue sources for the Town of Colonie in the 1989 budget are real property taxes, fees (landfill and recreation fees) and sales tax revenues. A variety of State Aid revenues are also included in the 1989 budget. Property tax revenues were based on the projected value and number of potential new housing units and commercial and industrial developments. User charges, sales taxes, license and permit revenues and fines and forfeitures were also calculated based on the expected population in the study area. State Aid is often contingent on the wealth of a community, as the community develops and prospers the value of some of these revenue sources may be reduced. For this reason all state aid revenues except per capita aid were projected conservatively, based on the existing state aid amount and the 1989 Bought

Road - Columbia Street area population. The same dollar amounts were used for both planning periods.

One of the major sources of school district revenues is also school property taxes. North Colonic will also receive over seven million dollars (\$7,000,000) in State Aid during the 1988-1989 school year. In order to be conservative and not over estimate revenues, only per capita state aid has been projected through both planning periods. Other revenue sources from the 1988-1989 budget such as rentals, student fees, athletic admissions and the beginning of the year balance are also not included in projections due to their variable nature.

Tables II-M-1 and II-M-2 summarize the costs and revenues associated with the proposed development in the study area. As can be seen on these Tables, municipal revenues will be greater than costs, but school district revenues will be less than projected costs. In addition, as discussed in Section II, I, Municipal Services the North Colonic School District anticipates two (2) new school buildings will be needed to accommodate the additional students resulting from the anticipated development.

TABLE II-M-1
MUNICIPAL COSTS AND REVENUES ASSOCIATED WITH
PROJECTED DEVELOPMENT IN THE BOGHT ROAD - COLUMBIA STREET AREA

Planning Period	Costs	Revenues	Surplus Deficit
1	\$2,031,012	\$2,665,817	+\$ 634,805
2	\$3,037,381	\$4,043,579	+\$1,006,198

TABLE II-M-2
SCHOOL DISTRICT COSTS AND REVENUES ASSOCIATED WITH
PROJECTED DEVELOPMENT IN THE BOGHT ROAD - COLUMBIA STREET AREA

Planning Period	Costs	Revenues	Surplus Deficit
1	\$ 9,069,460	\$ 7,867,390	(-\$1,202,061)
2	\$12,083,019	\$13,609,700	(-\$1,526,681)

Other improvements that are not part of the Town tax structure may also be required as a result of this growth in the area of utilities. It is anticipated that improvements will be required to both water and sewer services (see Section II, H, Utilities).

Transportation improvements will also be required as growth occurs in the study area. Costs associated with this are discussed in Section II, G, Transportation. Funding mechanisms are outlined in the following paragraphs of this section.

The worksheets used to complete the above mentioned fiscal impact analysis are included in Appendix 4. 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 localized real property value of all tax paying properties.

To further identify the fiscal impacts associated with development, capital improvement costs discussed in previous sections of this report must also be evaluated. The density and distribution of growth will require capital improvements in the areas of solid waste disposal, recreation, transportation, stormwater management, sewer and water. In addition, the police department anticipates the need for five (5) new patrol officers to maintain adequate police protection for the project study area as well as the entire Town.

Table II-M-3 outlines the net costs associated with development, both from a capital improvement and municipal budget standpoint.

TABLE II-M-3
COSTS ASSOCIATED WITH PROJECTED
DEVELOPMENT IN THE BOGHT ROAD - COLUMBIA STREET AREA

Capital Improvement	Planning Period 1	Planning Period 2
Education	\$19,000,000	---
Water Service	\$ 3,371,550	\$ 1,848,600
Sewer Service	---	\$ 288,000
Transportation	\$ 5,300,000	\$ 6,900,000
Surface Water and Drainage	\$ 3,405,415	\$ 3,405,415
Recreation	\$ 682,333	\$ 341,250
Solid Waste Disposal	\$ 211,249	\$ 148,749
Subtotal	\$31,970,547	\$12,932,014
Other Costs		
Additional Police Personnel	\$ 262,500	\$ 350,000
Education		
- Deficit resulting from fiscal impact model	\$ 1,202,061	\$ 1,526,681
- Salaries, annual expenses for new school buildings	\$ 3,200,000	---
DGEIS Preparation	\$ 69,500	\$ 69,500
Subtotal	\$ 4,734,061	\$ 1,946,181
Total	<u>\$36,704,608</u>	<u>\$14,878,195</u>

Total costs of development have been estimated to be thirty-six million seven hundred four thousand six hundred eight (36,704,608) dollars during planning period 1 and fourteen million eight hundred seventy eight thousand one hundred ninety-five (14,878,195) dollars during planning period 2. These costs have been further reduced to Development Mitigation Costs and are shown on Table II-M-4. The costs outlined in both these tables include R.O.W. acquisition costs of twenty thousand dollars (\$20,000) per undeveloped acre and eighty thousand dollars (\$80,000) per developed acre. These apply primarily to the Transportation and Drainage Development Mitigation Costs outlined in Table II-M-4.

For the purposes of this DGEIS, funding sources such as state aid or grants that would tend to offset the Development Mitigation Costs were not calculated. It is difficult to estimate the amount or type of aid that may be available during the implementation of some of these improvements. In addition, to be conservative, engineering fees, legal fees and bonding costs have not been included in Development Mitigation Costs.

The highest mitigation costs will be related to the North Colonie School System. As stated in Section II, I, Municipal Services the increase in the school aged population during planning period 1 will result in the need for two (2) additional elementary schools and up to twenty two (22) classrooms for the junior high and high school combined. Costs associated with new school buildings and classrooms is one (1) example where state aid may be a major factor in the final cost of the required facilities.

Transportation mitigation costs may also be fairly extensive especially during planning period 2. Improvements to State roads may be eligible for State or Federal funding.

TABLE II-M-4 BOGHT ROAD - COLUMBIA STREET AREA ESTIMATED DEVELOPMENT MITIGATION COSTS

PLANNING PERIOD	IMPROVEMENT	UNIT MEASURE	COST ¹	COMMENT
1999 & 2009	Solid Waste-Residential	Dwelling Unit	\$ 50	No land costs included, assume that land is available at existing landfill. This cost may be reduced to zero (0) through the application of surplus budget revenues (Table II-M-5).
1999 & 2009	Solid-Waste Com/Industrial	Sq.ft.bldg.space	\$ 0.06	Same as Above
1999	Schools	Dwelling Unit	\$ 7,600	Commercial/Industrial not considered as creating additional demand.
2009	Schools	--	--	School District does not project needs beyond 10 year period. Must reevaluate needs in 1999.
1999	Water-Residential	Dwelling Unit	\$ 1,125	
1999	Water-Com/Industrial	Sq.ft.bldg.space	\$ 0.39	
2009	Water-Residential	Dwelling Unit	\$ 1,059	
2009	Water-Com/Industrial	Sq.ft.bldg.space	\$ 0.37	
1999	Sewer-Residential	--	--	No improvements required.
1999	Sewer-Com/Industrial	--	--	No improvements required.
2009	Sewer-Residential	Dwelling Unit	\$ 165	This cost may be reduced to \$70/dwelling unit through the application of surplus budget revenues (Table II-M-5).
2009	Sewer-Com/Industrial	Sq.ft.bldg.space	\$ 0.06	This cost may be reduced to \$.02/square foot of building space through the application of surplus budget revenues (Table II-M-5).
1999	Transportation-Residential	Dwelling Unit	\$ 756	Includes ROW costs of \$20,000/acre undeveloped land, \$80,000 developed land, 20% background growth accounted for.
1999	Transportation-Office	Sq.ft.bldg.space	\$ 1.65	See Above
1999	Transportation-Retail	Sq.ft.bldg.space	\$ 2.50	See Above
1999	Transportation-Industrial	Sq.ft.bldg.space	\$ 0.68	See Above
2009	Transportation-Residential	Dwelling Unit	\$ 1,518	See Above

TABLE II-M-4 - Continued

PLANNING PERIOD	IMPROVEMENT	UNIT MEASURE	COST ¹	COMMENT
2009	Transportation-Office	Sq. ft. bldg. space	\$ 3.52	See Above
2009	Transportation-Retail	Sq. ft. bldg. space	\$ 5.89	See Above
2009	Transportation-Industrial	Sq. ft. bldg. space	\$ 1.17	See Above
1999 & 2009	Drainage-Area 1-Res.	acre	\$ 2,870	Includes ROW costs of \$20,000/acre
1999 & 2009	Drainage-Area 1-Com/Ind.	acre	\$ 5,740	Same as above
1999 & 2009	Drainage-Area 2-Res.	acre	\$ 3,780	Same as above
1999 & 2009	Drainage-Area 2-Com/Ind.	acre	\$ 7,560	Same as above
1999 & 2009	Drainage-Area 3-Res.	acre	--	No Improvements necessary
1999 & 2009	Drainage-Area 3-Com/Ind.	acre	\$13,400	Same as above
1999 & 2009	Drainage-Area 4-Res.	acre	\$ 5,960	Same as above
1999 & 2009	Drainage-Area 4-Com/Ind.	acre	\$11,920	Same as above
1999 & 2009	Drainage-Area 5-Res.	acre	\$ 2,170	Same as above
1999 & 2009	Drainage-Area 5-Com/Ind.	acre	\$ 4,340	Same as above
1999 & 2009	Recreation	Dwelling Unit	\$ 273	Includes costs for additional 9 hole golf course and pocket parks. Commercial/Industrial not considered as creating additional demand. This cost may be reduced through the application of surplus budget revenues (Table II-M-5) to \$208/unit in 1999 and to zero (0) in 2009.
1999 & 2009	GEIS Preparation	Acre	\$ 69	Only acreage projected for development between 1989 & 2009 used to calculate fee.

¹ Costs do not include engineering costs, administrative costs, legal costs or debt service retirement associated with potential bonding.

A portion of the Development Mitigation Costs may also be offset through the use of the surplus revenues (Table II-M-1) anticipated from the municipal budget. It has been assumed that the additional police patrols and associated equipment required by the new development will be absorbed by the excess in the general Town budget because the police department is currently a part of the general Town budget.

There remains a revenue surplus in both planning periods after expenditures for police protection are deducted. Included in Table II-M-5 are Development Mitigation Costs that could be reduced through the application of this revenue surplus. By utilizing these surplus general budget dollars mitigation costs can be reduced during planning period 1 and 2 by six hundred thousand eight hundred five dollars (\$634,805) and one million six thousand one hundred ninety eight (1,006,198) dollars respectively.

In 1999, by applying the revenue surplus to the cost of additional police and solid waste disposal, these costs could be reduced to zero (0). The remaining revenue surplus of one hundred sixty-one hundred thousand (161,000) dollars could be applied to Recreation Development Mitigation Costs, thus reducing those costs to five hundred twenty-one thousand three hundred thirty-three (521,333) dollars.

In 2009, the costs of police protection, solid waste and recreation could all be reduced to zero (0) through the application of the revenue surplus. The remaining revenue surplus of one hundred sixty-six thousand one hundred ninety-nine (166,199) dollars could be applied to the sanitary sewer costs, thus reducing those costs to one hundred twenty one thousand eight hundred one (121,801) dollars during planning period 2.

Another method of reducing these costs would be to apply the surplus budget dollars to a portion of all the necessary capital improvements. This may be more difficult to apply than merely eliminating a number of Development Mitigation Costs.

TABLE II-M-5
POTENTIAL REDUCTION OF DEVELOPMENT MITIGATION COSTS
FROM MUNICIPAL BUDGET SURPLUS

Improvement Area	Dollars	
	1999	2009
Police	\$252,500	\$ 350,000
Solid Waste	\$211,249	\$ 148,749
Recreation	\$161,000 ¹	\$ 341,250
Sanitary Sewer	<u>---</u>	<u>\$ 166,199²</u>
Total	\$634,805	\$1,006,198

¹ Recreation Mitigation Costs will be reduced from \$682,333 to \$21,333 during Planning Period 1.

² Sanitary Sewer Mitigation Costs will be reduced from \$288,000 to \$121,801 during Planning Period 2.

Funding Mechanisms

Increased development in the study area may facilitate associated improvements to the transportation system, utilities (sewer, water, natural gas, telephone and electric), municipal services and recreational facilities. Financing for these improvements could continue as it has in the past which is specified above. However, with reduced support for infrastructure improvements from the Federal and State governments, innovative financing techniques should be explored.

Innovative alternative financing techniques include impact fees, development excise taxes and negotiated developer contributions. These financing techniques are discussed below.

"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, p.1, 1988). Impact fees have evolved in areas such as Florida and California which have experienced rapid growth with declining revenues for capital improvements. The basic premise behind impact fee implementation is the protection of the health safety and welfare of the public.

Impact fees can be used to fund capital improvements associated with various public facilities. These include (Nicholas, p.3, 1988):

Potable Water	Emergency Medical Service
Solid Waste	Public Schools
Sewers	Public Libraries
Drainage	Law Enforcement
Roads	Public Cemeteries
Parks	Fire Protection
Public Buildings	

Previous court decisions in other states have established the legal precedence for what is known as the rational nexus test which sets the framework for impact fee implementation. The general principles of the test include (Nicholas, p.6, 1988):

- I) The need for additional capital facilities that will be financed with impact fees must be a consequence of new

development rather than arising from existing developments;

- 2) The charges or fees imposed upon 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
- 3) The revenues raised must be managed and expended at such time that the development paying the fee will receive a substantial benefit from the improved facility.

"Thus, the utilization of impact fees is subject to an "earmarking" requirement, a needs test, a benefit test, a geographic relationship between the development subject to the fee and the location of the public improvement, a temporal relationship between the time of payment of the impact fee and the timing of provision of the public facilities funded by the impact fee, and the amount of the impact fee in relation to the reasonable pro-rata share of the costs of capital improvements required by virtue of new development" (Strauss, p. 19, March, 1988).

The use of the impact fees in New York State is limited, thus case law is also limited. However, a potentially significant decision was rendered in the Albany Area Builders Association, et al., versus Town of Guilderland.

As a result of the imposition of Traffic Impact Fee Law (TIFL) by the Town of Guilderland, the Albany Area Builders Association, et al., sued the Town on the grounds that they did not have the authority to impose such a fee. The Supreme Court - Appellate Division concluded that the Town did not have statutory or constitutional authority to adopt the TIFL and that the law is invalid for the lack of such authority.

As a result of the above mentioned decision the Town of Guilderland is appealing. Until such time as a decision is rendered on the appeal, there is no authority for Town's to impose impact fees.

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, p. 19, 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 will be characterized not as a property tax, but as an excise tax" (Strauss, p. 19, 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 imposition of an excise or privilege tax by a local government on the business of new construction" (Strauss, p. 19, 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 be earmarked, do not need to relate specifically to needs created or benefits accruing to a particular development, and are not subject to geographic or temporal nexus requirements" (Strauss, p.19, 1988). Thus, the main purpose of the tax is to raise revenues while an impact fee's purpose is regulatory in nature, whereby land use or development is regulated by assuring the provision of adequate public facilities to serve the new development.

According to Strauss (p. 22, 1988) the following guidelines should be followed by a municipality in drafting an excise tax on the business of development:

- o Impose the tax on the activity of development rather than on the property or the property owner.
- o Avoid specifically "earmarking" the revenues collected.
- o State expressly and clearly that the purpose of the tax is to raise revenues.
- o 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.
- o 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.
- o Do not base the amount of the tax on the assessed valuation of property.
- o 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.

Another form of financing public improvements associated with new development is the continuation of negotiation with developers for contributions on a case-by-case basis. This is the traditional method for raising monies along with improvements initiated by developers in lieu of financing associated improvements.

One disadvantage of negotiating with developers on a case-by-case basis versus an impact fee or development excise tax is that case-by-case negotiations may not totally realize all impacts associated with new development and may also pertain to improvements of a localized nature. An impact fee or development excise tax would allow the Town to implement more far-reaching mitigation which is based on an overall comprehensive review of future development.