

George Lahanas - Center City Project - Cost of Public Services

From: Lori Mullins
To: Lahanas, George
Date: 4/12/2017 4:52 PM
Subject: Center City Project - Cost of Public Services
Cc: Dempsey, Tim
Attachments: Cost memo.docx

George,
Attached is a memo with staff's recommended approach to estimating the cost of public services from new development projects in the downtown. Please let me know if you would like us to take a different approach.
Thank you,
Lori



PLANNING, BUILDING & DEVELOPMENT

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MEMORANDUM

TO: George Lahanas, City Manager

FROM: Tim Dempsey, Director – Planning, Building, and Development
Lori Mullins, Community and Economic Development Administrator

DATE: April 12, 2017

SUBJECT: Center City Project – Cost of Public Services

City of East Lansing
**PLANNING, BUILDING &
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Pursuant to City Council member requests, staff has considered different approaches to analyze the cost of public services that should be attributed to the Center City District project. Several people have made the assertion that the new project should result in increased revenue to the City in order to pay for the increased cost of services related to the project. Another point that has been made is that the total cost of services that the City provides through general fund expenditures should be equally distributed in a per-capita way. Another discussion point has been focused on the revenue generated by the general fund through real property taxes and that the project should generate revenue for the city based on a per-capita tax revenue calculation.

	Citywide Total	Per Resident	Center City Contribution to GF for 557 People
1. Share of Total General Fund Expenditures	\$33,431,054	\$689.71	\$384,169.86
2. Share of Total Property Tax Revenue (Operating mills only)	\$15,383,495	\$317.38	\$176,778.01
3. Public Safety and Weighted General Fund Expenditures			
Cost of Public Safety (per call @434 calls)	\$20,388,044	\$420.62	\$182,550.62
General Fund - Non Public Safety (50% of non public safety GF expenditures)	\$6,521,505	\$134.54	\$74,941.27
Total			\$257,491.89

We looked at all three of these options as shown above. The first is a straight forward division of the citywide general fund expenditures applied at a pro rata rate to the project.

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This approach would require the project to contribute \$384,170 annually in new revenue to the City.

The second option looks at real property tax revenue, not including solid waste, library and debt millages. This option would conclude that the project should produce new revenue to the City similar to the per-capita revenue produced throughout the rest of the community and that number is calculated at \$176,778 annually.

The third analysis attempts to estimate the actual costs of City services that will be attributed to the project. The Residences and St. Anne projects were collectively used as comparables. The addresses that were reviewed were 300 Grove (Hopcat), 211 Ann (The Residences apartments), 213 Ann (St. Anne apartments), and 215 Ann (The Fieldhouse). These properties collectively have a rental license capacity of 157 people and approximately 18,000 square feet of retail space. Using actual Police Department and Fire Department call data from 2016, we estimate that there would be .78 calls per person per year for the Center City District project. Applying that number to the license capacity of 557 people and about 43,000 square feet of retail space, we anticipate that there would be about 434 calls per year. The total City of East Lansing expenditure for police and fire was \$20,388,044 in 2016 and there were 48,577 calls for service in the City. The cost per call was \$420. Anticipating 434 calls per year at \$420 per call, the Center City District would cost the City \$182,280 per year for public safety services. We then looked at other General Fund expenses for government operations and it is difficult to say that there will be significant increases in costs for any category based on the project. It is not likely that the finance department, City Manager's Office, Planning or Clerks office would require additional staff as a result of this project and its increase in population. We will also expect to see some additional constitutional revenue sharing based on the additional population. Without a solid rationale for estimating these costs and revenues, we decided to take the total general fund costs subtract the public safety costs and divide that in half and then divide that number by 557 to get an additional per-person cost of City operations to be attributed to this project. This analysis resulted in the project needing to contribute \$257,492 in new revenue to the City annually.

It is staff's opinion that the third analysis over-estimates the impact to the City, but of the three approaches that are considered here it is the closest to the actual cost that the City is likely to incur for public services resulting from the proposed project.