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# ■ Fiscal Impact Analysis

**Uwchlan Industrial Park  
The Hankin Group**

**Uwchlan Township  
Chester County, Pennsylvania**

# **Fiscal Impact Analysis**

## **Uwchlan Industrial Park The Hankin Group**

Uwchlan Township  
Chester County, Pennsylvania

Date: March 8, 2018

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## ***Introduction***

Glackin Thomas Panzak, Inc. (GTP) was retained by The Hankin Group to analyze the fiscal impact of the development of the Uwchlan Industrial Park project in Uwchlan Township, Chester County. The proposed project includes 14 warehousing buildings, with a total of 1,716,400 square feet of space. The site is located in the Planned Industrial Corridor District, between Lionville Station Road and the Pennsylvania Turnpike.

## ***Methodology***

The Uwchlan Township Subdivision and Land Development Code requires that fiscal impact studies be provided for larger development applications and that the Case Study Method, as described in The New Practitioner's Guide to Fiscal Impact Analysis by Robert W. Burchell, David Listokin and William Dolphin be used to complete such studies. The Case Study Method is typically used in municipalities where the current level of services are inconsistent (either well above or well below) with what is anticipated to be needed in the future. To effectively utilize this method, municipal department heads would identify needs for service changes and the cost of those changes would be attributed in part to the new development. The methodology is really only relevant in estimating costs, as revenue projections are calculated using current tax and fee rates.

We were not able to identify any apparent gaps or excess capacity at the municipal level today, so future costs were estimated by using the Proportional Valuation method, as described in the same publication (The New Practitioner's Guide to Fiscal Impact). We also used the ULI *Preview* computer model, which was developed by Robert Burchell, David Listokin and William Dolphin of Rutgers University, to implement the Proportional Valuation method of estimating costs.

The *Preview* model provides an order-of-magnitude assessment of the impact of development. The model assumes that the employment increases and fiscal impacts represent new employees, new revenues, and new costs.

On the revenue side, we manually calculated tax and permit revenues to estimate the fiscal impact of the proposed development. All of the assumptions used on the revenue and cost side are clearly identified to ensure the Township officials area clear about how the fiscal impact conclusions were reached.

Revenues and expenditures are expressed in 2018 dollars, with no adjustment being made for the impact of inflation, appreciation, depreciation or changes in local property values. It is assumed that, as costs rise due to inflation and operating increases, corresponding enhancements in revenues will occur through either higher taxes, or reductions in other areas of services.

In calculating various revenue and expense projections, this report has utilized the Uwchlan Township Chester County Pennsylvania 2018 Budget, the Downingtown Area School District 2017-2018 Budget, and assessed valuations provided by the Chester County Board of Assessment.

### ***Demographic Projections***

A key factor in determining the fiscal impact of any development is the demographic and employment profile of the project. Since this project will be completely non-residential, only the number of new employees likely to work at the facility will be provided. The number of new employees affects the costs incurred to the municipality.

The current proposal includes a total of 14 industrial park buildings, the sum of which will have 1,716,400 square feet of space. We estimate that 15% of these industrial buildings will be used for offices with the remaining 85% being used as warehousing or general industrial space. With this development program, there will be 257,460 square feet of office space and 1,458,940 square feet of industrial space.

## **Employment Opportunities**

While the end users of the proposed project are not certain at this point, we have estimated the overall number of employees using multipliers provided in the Institute of Transportation Engineers (ITE) Handbook. The ITE estimates that office park offices consume an average of 278 square feet per employee and warehousing space provides an average of 781 square feet per employee. General industrial space is estimated to provide each employee slightly less space (535 square feet per employee), but we used the larger number in the interest of being conservative in our fiscal estimates.

At these rates, we can project that the proposed industrial park will result in the addition of 2,794 employees to Uwchlan Township, including 926 office workers and 1,868 industrial workers.

## **Project Valuation**

The next step in predicting the fiscal impacts of the proposed project is to calculate the estimated market value and assessed value of the property after improvement. These values are then used to calculate various tax revenues for the Township and School District.

## **Market Value**

First, the market value of the project is determined based on the anticipated price per square foot of the property after development completion. Based on their experience with development in the area surrounding Uwchlan Township, the developer anticipates that the industrial park buildings will have an overall market value of approximately \$90 per square foot. For 1,716,400 square feet of space, this equates to a market value of \$154,476,180.

## **Assessed Value**

The market value provides the basis for determining assessed value, which is the dollar value assigned to a property for purposes of measuring applicable taxes.

Assessed value is calculated by applying the Common Level Ratio (CLR) to the market value of the property. The CLR is a mathematical coefficient set annually by the Commonwealth's State Equalization Board that establishes assessed value as a ratio of market value. The 2018 CLR for Chester County is set at 53% of the market value of the property. Table 1 provides a comparison of market value and assessed value for the property at project completion.

*Table 1: Assessed Value*

Market Value	\$154,476,180
Assessed Value (MV x 53%)	\$81,872,375

### ***Uwchlan Township Fiscal Impact***

Fiscal impact analysis is functionally the difference between the cost of providing community services to additional residents/employees associated with a development project and the revenue associated with the improvement of land.

Municipal costs associated with any new development include the additional time and equipment needed to provide the same level of services to new residents and employees as are currently provided to existing ones. Most residents and businesses in Uwchlan Township utilize a certain amount of public services, such as police and fire protection, parks and recreation, and government administration. In new developments, the additional number of residents and employees typically require comparable services.

Uwchlan Township funds its services and operations through a variety of tax and non-tax sources, with the primary source of tax revenue being the Earned Income Tax. Other major sources of tax revenue include the Real Estate Tax, the Hydrant Tax, the Real Estate Transfer Tax, and Local Services Tax. Other revenue sources include service fees and various licenses, permits, interest earnings, and

intergovernmental grants. Of these non-tax revenue sources, we have only included building permit fees in our revenue projections, as these are directly quantifiable and attributable to the proposed development. Revenues are described and enumerated below.

### **Township Revenue**

- ***Real Estate Tax*** – Uwchlan Township’s current real estate tax rate is 0.085 mills. The millage rate is the amount per \$1,000 that is used to calculate taxes on the assessed value of property. With an assessed value of \$81,872,375, the proposed project would generate real estate tax revenues to the Township of approximately \$6,959 per year ( $\$81,872,375 \times .085 / 1,000$ ).
- ***Hydrant Tax*** – Uwchlan Township charges a real estate tax specifically targeting their fire hydrant fund. This tax is 0.035 mills on the assessed valuation of real property in the Township. For the \$81,872,375 of valuation on the proposed project, the Hydrant Tax will yield approximately \$2,866 per year ( $\$81,872,375 \times .035 / 1,000$ ).
- ***Earned Income Tax*** – The Earned Income Tax (EIT) is levied on the wages and salaries of all persons living or working in Uwchlan Township at a rate of 1%, with .5% accruing to the Township and .5% accruing to the Downingtown Area School District. The exception is that if a person works in Uwchlan Township but lives in another municipality that has its own earned income tax, the tax revenues would accrue to that home municipality.

Within the proposed industrial park, we project that 15% of the space will be office space and 85% will be industrial space. For Earned Income Tax purposes, we are estimating that the average industrial salary will be \$50,000 per year and the average office salary \$80,000 per year. These salary averages are taken from the National Compensation Survey published by the U.S. Bureau of Labor Statistics. At these rates, the 926 office workers would generate annual earned income of \$74,080,000 ( $926 \times \$80,000$ ) and the



1,868 industrial workers will generate annual earned income of \$93,400,000 (1,868 x \$50,000). This amount of income would result in a total of \$1,674,800 in earned income tax revenues if all of the employees lived in Uwchlan Township or other municipalities without their own earned income tax. A more reasonable estimate would be to expect that 25% (\$418,700) of that revenue would actually be paid to Uwchlan and the Downingtown School District. With this assumption, the Township and School District would each receive \$209,350 in earned income tax revenues per year at project buildout.

- *Real Estate Transfer Tax* – Transfer tax is a 1% tax on the value of real estate sold and is shared equally between the Township and School District. Since this analysis is based on annual revenue, the transfer tax has been calculated manually and annualized using estimates for expected turnover rates. It is assumed that the proposed facility would be sold every ten years on average. Thus, the transfer tax represents an annualized figure based a ten-year sales cycle. Based on the estimated market value and rate of turnover (sales frequency) of every ten years, it is estimated that transfer tax revenues for the Township will be approximately \$77,238.
- *Local Services Tax* – The Local Services Tax is a per capita tax of \$52 per year on all persons working within the Township, with \$47 going to the Township and \$5 going to the School District. Based on the projected number of employees at the facility, the estimated annual Local Service Tax revenue for the Township is \$131,318 (\$47 x 2,794).
- *Permits, Fees, Licenses* - Additional revenue from non-tax sources, such as licenses, permits, and interest revenues will accrue annually from the proposed development. However, in the interest of being conservative, we have only included the additional revenue from building permit fees in this category, as they will be a significant, identifiable revenue source for Upper Uwchlan Township. Uwchlan Township charges \$5,000 plus \$.40 per square foot for building permits for non-residential buildings larger than 5,000 square feet. For the 14 buildings with 1,716,400 square feet, these fees will be

\$756,560 at today's fee rates  $((14 \times 5,000) + (0.40 \times 1,716,400))$ . Anticipating a 7 year buildout of the site, we can attribute \$108,080 in revenue to each year of the initial 7 years. After that point, additional permit fees can be expected to replace the initial building permit fees as changes to interior fit outs and other improvements are likely.

- Sewer Revenues*** – The Uwchlan Township budget includes a significant amount of revenues from fee for service items such as sanitary sewer operation and solid waste collection. Sewer tapping fees will be paid by industrial park of \$4,945.01 per EDU. At a XXX EDUs, a total of \$XXX will be generated per year. In addition to the tapping fees, commercial business such as the proposed industrial park pay sewer rental feess of \$6.28 per thousand gallons of water used, with a minimum charge of \$372 per year per building - - \$5,208 for the 14 buildings. It is our assumption that these fees will cover the costs to the Township of sewage treatment associated with the proposed industrial park (net neutral fiscal impact). Therefore, we have not included these revenues nor sewer costs in our assessment of overall fiscal impacts.
- Solid Waste*** – As solid waste management for the proposed development will be provided by a private contractor, collection fees will not apply.

Table 2 summarizes the anticipated revenues to Uwchlan Township from the proposed development, by source.

*Table 2: Uwchlan Township Revenue*

Revenue Source	
Real Estate Tax Revenue (0.085 mills)	\$6,959
Earned Income Tax (0.5%)	\$209,350
Real Estate Transfer Tax (0.5%)	\$77,238
Local Services Tax (\$47 per employee)	\$131,318
Hydrant Tax Revenue (0.035 mills)	\$2,866
Building Fees (7-year buildout)	\$108,080
<b>Total Township Revenue</b>	<b>\$535,811</b>

## **Township Costs**

Projected Township costs associated with the development plan are derived from current spending levels as defined in the 2018 Uwchlan Township Budget for items that can reasonably be expected to increase over time with development. Included in this category are Township Administration, Tax Collection, Police, Fire Marshall, Volunteer Services, Zoning, Highway, Parks and Recreation.

To project how these costs could increase in the future, a portion of the costs is attributed to the proposed development based on the current municipal distribution of residential and nonresidential value. According to current Chester County assessment data, approximately 75 percent of the assessed value in Uwchlan Township is attributable to residential properties and 25 percent is attributable to non-residential properties. After applying these percentages to the current Township expenditures and allocating based on total value, the annual Township costs of the proposed development are estimated to be approximately \$525,851 per year.

## Township Impact Summary

Table 3 summarizes the anticipated fiscal impacts for Uwchlan Township for the proposed development.

*Table 3: Uwchlan Township Fiscal Impacts*

Total Township Revenues	\$535,811
Total Township Expenditures	\$525,851
Net Township Fiscal Impact	\$9,960

As indicated in the table, the proposed industrial park is expected to generate a positive fiscal benefit to the Township of approximately \$9,960 per year, which is basically an indication that the project will be revenue neutral to the Uwchlan Township.

## *Downingtown Area School District Fiscal Impact*

### School District Revenues

The Downingtown Area School District derives local-source revenues from the Real Estate Tax, Earned Income Tax, Hydrant Tax, and Real Estate Transfer Tax. Other non-tax sources of revenue include interest on investments, student fees, and subsidies and grants from the state and federal governments. As the industrial park will not add students to the School District, revenue sources associated with enrollment, such as fees, subsidies and grants, will not necessarily increase and were not included in this analysis.

- ***Real Estate Tax*** - Based on the tax rate of 27.182 mills and anticipated assessed values described earlier, we can estimate that the proposed development project will generate new real estate tax revenues to the School District of approximately \$2,225,455 per year ( $\$81,872,375 \times 27.182 / 1,000$ ).

- *Earned Income Tax* – Using the same methodology and assumptions provided for the Township, EIT revenue for the School District is estimated to be approximately \$209,350 per year.
- *Real Estate Transfer Tax* – The Downingtown Area School District shares revenue from the Real Estate Transfer Tax with the Township at the rate of 0.5% on the sale of real property. Using the market value and sales frequency assumptions described above for the Township, transfer tax revenue generated by the development would be \$77,238 per year.
- *Local Services Tax* – The Local Services Tax is a per capita tax of \$52 per year on all persons working within the Township, with \$47 going to the Township and \$5 going to the School District. Based on the projected number of employees at the facility, the estimated annual Local Service Tax revenue for the School District is \$13,970 (\$5 x 2,794).

### **School District Costs**

School district costs are only generated by student population, which is not applicable to this development. Therefore, the proposed development would result in zero annual cost to the School District.

### **School District Impact Summary**

Table 4 summarizes the anticipated fiscal impacts for the Downingtown Area School District.

*Table 4: Downingtown Area School District Fiscal Impacts*

Revenue Source	
Real Estate Tax Revenue (27.182 mills)	\$2,225,455
Earned Income Tax	\$209,350
Real Estate Transfer Tax	\$77,238
Local Services Tax	\$13,970
<b>Total School District Revenues</b>	<b>\$2,526,013</b>
<b>Total School District Expenditures</b>	<b>\$0</b>
<b>Net School District Fiscal Impact</b>	<b>\$2,526,013</b>

### ***Fiscal Impact Conclusions***

Based on the analysis and assumptions made in this report, we can conclude that the by-right proposed industrial park in the PIC District will have a net positive fiscal impact on both Uwchlan Township and the Downingtown Area School District. Because the School District will not incur any costs associated with the industrial park, their annual revenues will have a significant positive effect on their annual budget, while the Township budget balance will remain relatively stable under the proposed program. Table 6 provides a summary of the overall net annual fiscal impacts to the Township and School District.

*Table 5: Net Fiscal Impacts*

<b>Development Program</b>	
Non-Residential Square Feet	1,716,400
<b>Demographic Projections</b>	
New Employees (Full Time Equivalent)	2,794
<b>Project Valuation</b>	
Market Value	\$154,476,180
Assessed Value (53% of market value)	\$81,872,375
<b>Uwchlan Township Fiscal Impacts</b>	
Real Estate Tax Revenue	\$6,959
Earned Income Tax	\$209,350
Real Estate Transfer Tax	\$77,238
Local Services Tax	\$131,318
Building Permits	\$108,080
Hydrant Tax	\$2,866
<b>Total Township Revenues</b>	<b>\$535,811</b>
<b>Total Township Expenditures</b>	<b>-\$525,851</b>
<b>Net Township Fiscal Impact</b>	<b>\$9,960</b>
<b>Downingtown Area School District Fiscal Impacts</b>	
Real Estate Tax Revenue	\$2,225,455
Earned Income Tax	\$209,350
Real Estate Transfer Tax	\$77,238
Local Services Tax	\$13,970
Intergovernmental Revenue	\$0
<b>Total School District Revenues</b>	<b>\$2,526,013</b>
<b>Total School District Expenditures</b>	<b>\$0</b>
<b>Net School District Fiscal Impact</b>	<b>\$2,526,013</b>
<b>Total Program Fiscal Impacts</b>	
<b>Total Development-Generated Revenues</b>	<b>\$3,061,824</b>
<b>Total Development-Generated Expenditures</b>	<b>-\$525,851</b>
<b>Net Fiscal Impact</b>	<b>\$2,535,973</b>