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# Memorandum

To: Justin B. Strahorn, W. B. Homes

From: Lisa L. Thomas, RLA, AICP, LEED AP

Date: November 2, 2020

Re: Laurel Crossing  
Fiscal Impact Analysis

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W. B. Homes is proposing Laurel Crossing, a residential cluster community located on County Line Road consisting of 22 single-family detached units in Warrington Township, Bucks County, PA. This memorandum describes the anticipated future annual fiscal impacts related to the proposed development.

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 Analysis<sup>1</sup> and further developed in a later publication by the same authors entitled Development Impact Assessment Handbook<sup>2</sup>. It is projected that the proposed development will result in beneficial, net-positive annual fiscal impacts to Warrington Township, with revenues exceeding costs to provide Township services. Central Bucks School District is projected to experience a slight net negative annual fiscal impact. A concise summary of fiscal impacts is presented in a table on the last page of this memorandum.

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<sup>1</sup> 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.

<sup>2</sup> 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** – The anticipated average sales price of the proposed homes is estimated at \$790,000 per unit. At full build-out under the proposed concept, the development will have a total market value of approximately \$17.38 million, which translates to an assessed value of approximately \$1.55 million. This assessment calculation is based on the current (2020-2021) Bucks County common-level ratio of 11.24, which estimates assessed value at approximately 8.89% of market value. Warrington Township levies the real estate tax at the rate of 16.12 mills; Central Bucks School District levies the tax at the rate of 124.1 mills. The proposed development will generate ongoing real estate tax revenue to both local taxing authorities, with an estimated \$24,926 going to the Township and \$191,891 to the School District annually.

**Earned Income Tax** - Warrington Township and the Central Bucks School District each levy Earned Income Tax (EIT) at the rate of 0.5% on wages earned by Township residents. It is estimated that each taxing authority will receive approximately \$18,690 in EIT revenues annually from the proposed development.

The EIT revenue calculation assumes a median household income of \$169,908 based on a housing cost affordability ratio of 28%. This estimate assumes a 25% down payment, 30-year term mortgage at 3.75% interest, and monthly taxes, insurance, and homeowner's association fees totaling \$1,221. This calculation further assumes that all households in the proposed development will be paying the EIT.

**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 units in the proposed development will transfer ownership (be sold) in any given year, which equates to annual Transfer Tax Revenues totaling \$4,345 to each taxing authority.

Not included in these annual revenue estimates are significant transfer tax revenues that will be paid to the Township and School District on the sale of the property to the developer, which are estimated at \$9,000 to each taxing authority (\$1,800,000 sale price to developer x 0.5% = \$9,000), and transfer taxes that

will be paid on the initial sales of each built-out residential property from the developer to the first homeowner, estimated at \$86,900 to each taxing authority (\$17,380,000 total market value x 0.5% = \$86,900). These combined revenues totaling \$95,900 are enough to offset the slight negative annual impact to the School District for the first nineteen years that the community is fully occupied (\$95,900 transfer tax revenues from developer purchase and initial home sales ÷ \$4,963 annual negative School District impact = 19.3 years).

**Other Revenues** - In addition to the aforementioned tax revenues, the proposed development is expected to generate approximately \$7,997 in Township revenues from other sources, as reported in the Warrington Township 2020 Budget. These sources include licenses & permits, fines, fees, and charges for services. Similarly, the School District is projected to realize additional revenues totaling approximately \$73,449 in revenues from intergovernmental and non-tax sources, primarily in the form of State and Federal funding and miscellaneous local sources identified in the Central Bucks School District 2019-2020 Final General Fund Budget.

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

### **Population Impacts**

An estimated 77 residents will be living in the proposed development including 22 school-aged children, with an estimated 17 of those children attending public schools in the Central Bucks School District. These population estimates are based on demographic multipliers published by the Rutgers University Center for Urban Policy Research (2006)<sup>3</sup>. This source uses information from the U.S. Census to derive population multipliers specific to the Commonwealth of Pennsylvania, categorized by household structure type (i.e., single-family detached, single-family attached, apartments, etc.), and by the number of bedrooms per household. The ratio of school-aged children attending public

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<sup>3</sup> Burchell, Robert W., David Listokin, et al. *Residential Demographic Multipliers (Pennsylvania)*. New Brunswick, New Jersey: Center for Urban Policy Research, Edward J. Bloustein School of Planning and Public Policy - Rutgers, the State University of New Jersey (2006).

schools is estimated at 76% based on information from Common Core Data and the American Community Survey.

### **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 Warrington 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 (2020) 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 \$38,653, which would be offset by revenues from taxes and other sources of \$56,322 by approximately \$17,669 annually.

A similar per capita cost calculation is used for the Central Bucks School District. Based on current (2020-2021) enrollment and budget information provided by the School District, the estimated annual cost-per-student in Central Bucks School District used in this analysis is approximately \$17,255. This results in projected annual costs of \$293,338 to the School District, which exceed projected revenues from taxes and other sources of \$288,376 by approximately \$4,963 annually.

### **Conclusions and Summary**

In conclusion, the net positive fiscal impact in terms of projected revenues over costs for Warrington Township is expected to be approximately \$17,669 annually at project completion. The net fiscal impact to the Central Bucks School District is projected to slightly negative, at approximately \$4,963 per year. When combined, the net fiscal impact for both taxing authorities is slightly positive at \$12,706 annually. Not included in these annual estimates are significant real estate transfer fees that will be paid on the initial sales of every home from the builder to the first homeowners. The table on the next page summarizes the fiscal impacts to the Township and School District.

## Fiscal Impact Summary

	<b>Single-Family Residential Units</b>
Residential Units	22
Anticipated Value per Unit/SF	\$790,000
Estimated Market Value	\$17,380,000
Assessed Value (approx. 8.89% of market value)	\$1,546,263
New Residential Population	77
New School-Aged Children	22
New School-Aged Children	17
New Employees	0
<b>Warrington Township</b>	
Real Estate Tax Revenue (16.12 mills)	\$ 24,926
Non-Property Tax Revenue	\$ 7,997
Earned Income Tax Revenue (0.5%)	\$ 18,690
Real Estate Transfer Tax (0.5%)	\$ 4,345
Local Services Tax (\$52 per resident worker)	\$ 364
Total Township Revenues	\$ 56,322
Total Township Expenditures	\$ (38,653)
<b>Net Township Fiscal Impact</b>	<b>\$ 17,669</b>
<b>Central Bucks School District</b>	
Real Estate Tax Revenue (124.1 mills)	\$ 191,891
Non-Property Tax Revenue	\$ 1,352
Intergovernmental Revenue	\$ 72,097
Earned Income Tax Revenue (0.5%)	\$ 18,690
Real Estate Transfer Tax (0.5%)	\$ 4,345
Total School District Revenues	\$ 288,376
Total School District Expenditures	\$ (293,338)
<b>Net School District Fiscal Impact</b>	<b>\$ (4,963)</b>
<b>Total Development-Generated Revenues (Township + School District)</b>	<b>\$ 344,697</b>
<b>Total Development-Generated Expenditures (Township + School District)</b>	<b>\$ (331,991)</b>
<b>Total Net Annual Fiscal Impact</b>	<b>\$ 12,706</b>