

TOWN OF AVON, INDIANA

Fairwood PUD

July 6, 2018



Financial

Solutions

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July 6, 2018

Mr. Paul Rioux
Platinum Properties, LLC
9757 Westpoint Drive
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Indianapolis, IN 46256

VIA EMAIL: prioux@platinum-properties.com

RE: FAIRWOOD PUD

Mr. Rioux:

In connection with the proposed residential development in the Town of Avon (the "Town"), in Fairwood PUD (the "Development"), we have, at your request, prepared this Special Report (the "Report"), which includes the following:

- **General Comments;**
- **Summary of Impact of Development on Taxing Districts;**
- **Estimated Revenue and Expenditure Impact on Overlapping Taxing Units;**
- **Summary of Estimated School Property Tax Levy Impact - Development Only;**
- **Estimated School Property Tax Revenue and Assessed Value Impact - Development Only;**
- **Estimated Number of Students Added per Year;**
- **Summary of Estimated Assessed Value Added over the Duration of the Build Out of the Development; and**
- **Number of Housing Units and Number of Residents Added per Year.**

The schedules and underlying assumptions are based upon information provided to us by representatives of the Town, Platinum Properties, LLC, the Hendricks County Assessor's and Treasurer's offices and the Indiana Department of Local Government Finance (DLGF). In preparing these schedules, assumptions were made (as noted) regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected and the resulting differences could be material. We express no opinion, nor do we provide any other form of assurance thereon, and we have no responsibility to prepare subsequent reports.

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Proposed Development

The purpose of this Report is to provide an analysis of the impact on revenue and expenditures if the Development occurs. Revenue and expenditures directly related to the Development are the primary focus of this Report. Impacts caused by other factors, such as reassessment or legislative changes, are not reflected in the detail of this Report. The Report is intended to be an objective assessment of the possible impacts from the Development.

Methodology

This impact analysis is based upon the estimated assessed value and the estimated number of residents and students created by the Development. The Development is proposed on approximately 139.41 acres that has a current total assessed value (for taxes payable in 2018) of \$557,500. The parcels are located south of Avon High School property and west of Dan Jones Road. Water and wastewater utilities are currently available nearby.

The Development is currently located in the Avon taxing district. The Pay 2018 tax rate for the Avon taxing district is \$2.9301, which is composed of Hendricks County, Washington Township, Town of Avon, Avon Community School Corporation and Washington Township Library tax rates. For this analysis, tax rates are assumed to remain constant.

The total gross assessed value of the Development is estimated at approximately \$86,515,000. The Development contains single family housing and a small commercial development. We have assumed an average gross assessed value of each single family unit based upon estimated selling prices and comparable homes provided to us by the Developer of \$265,000 for the Villas Series and \$360,000 for the Estate Series. These averages are based upon the actual assessed value as compared to sales price for similar homes in 2014-2018. We have also assumed that each home will receive the \$45,000 homestead deduction, the \$3,000 mortgage exemption and the supplemental 35% homestead deduction. This results in an estimated total net assessed value of the Development of \$47,840,250.

The property tax revenue estimates were generated by multiplying the current tax rate for the underlying districts by the estimated assessed value less the estimated Circuit Breaker impact. Revised property tax rates are not reflected in this Report and no adjustments to assessed values or levies, in the future, were included.

No additional non-property tax revenue, for all taxing districts (except for the Town and Township Fire, was included in this Report. The Town estimates are based on information provided by the Town's Financial Advisor and include increases in Local Option Income Tax, Local Roads and Streets revenue, Motor Vehicle Highway funds

and other fees/taxes. The Township Fire estimates are based on the 2018 Certified Budget information.

A number of services provided by the Town, Townships, County and Libraries are likely to experience expenditure increases. Town departments which will most likely experience increased expenditures include Police, Town Court, Public Works, Planning & Building and Parks. Although not all departments will experience increased costs immediately, over time the Development will contribute to those costs. For Township expenditures, it has been assumed that increased expenditures will come from providing Fire Protection, while Administrative and Poor Relief expenditures are assumed to not increase.

It is important to note that not all property taxes paid by the Development represent additional revenue for the taxing units; rather, they represent the portion of the unit's levy which will be paid by the Development. Due to statutory limitations, taxing units are not able to simply increase their levy by the amount which could be generated by the Development, holding all other factors constant. Some taxing units have the ability to appeal for an increase in their levy due to growth and this Development could contribute to that growth appeal validation.

Town Impact

Based on information provided by DLGF and the Town's Financial Advisor, clarifying property tax revenue, non-property tax revenue and expenditures have been included in the report.

Township Impact

The only increase in assumed expenditures relates to the cost of providing Fire Protection. This has been estimated to increase at the same per capita rate as currently exists. No other expenditures related to other Township services (such as Poor Relief and General Administrative functions) are assumed to increase. To offset minor potential increases in expenditures, we did not include any growth assumptions related to the non-property tax revenue for Non-Fire funds.

County and Library Impact

County and Library expenditures were also estimated to increase as a result of the Development. We have not assumed any increase in non-property tax revenue.

School Impact

The estimated impact on the School district, in both new students and property tax revenue, is also shown in this Report. The current estimated property tax revenue 'per student' amount for Avon Schools is \$4,394 (derived from information provided by DLGF and IDOE). Seventy percent (68%) of the School tax rate is for debt service. We have assumed that no new debt service would result from the Development. Therefore, we have only utilized the transportation levy amount of \$841, per student, in our analysis. It is important to note that this amount includes residential as well as

commercial properties in the calculation. If it was based solely on residential property tax revenue, the amount would be lower. Currently, School operating costs (including teacher salaries and benefits) are paid from State Aid and not property taxes. It has been assumed that State Aid will increase to offset any increases in operating costs as a result of the Development. The School property tax revenue is only used for debt service, capital projects and transportation costs. The remaining costs, per student, are paid from State Aid and Miscellaneous Revenue.

Additional Economic Impact

The proposed Development will have a positive impact on businesses in the area, including a direct impact of over \$84,000,000 and an indirect impact of over \$66,000,000 during the construction phase. This impact will result in new jobs and increased spending in the area.

Recommendation

Based upon the information presented in the attached Report, we recommend that the Town request a financial contribution from the Developer in order to offset a portion of the expected revenue shortfalls. The majority of the proposed Development has the lowest possible property tax cap rate of 1% (homesteads) and the proposed project will create a demand for additional governmental services.

It is important to note that, based upon the current property tax system and the current Avon tax rate, most residential developments will not provide a positive fiscal impact to local units of government due to the Circuit Breaker. However, the total impact may be positive if additional commercial development occurs in response to new residents.

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Proposed Fairwood PUD

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Summary of Impact of Development on Taxing Districts

<u>Estimated Surplus/(Shortfall)</u>	<u>Proposed Development</u>		
	<u>Year 1</u>	<u>Year 3</u>	<u>Year 5</u>
Town Portion (Pg. 6)	\$ (7,586)	\$ (20,290)	\$ (26,124)
Township Portion (Pg. 7)	(11,758)	(31,455)	(43,368)
County Portion (Pg. 8)	(7,508)	(20,084)	(27,050)
Library Portion (Pg. 8)	(2,804)	(7,502)	(10,859)

Summary of Estimated School Tax Levy per Student

	<u>Current Avon Schools</u>	<u>Proposed Development</u>		
		<u>Year 1</u>	<u>Year 3</u>	<u>Year 5</u>
School Portion (Pg.9) (1)	\$ 841	\$ 431	\$ 432	\$ 450

(1) The School tax levy shown is only for transportation costs. We have assumed that no new debt service costs or capital project costs would be needed as a result of the Development. All School operating costs are paid from State Aid.

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Estimated Revenue and Expenditure Impact on Overlapping Taxing Units

<u>Town</u>	<u>Multiplier</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<i>Estimated Revenue (Assumed)</i>						
Property Tax Illustration (1)	0.4193	\$ 30,154	\$ 53,193	\$ 80,720	\$ 101,515	\$ 130,386
Non-Property Tax (2)	\$ 134	<u>27,336</u>	<u>48,240</u>	<u>73,164</u>	<u>92,058</u>	<u>113,364</u>
Totals		<u>\$ 57,490</u>	<u>\$ 101,433</u>	<u>\$ 153,884</u>	<u>\$ 193,573</u>	<u>\$ 243,750</u>
<i>Estimated Expenditures (3)</i>						
	319	<u>\$ 65,076</u>	<u>\$ 114,840</u>	<u>\$ 174,174</u>	<u>\$ 219,153</u>	<u>\$ 269,874</u>
Totals		<u>\$ 65,076</u>	<u>\$ 114,840</u>	<u>\$ 174,174</u>	<u>\$ 219,153</u>	<u>\$ 269,874</u>
Surplus/(Shortfall) (4)		<u>\$ (7,586)</u>	<u>\$ (13,407)</u>	<u>\$ (20,290)</u>	<u>\$ (25,580)</u>	<u>\$ (26,124)</u>

- (1) Based on current property tax rate times estimated assessed value, see Page 12. Property taxes paid by the Development do not necessarily represent additional revenue for the Town; rather, they represent the portion of the Town's tax levy which will be paid by the Development. Estimated property taxes have been reduced by 35% for estimated Circuit Breaker impact.
- (2) Based on the non-property tax revenue per capita and multiplied by estimated number of residents in the Development, provided by the Town's Financial Advisor
- (3) Based on the Town's per capita for Police, Town Court, Public Works, Planning & Building and Parks departments and multiplied by estimated number of residents in the Development, provided by the Town's Financial Advisor
- (4) Represents the estimated surplus/(shortfall) related to the Development. A surplus does not necessarily represent funds available for other purposes, as the increase in revenue partially consists of property taxes, which represent the portion paid by the Development, not necessarily new revenue.

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Estimated Revenue and Expenditure Impact on Overlapping Taxing Units

(Continued)

<u>Township</u>	<u>Multiplier</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<i>Estimated Revenue</i>						
Non-Fire Related Funds						
Property Tax Estimation (1)	0.0390	\$ 2,805	\$ 4,948	\$ 7,508	\$ 9,442	\$ 12,128
Non-Property Tax (2)	\$ -	-	-	-	-	-
Fire Related Funds						
Property Tax Estimation (1)	0.3847	27,665	48,803	74,059	93,138	119,627
Non-Property Tax (2)	\$ 97	19,788	34,920	52,962	66,639	82,062
Totals		<u>\$ 50,258</u>	<u>\$ 88,671</u>	<u>\$ 134,529</u>	<u>\$ 169,219</u>	<u>\$ 213,816</u>
<i>Estimated Expenditures</i>						
Non-Fire Related Funds (3)	\$ 39	\$ 7,956	\$ 14,040	\$ 21,294	\$ 26,793	\$ 32,994
Fire Related Funds (4)	\$ 265	54,060	95,400	144,690	182,055	224,190
Totals		<u>\$ 62,016</u>	<u>\$ 109,440</u>	<u>\$ 165,984</u>	<u>\$ 208,848</u>	<u>\$ 257,184</u>
Surplus/(Shortfall)		<u>\$ (11,758)</u>	<u>\$ (20,769)</u>	<u>\$ (31,455)</u>	<u>\$ (39,629)</u>	<u>\$ (43,368)</u>

(1) Based on current property tax rate times estimated assessed value, see Page 12. Property taxes paid by the proposed development do not necessarily represent additional revenue for the Township; rather, they represent the portion of the Township's tax levy which will be paid by the development.

Estimated property taxes have been reduced by 35% for estimated Circuit Breaker impact.

(2) Based on non-property tax revenue per capita and multiplied by estimated number of residents in the Development

(3) Based on Township General Fund, Recreation and Township Assistance Fund expenditures per capita and multiplied by the number of new residents.

(4) Based on Fire General, Emergency Fire Loan and Fire Cumulative Fire Fund expenditures per capita and multiplied by the number of new residents in the Development

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Estimated Revenue and Expenditure Impact on Overlapping Taxing Units

(Continued)

<u>County</u>	<u>Multiplier</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<i>Estimated Revenue</i>						
Property Tax Estimation (1)	0.3211	\$ 23,092	\$ 40,735	\$ 61,816	\$ 77,740	\$ 99,850
Estimated Expenditures (2)	\$ 150	<u>30,600</u>	<u>54,000</u>	<u>81,900</u>	<u>103,050</u>	<u>126,900</u>
Surplus/(Shortfall) (3)		<u>\$ (7,508)</u>	<u>\$ (13,265)</u>	<u>\$ (20,084)</u>	<u>\$ (25,310)</u>	<u>\$ (27,050)</u>
 <u>Library</u>						
<i>Estimated Revenue</i>						
Property Tax Estimation (1)	0.0603	\$ 4,336	\$ 7,650	\$ 11,608	\$ 14,599	\$ 18,751
Estimated Expenditures (2)	\$ 35	<u>7,140</u>	<u>12,600</u>	<u>19,110</u>	<u>24,045</u>	<u>29,610</u>
Surplus/(Shortfall) (3)		<u>\$ (2,804)</u>	<u>\$ (4,950)</u>	<u>\$ (7,502)</u>	<u>\$ (9,446)</u>	<u>\$ (10,859)</u>

(1) Based on current property tax rate times estimated assessed value, see Page 12. Property taxes paid by the Development do not necessarily represent additional revenue for the County & Library; rather, they represent the portion of the County & Library's tax levy which will be paid by the Development. Estimated property taxes have been reduced by 35% for estimated Circuit Breaker impact.

(2) Estimated per capita expenditures based on 2010 census and 2018 budget

(3) Represents the estimated surplus/(shortfall) related to the Development. A surplus does not necessarily represent funds available for other purposes, as the increase in revenue partially consists of property taxes, which represent the portion paid by the Development, not necessarily new revenue.

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Estimated Revenue and Expenditure Impact on Overlapping Taxing Units

(Continued)

	<u>Current Avon Schools</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Estimated Tax Levy/Student (1)	\$ 841	\$ 431	\$ 431	\$ 432	\$ 431	\$ 450
Difference from Current Situation		(410)	(410)	(409)	(410)	(391)
Cumulative Number of Students from Proposed Development		<u>54</u>	<u>96</u>	<u>146</u>	<u>183</u>	<u>226</u>
Surplus/(Shortfall) (2)		<u>\$ (22,286)</u>	<u>\$ (39,325)</u>	<u>\$ (59,607)</u>	<u>\$ (75,040)</u>	<u>\$ (88,222)</u>

(1) Estimated Current Tax Levy is for Transportation Funds only (See Page 10).

(2) Represents the difference between current tax per student and the estimated tax levy per student multiplied by the cumulative number of students from the Development

NOTE: The School tax levy is only used for debt service, capital projects and transportation costs.
All School operating costs are paid from State Aid.

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Estimated School Property Tax Revenue and Assessed Value Impact - Development Only

	<u>Current Avon Schools</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Students (1)	<u>9,480</u>	<u>54</u>	<u>96</u>	<u>146</u>	<u>183</u>	<u>226</u>
School Tax Rates						
Debt Service and Pension Debt	\$ 0.011606	\$ 0.011606	\$ 0.011606	\$ 0.011606	\$ 0.011606	\$ 0.011606
Capital Projects	0.002187	0.002187	0.002187	0.002187	0.002187	0.002187
Transportation	0.003264	0.003264	0.003264	0.003264	0.003264	0.003264
Total School Tax Rate	0.017057	0.017057	0.017057	0.017057	0.017057	0.017057
Net AV Increase (2)	\$2,442,486,217	\$11,063,750	\$19,517,000	\$29,617,250	\$37,247,000	\$47,840,250
Estimated Transportation Tax Levy as A Result of New Developments (2)	\$ 7,972,275	\$ 23,473	\$ 41,407	\$ 62,836	\$ 79,023	\$ 101,498
Transportation Tax Levy/Student	\$ 841	\$ 431	\$ 431	\$ 432	\$ 431	\$ 450
Development Assessed Value/Student (Net AV/Students)		\$ 203,378	\$ 203,302	\$ 203,415	\$ 203,313	\$ 212,058
District Assessed Value/Student (Includes Commercial)		\$ 257,337	\$ 257,101	\$ 256,826	\$ 256,616	\$ 256,587

(1) See Page 11.

(2) Based upon current year information provided by the Department of Local Government Finance (DLGF) for taxes payable in 2018 and estimated increase in assessed value as shown on Page 12

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Estimated Number of Students Added per Year

Description	Number of Units	Student Multiplier (1)	Total Number of Students	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
			Year 1	Year 2	Year 3	Year 4	Year 5	Totals	
Students per Year	282	0.80	226	54	42	50	38	42	226
Cumulative Number of Students				54	96	146	183	226	
			Current Avon Schools	Year 1	Year 2	Year 3	Year 4	Year 5	
Expense/Student (2)			\$ 11,112	\$ 11,446	\$ 11,789	\$ 12,143	\$ 12,507	\$ 12,882	
Students			9,480	54	96	146	183	226	
Total Estimated Expense				\$ 622,652	\$1,131,762	\$ 1,768,002	\$ 2,291,311	\$ 2,906,262	

(1) Estimated school aged students per unit based on average of all types of units in the planned Development.

(2) Based upon information provided by the Avon Schools and an inflation factor

NOTE: All School operating costs are paid from State Aid. There should be no net impact on School operating costs.

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Summary of Estimated Assessed Value Added over the Duration of the Build Out of the Development

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Residential Portion					
Total Number of Units	68	52	62	47	53
Number of Units					
Apartments					
Single Family Homes - Villas	43	33	39	30	34
Single Family Homes - Estate	25	19	23	17	19
Estimated Net Value per Unit (1)					
Apartments					
Single Family Homes - Villas	265,000	265,000	265,000	265,000	265,000
Single Family Homes - Estate	360,000	360,000	360,000	360,000	360,000
Deductions - Villas	(2) \$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
Deductions - Estate	(2) \$ 158,250	\$ 158,250	\$ 158,250	\$ 158,250	\$ 158,250
Estimated Residential NAV					
Apartments	\$ -	\$ -	\$ -	\$ -	\$ -
Single Family Homes - Villas	6,020,000	4,620,000	5,460,000	4,200,000	4,760,000
Single Family Homes - Estate	5,043,750	3,833,250	4,640,250	3,429,750	3,833,250
Total Estimated NAV	<u>\$ 11,063,750</u>	<u>\$ 8,453,250</u>	<u>\$ 10,100,250</u>	<u>\$ 7,629,750</u>	<u>\$ 8,593,250</u>
Non-Residential (Commercial) Portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>
Net Assessed Value Increase	<u>\$ 11,063,750</u>	<u>\$ 8,453,250</u>	<u>\$ 10,100,250</u>	<u>\$ 7,629,750</u>	<u>\$ 10,593,250</u>
Cumulative Net Assessed Value Increase	<u>\$ 11,063,750</u>	<u>\$ 19,517,000</u>	<u>\$ 29,617,250</u>	<u>\$ 37,247,000</u>	<u>\$ 47,840,250</u>

(1) Estimated based on expected sales price of each type of unit in the proposed Development.

(2) Estimated net assessed value reduced by the Homestead (\$45,000), Supplemental Homestead (35%) and Mortgage (\$3,000) deductions

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Number of Housing Units and Number of Residents Added per Year
(per Developer and Census Bureau)

Description	Total Number of Units	Number of Units per Year					Total
		Year 1	Year 2	Year 3	Year 4	Year 5	
Units per Year	282	68	52	62	47	53	282
Apartments							
Single Family Homes - Villas		43	33	39	30	34	
Single Family Homes - Estate		25	19	23	17	19	
Cumulative Number of Units		68	120	182	229	282	
		Cumulative Number of People per Year					
	People per Unit	Year 1	Year 2	Year 3	Year 4	Year 5	
Cumulative Number of New People (1)	3.00	204	360	546	687	846	

(1) Based upon the average of all types of units in the proposed development

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Estimated Economic Impact of Estimated Construction Cost

Total Estimated Construction Cost	<u><u>\$ 84,000,000</u></u>
Estimated Additional Economic Impact from Spinoff	<u><u>\$ 66,292,000</u></u>

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Parcel Listing

<u>Parcel ID</u>	<u>Net Assessed Value</u>	<u>Number of Acres</u>
32-10-23-200-009.000-022	\$ 235,400	127.41
32-10-23-200-008.000-022	290,400	10.00
32-10-23-200-007.000-022	31,700	2.00
	<u>\$ 557,500</u>	<u>139.41</u>