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Memorandum

To: Keith Stoltz, Freedom Ardmore, LP

From: Erik Hetzel, AICP/PP, LEED AP

Date: December 5, 2019

Re: Fiscal Impact Analysis – Freedom Ardmore LP Mixed-Use Redevelopment

Freedom Ardmore, LP is proposing a mixed-use redevelopment of the former Ardmore Theatre with the construction of a seven-story residential structure on the footprint of the former auditorium section and renovation of the Lancaster Avenue frontage of the building with retail space at street level. This memorandum describes the anticipated future annual fiscal impacts related to the proposed development.

It is projected that the proposed development will result in beneficial, net-positive annual fiscal impacts to both Lower Merion Township and the Lower Merion School District. Fiscal impacts from the proposed use will be significantly more positive as compared to the property's current retail use, with estimated combined net impacts to the Township and School District totaling over \$500,000 annually from the proposed use, versus just over \$75,000 annually from the current use of the property.

Fiscal impacts presented in this analysis were estimated using a methodology developed by the Rutgers University Center for Urban Policy Research, as originally described in The New Practitioner's Guide to Fiscal Analysis¹ and further developed in a later publication by the same authors entitled Development Impact Assessment Handbook². A concise summary of fiscal impacts associated with the proposed redevelopment is presented in a table on the last page of this memorandum, alongside a summary of the estimated fiscal impacts of the property in its current retail use.

¹ Burchell, Robert W., David Listokin, et al. *The New Practitioner's Guide to Fiscal Impact Analysis*, New Brunswick, NJ: Rutgers, The State University of New Jersey, 1985.

² Burchell, Robert W., David Listokin, et al. *Development Impact Assessment Handbook*. Washington, D.C.: ULI-the Urban Land Institute, 1994.

Revenue Impacts

Real Estate Property Tax - At full build-out under the proposed concept, the development will have a total market value of approximately \$32.13 million, which translates to an assessed value of approximately \$15.83 million. This assessment calculation is based on the current (2019-2020) Montgomery County common-level ratio of 2.03, which estimates assessed value at approximately 49.26% of market value. The proposed development will generate significant ongoing real estate tax revenue to the local taxing authorities, with an estimated \$66,329 going to the Township and \$465,552 going to the School District annually. Under the existing use, the property generates significantly lower real estate tax revenues than the proposed concept, with approximately \$8,305 for the Township and \$58,290 for the School District.

Real Estate Transfer Tax – Both the Township and School District levy the Real Estate Transfer Tax at the rate of 0.5% of sale price. This analysis anticipates that an average of approximately 5% of the residential units in the proposed development will transfer ownership (be sold) in any given year, which equates to annual Transfer Tax Revenues totaling \$7,775 to each taxing authority. In addition to the annual Transfer Tax revenues estimated here, it is also important to note that the Township and School District will also receive significant Transfer Tax revenues from the initial sales of every residential unit from the builder to the first homeowners. With a total market value of \$31,098,000 in 2019 for the residential portion of the development, this equates to an estimated \$155,490 in initial-sales transfer taxes to each taxing authority ($\$31,098,000 \text{ market value} \times 0.5\% \text{ transfer tax rate} = \$155,490$).

It is not anticipated that the retail portion of the proposed development will generate Real Estate Transfer Tax revenue on an annual basis because it is unlikely that it will undergo such frequent transfer of ownership as the residential portion. However, Transfer Taxes would be paid when/if the retail portion of the property is ever sold. Using the estimated 2019 market value of \$1,037,665 as a basis, the Township and School District could each anticipate Transfer Taxes totaling \$5,188 on a future sale of the retail portion of the property ($\$1,037,665 \text{ market value} \times 0.5\% \text{ transfer tax rate} = \$5,188$).

Other Revenues - In addition to the aforementioned tax revenues, the proposed development is expected to generate approximately \$21,443 in Township revenues from other sources, as reported in the Lower Merion Township 2019 General Fund Budget. These sources include licenses & permits, fines, fees, and departmental

earnings. Similarly, the School District will realize additional revenues totaling approximately \$5,153 in revenues from intergovernmental sources in the form of State and Federal funding as identified in the Lower Merion School District 2019-2020 Final General Fund Budget.

The summary table on the last page of this memorandum presents annual fiscal impacts after project completion.

Population Impacts

New Residential Population - An estimated 30 residents will be living in the proposed development including 1 school-aged child. These population estimates are based on demographic multipliers published by the Montgomery County Planning Commission in the report entitled Characteristics of the Population in New and Existing Housing Units (2012). This source uses information from surveys of actual residential developments in Montgomery County to derive population multipliers specific to the County, categorized by household structure type (i.e., single-family detached, single-family attached, apartments, etc.), and by the number of bedrooms per household.

New Employee Population – An estimated 9 workers will be employed in the retail portion of the proposed development. This estimate is based on demographic multipliers published by the Urban Land Institute and the Rutgers University Center for Urban Policy Research in the Development Impact Assessment Handbook.

Economic Impacts

The proposed development will have a beneficial economic “ripple effect” in the local economy, as the new residents and employees use goods and services in and around Lower Merion Township. In addition, the development phase of the project will provide construction jobs and result in construction-related consumption expenditures in the local and regional economies. These impacts are not reflected in the summary table included in this memorandum but will provide economic benefits over and above the annual revenues described therein.

Cost Analysis

Annual Township and School District expenditures attributable to the proposed development were projected using the Per Capita Multiplier Method described in the

Development Impact Assessment Handbook. In calculating the per capita expenditure value for the Township, the methodology uses information from the current (2019) Township budget and accounts for the fact that costs are divided differently among serving both residential and non-residential portions of the Township, based on the actual mix of land uses provided by the County Board of Assessment. Overall, it is estimated that the proposed development will result in Township costs totaling approximately \$30,635 annually, which would be more than offset by revenues totaling \$95,970 annually from the tax and non-tax sources described previously.

A similar per capita cost calculation is used for the Lower Merion School District. Based on current (2019-2020) enrollment and budget information provided by the School District, the estimated annual total cost-per-student in Lower Merion School District used in this analysis is approximately \$34,597. With just one student projected to reside in the proposed development, this results in projected annual costs of \$34,597 to the School District, which is more than offset by projected revenues from taxes and other sources totaling \$478,590.

Conclusions and Summary

In conclusion, the net positive fiscal impact in terms of projected revenues over costs for Lower Merion Township is expected to be approximately \$65,335 annually at project completion. The net positive fiscal impact to the Lower Merion School District is projected to be over \$443,000 per year. The combined net positive fiscal impact for both taxing authorities is estimated at over \$500,000 annually. Not included in these annual estimates are significant real estate transfer fees that will be paid on the initial sales of every unit from the builder to the first homeowners. Compared to the current use, the proposed concept generates significantly higher net positive, beneficial fiscal impacts to the Township and School District. The table on the next page summarizes the fiscal impacts to each taxing authority, alongside a comparison of the current use of the property as an outdoor furniture store.

Fiscal Impact Summary

	Existing Use	Proposed Use		
	Retail (Furniture Store)	Residential (Condos)	Non-Residential (Retail)	TOTAL, Proposed Use
Residential Units	0	18	0	18
Non-Residential Square Feet	17,500	0	3,745	3,745
Total Market Value	\$4,023,582	\$31,098,000	\$1,037,665	\$32,135,665
Assessed Value (approx. 49.26% of market value)	\$1,982,060	\$15,319,212	\$511,165	\$15,830,377
Residential Population	0	30	0	30
School-Aged Children	0	1	0	1
Employees	12	0	9	9
Lower Merion Township				
Real Estate Tax Revenue (4.19 mills)	\$ 8,305	\$ 64,187	\$ 2,142	\$ 66,329
Non-Property Tax Revenue	\$ 11,207	\$ 11,093	\$ 10,351	\$ 21,443
Real Estate Transfer Tax (0.5%)	\$ -	\$ 7,775	\$ -	\$ 7,775
Local Services Tax (\$47 per worker)	\$ 423	\$ -	\$ 423	\$ 423
Total Township Revenues	\$ 19,935	\$ 83,055	\$ 12,915	\$ 95,970
Total Township Expenditures	\$ (2,385)	\$ (28,812)	\$ (1,823)	\$ (30,635)
Net Township Fiscal Impact	\$ 17,549	\$ 54,243	\$ 11,092	\$ 65,335
Lower Merion School District				
Real Estate Tax Revenue (29.4088 mills)	\$ 58,290	\$ 450,520	\$ 15,033	\$ 465,552
Intergovernmental Revenue	\$ -	\$ 5,158	\$ -	\$ 5,158
Real Estate Transfer Tax (0.5%)	\$ -	\$ 7,775	\$ -	\$ 7,775
Local Services Tax (\$5 per worker)	\$ 45	\$ -	\$ 45	\$ 45
Total School District Revenues	\$ 58,343	\$ 463,510	\$ 15,080	\$ 478,590
Total School District Expenditures	\$ -	\$ (34,597)	\$ -	\$ (34,597)
Net School District Fiscal Impact	\$ 58,343	\$ 428,913	\$ 15,080	\$ 443,993
Total Development-Generated Revenues (Township + School District)	\$ 78,277	\$ 546,565	\$ 27,995	\$ 574,560
Total Development-Generated Expenditures (Township + School District)	\$ (2,385)	\$ (63,409)	\$ (1,823)	\$ (65,232)
Total Net Annual Fiscal Impact	\$ 75,892	\$ 483,156	\$ 26,172	\$ 509,328