D.1 Economics

A. Executive Summary

R.W. Thorpe & Associates, Inc. (RWT/A) has undertaken the necessary research and analysis to determine the fiscal impacts of two separate development scenarios for 156-acres of property, known as the "Donut Hole". Situated within the City of Maple Valley, the Donut Hole site derives its name from its current status as unincorporated King County property. The current King County Zoning Map identifies this property as being zoned RA-5, Rural Area, one home per five acres.

Development Scenarios

Scenario 1 - would maintain the Donut Hole site within unincorporated King County. This scenario would take place within the anticipated zoning classifications of residential R-8 (8 units per acre). It should be noted that through the use of Transfer of Development Rights (TDR's) the allowable density of the Donut Hole site has the potential to reach 12-dwelling units per acre. For the purposes of this analysis future development is assumed to include new, single-family residential homes, town homes, mixed use condominium/commercial retail buildings, and stand-alone apartment buildings.

Scenario 2 - assumes the property would be annexed, rezoned, and subsequently developed within the City of Maple Valley. This scenario would take place within the anticipated zoning classifications of “Residential R-6” (6 units per acre). For the purpose of this analysis assumptions for future development of the Donut Hole are based upon the sites "Highest and Best Use" under the above said zone and would include approximately 936 new single-family residential homes.

The following fiscal impact analyses will help to identify whether or not these two scenarios represent a financial benefit or burden to their respective jurisdictions. Two separate fiscal impact analysis models were developed using data that includes the estimated revenue and expense attributes for the entire 156-acre Donut Hole site. Each model includes factual data from both city and county tax rates, budgets and other financial reports. The data collected was used to evaluate both the annualized revenues and expenditures associated with new development. All of the supporting data presented within this executive summary can be found within the attached reports.

B. Conclusion

As of the 2028 fiscal year it is projected that scenario 1 would generate a net financial loss to King County in excess of $7.3-Million, while development scenario 2 would generate a net financial benefit to the City of Maple Valley in excess of $9.7-Million. These dollar amounts represent one-time revenues and expenditures generated in the pre-occupation period of the development (e.g. development permits, impacts fees, real estate excise taxes and construction sales taxes) in addition to recurring annual revenues and expenditures generated during and after the occupation phase of the development (e.g. Revenues: property taxes, real estate excise taxes, sales taxes, storm drainage fees, utility taxes and state-shared revenues; Expenditures: Law & Justice Services, Health & Human Services, Transportation, Natural Resources, General Government, Utilities, Capital, and Repayment of Debt).

C. FINDINGS OF FACT

The Table below is a summary of the attached reports; it displays the primary findings of these two analyses. **Please see Sections D.2 and D.3 for the complete Fiscal Impact reports for both aforementioned scenarios.**

Summary of 20-Year Financial Analysis of "Scenarios 1 & 2"	**20-Year Net Benefit / Burden (All Units)**
"Scenario 1"	
Total Includes: Single Family, Multi-family, and Commercial/Retail Development	**($7,347,333)**
"Scenario 2"	
Total Includes 936 Single Family Home Development	**$9,766,884**

D.2 Scenario 1 - Fiscal Impact Analysis

A. Background

R.W. Thorpe & Associates, Inc. (RWT/A) has undertaken the necessary research and analysis to determine the fiscal impacts associated with Scenario 1, which would redesignate, rezone, and subsequently provide the basis for development of 156 acres of rural unincorporated land, known as the "Donut Hole", within the middle of Maple Valley. This scenario would take place within the proposed zoning classifications of residential R-8 (8 units to the acre). It should be noted that through the use of Transfer of Development Rights (TDR's) the allowable density of the Donut Hole site has the potential to reach 12-dwelling units per acre. For the purposes of this analysis future development is assumed to include new single-family residential homes, new town homes, new mixed use condominium/commercial retail buildings, and new stand-alone 48 unit apartment buildings.

This analysis will help to determine if Scenario 1 represents a financial benefit or burden to King County. A fiscal impact analysis model was developed using data that includes the estimated revenue and expense attributes for the entire 156-acre site. This analysis includes factual data from county tax rates, budgets and other financial reports. They were used to evaluate revenues generated to the county under Scenario 1 and annualized county expenses arising from the servicing of new residential and commercial development. All of the supporting data is attached in the appendices to this report.

B. Conclusion

The results of this study projects that over a twenty-year period, Scenario 1 is likely to generate a larger amount of expenditures when compared to revenues. This model projects that a net financial loss would be generated to King County, as of the 2028 fiscal year, in excess of $7.3-Million or approximately $367,000 per year for 20 years. This dollar amount represents one-time revenues and expenditures generated in the pre-occupation period of the development (e.g. development permits, impacts fees, undeveloped ground real estate excise taxes, undeveloped ground property taxes, and construction sales taxes) in addition to recurring annual revenues and expenditures generated during and after the occupation phase of the development (e.g. Revenues: property taxes, real estate excise taxes, sales taxes, gambling taxes, utility taxes and state-shared revenues; Expenditures: Law & Justice Services, Health & Human Services, Transportation, Natural Resources, General Government, Utilities, Capital, Repayment of Debt).

C. Findings of Fact

The Table below is a summary of the information presented on page D.4 of this report, which displays the primary findings of this analysis. **As previously stated, Scenario 1 is projected to generate a 20 year net-deficit to King County in excesses of $7.3-Million.** On a per unit basis the analysis shows that town home, condominium, and apartment development represents an Average Annual net loss to the County. This loss can be contributed to a combination of high annual recurring expenditures for services and low pre-development phase revenues.

Summary of "Scenario 1"	Undeveloped Ground	Single-Family	Town Home	Condo	Apartment	Comm/ Retail
Average Recurring Net Benefit/Burden (Per Unit)	N/A	**($7,138)**	**($8,690)**	**($6,622)**	**($12,999)**	**$12,045**
Average 20 -Year Net Benefit/Burden (Per Unit)	N/A	**$793**	**($2,216)**	**($2,059)**	**($10,810)**	**$31,517**
20-Year Net Benefit/Burden (All Units)[1]	**$522,000**	**$447,409**	**($671,487)**	**($623,738)**	**($7,588,815)**	**$567,298**
Total	**($7,347,333)**					

[1] Assumes the following number of units per type of development: Single Family Homes: 564 units; Town Homes: 303 units; Condos: 303 units; Apartments: 702 units; and Commercial/Retail units: 18

Undeveloped Ground Revenues "Scenario 1"	
Revenue Source	**Total**
Undeveloped Ground - REET 1	$ 100,000.00
Undeveloped Ground - REET 2	$ 100,000.00
Undeveloped Ground - Property Taxes	$ 322,000.00
Total	$ 522,000.00
Net Pre Occupation Benefit (Burden) Per Unit	**$ 522,000**

Summary of 20-Year Revenue & Expense Analysis "Scenario 1"					
Per-Unit Pre Occupation Revenues "Pre-Development Phase"	**Single-Family**	**Town Home**	**Condominium**	**Apartment**	**Comm / Retail**
Property Tax***	$1,691	$1,208	$966	$358	$4,108
REET 1 - Excludes Undeveloped Ground	$875	$875	$500	$185	$2,125
REET 2 - Excludes Undeveloped Ground	$875	$875	$500	$185	$2,125
Construction Sales Tax	$3,411	$2,436	$1,949	$812	$8,283
Impact Fees	$1,080	$1,080	$648	$648	$2,831
Total Pre Occupation Benefit / Burden (Per Unit)	**$7,931**	**$6,474**	**$4,563**	**$2,188**	**$19,472**
Total 20-Year Revenues for all Annually Recurring Revenues					
Property Tax	$7,889	$5,635	$4,508	$1,670	$19,169
Real Estate Excise Tax 1	$3,412	$2,437	$1,950	$181	$0
Real Estate Escise Tax 2	$3,412	$2,437	$1,950	$181	$0
Sales & Use Tax	$1,582	$1,582	$1,237	$1,237	$0
Utility Charges	$842	$842	$842	$842	$842
State-shared Tax Revenues	$166	$148	$130	$130	$0
Total Recurring Revenues (Per Unit)	**$17,304**	**$13,082**	**$10,616**	**$4,239**	**$20,010**
Total 20-Year Expenditures for all Annually Recurring Expenditures					
Law & Justice Services	($6,835)	($6,088)	($5,341)	($5,341)	($2,242)
Health & Human Services	($5,787)	($5,155)	($2,658)	($2,658)	($252)
Transportation	($3,334)	($2,969)	($2,605)	($2,605)	($219)
Natural Resources	($2,290)	($2,040)	($1,790)	($1,790)	($150)
General Government	($1,441)	($1,284)	($1,126)	($1,126)	($95)
Utilities	($225)	($200)	($176)	($176)	($15)
Capital	($315)	($281)	($246)	($246)	($20)
Repayment of Debt	($4,216)	($3,755)	($3,295)	($3,295)	($4,973)
Total Recurring Expenditures (Per Unit)	**($24,442)**	**($21,772)**	**($17,237)**	**($17,237)**	**($7,966)**
Average Recurring Net Benefit/Burden Per Unit	**($7,138)**	**($8,690)**	**($6,622)**	**($12,999)**	**$12,045**
Average 20-Year Net Benefit/Burden Per Unit	**$793**	**($2,216)**	**($2,059)**	**($10,810)**	**$31,517**
20-Year Net Benefit or Burden - All Units **(Average 20yr Net Benefit Per Unit)(Number of Units)**	**$447,409**	**($671,487)**	**($623,738)**	**($7,588,815)**	**$567,298**
Total Undeveloped Ground Revenues	**$522,000**				
Total 20-Year Net Benefit / Burden (All Units)	**($7,347,333)**				

*** Assumes the following original selling prices per unit and total number of units: Single Family Home: 564 Units @ $350,000 Per Unit; Town Home: 303 Units @ $250,000 Per Unit; Condominium: 303 Units @ $200,000 Per Unit; Apartment: 702 Units @ $83,333 Per Unit; Commercial/Retail: 18 5,000sf Units @ $850,000 Per Unit.

D. Analysis of Findings

This model assumed that all development within the Donut Hole would start in 2010 and be phased over the next 5 years (2014). Additionally, a 20% occupancy rate is assumed for the new development in 2010, increasing by 20% in 2011, 2012, 2013 and 2014.

New development requires additional facilities and services to serve the growth. In order to mitigate the impacts of growth, King County requires developers to assist in paying for impacts to roads and schools created by new developments. This analysis was limited to King County's benefits and expenses related to new single-family, multi-family, and mixed use commercial/retail development. Within that context, initial fees and surpluses collected for town home, condominium, and apartment development under Scenario 1 would not be significant enough to offset the cost of annual expenditures assigned per unit over the projected twenty year period. As previously stated, this model projects that the recurring expenditures generated by the aforementioned uses will never be fully offset by recurring revenues.

What follows are five appendices providing more details into the methodology, data sources, and special considerations accounted for in this analysis. They are as follows: A) Key Findings, B) Methodology, C) Development Phase Revenues, D) Recurring Revenues, and E) Expenditures.

APPENDIX A – KEY ASSUMPTIONS

- The average initial sales prices of the single-family homes, town homes, condominiums, apartment buildings, and commercial retail units are as follow:
    - Single Family Home: $350,000
    - Townhome: $250,000
    - Condominium: $200,000
    - Apartment Building (48 Units per Building): $4,000,000 or Approx. $83,333 per unit
    - Commercial/Retail Units (18 Total Units): $850,000 per unit

- The following number of mixed use commercial/retail units were assumed for the future development of the Donut Hole site:
    - Commercial/Retail Units: 18 (5,000 sqft per unit)

- It is estimated that the proposed development of the Donut Hole site between 2010 and 2014 represent a population increase of approximately 3,854 persons (based on 2.38 persons per single-family household average, 2.12 persons per Town Home and 1.86 persons per apartment, U.S. Census Bureau 2000 Data).
    - 564 Single-Family Homes,
    - 303 Town Homes,
    - 303 Condominiums, and
    - 702 Apartment Units.

- Revenue Assumptions:
    - **Construction Sales Tax Assumptions:** applied the City of Maple Valley sales tax to the difference between the projected appraised values of the site at full build out, which was estimated to be $503-Million, and a 2007 appraisal for the site, which stated that the site's market value is currently 40-Million. The future estimated appraised value of the Donut Hole Site was determined by multiplying the original selling price of each proposed unit (i.e. Single Family, Town Home, Condominium, etc.) by the number of proposed units.

    - **Sales & Use Tax:** based upon actual King County Sales & Use Tax revenues from 2007 Budget. Total sales tax revenue for 2007 was adjusted to account for only 80% to exclude existing construction sales tax revenues.

- At the request of the City of Maple Valley Finance Director the average expenditure calculations was adjusted to include expenditures data within the three years between 2003 through 2006, as provided by the Washington State Auditors Office.

APPENDIX B – DISCUSSION OF METHODOLOGY

Determining the cost of single-family, multi-family, and mixed use residential development upon county and municipal finances is not a new subject. Historically, population and economic growth were seen as complimentary in ensuring fiscal solvency and political prominence. Up until the 1960's there were few who questioned the growth prerogative. However, growth patterns in burgeoning population centers typified as sprawl, particularly in the West and South, led local governments and states to adopt growth management planning strategies. In 1990, Washington State adopted the Growth Management Act (see RCW 36.70A) to limit urban expansion in rural areas, reduce automobile dependence, stabilize local finances and ensure adequate available lands for projected population growth.

The comprehensive planning model was enveloped into the GMA, requiring cities and counties not only to contemplate and expect growth, but also to ensure that new public facilities are in place concurrent with new growth. This principle, generally referred to as concurrency, drives the discussion over the cost of development. Citizens have become wary of taxing themselves for new capital-intensive facilities that are proposed due to growth measures. As such, certain cities and counties have implemented strategies towards this end. In bygone days, developers were required to record a development for the purposes of simplifying land transfers. Later, basic infrastructure, such as water and sewer lines and a paved roadbed were required by certain jurisdictions. With the call for quality growth and concurrency, developers can now be requested or required to provide for sidewalks, improved arterial linkages, parks, sewer pump stations, traffic lights and storm water features to mitigate development impacts.

Other regulatory strategies for dealing with growth are not necessarily evident within the development or even nearby and account for the use of impact fees and general facility charges. Impact fees are collected from new development to ensure that levels of public goods, such as fire service, parks and schools are not reduced on the account of new development. A general facility charge (GFC) can be assessed to new construction or other changes in water and sewer service in certain jurisdictions. The purpose of a GFC is to allow new customers to "buy into" the existing system that was paid for by previous ratepayers.

Although these fees are calculated to ensure that they do not exceed the new development's proportion of the cost of the services that are reasonably related to it, until recent years there has been little investigation into how these fees correspond to the composite expenditures and levels of service of a municipality while accounting for all fiscal benefits accruing to the county because of new development. This study, therefore, is an attempt to investigate this fiscal impact in the context of growth management in Washington State.

A review of existing literature on the cost of new single-family, multi-family, and mixed use residential development shows that not all agree on the fiscal impacts of growth. Some acknowledge that growth controls and impact fees are capitalized into the selling price of properties while others deny that growth management strategies are to blame for the housing affordability crisis in the Puget Sound area. A study in the January 1993 issue of *Urban Land* showed that growth allowed cities to provide more services without raising taxes. The National Association of Home Builders published a report in March 2004 concluded that the construction of 100 single family homes in the Puget Sound four county area resulted in $2.8 million in taxes and other revenue for local government, $18.1 million in local income and 311 local jobs. However, this report failed to consider these impacts at the fine grain detail of the individual city or county in which the homes were constructed.

PREVIOUS STUDIES

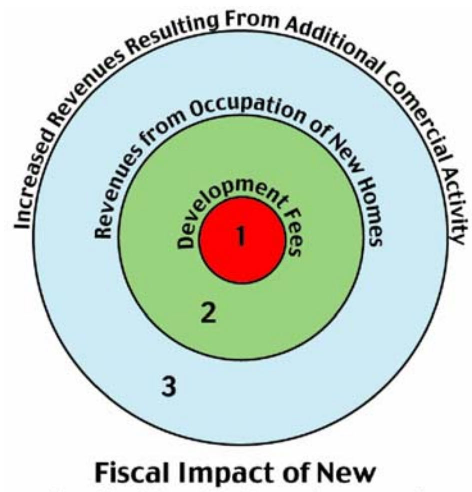
R.W. Thorpe & Associates has conducted similar financial analyses **with respect to new single-family and multi-family developments** in Duvall, WA (Oct. 2006 & Sept. 2005), unincorporated areas of Snohomish County, WA (Nov. 2005), Newcastle, WA (Nov. 2005), and Woodinville WA (March 2006). These studies were reviewed by staff (Finance Director) and an independent consultant in Snohomish County. Similar studies within Skamania, Okanogan, and Jefferson County were prepared. The following matrix identifies the outcomes of a portion of RWT/A's past studies.

Study Area	Number of Homes in Study	Net Benefit of All Homes	Net Benefit per Dwelling Unit
Duvall, WA (April, 2007)	50 Unit - **Apartment Building**	$ 1,176,176	$23,524
Duvall, WA (April, 2007)	455 - **Single-Family Homes**	$10,926,580	$24,014
Duvall, WA (Oct. 2006)	113 - **Single-Family Homes**	$ 2,124,769	$18,803
Woodinville, WA (March 2006)	400 - **Multifamily Residential**	$8,192,992	$20,482
Duvall, WA (Sept. 2005)	71 - **Single-Family Homes**	$175,611	$2,473
Unincorporated Areas of Snohomish County, WA (Nov. 2005)	1,504 - **Single-Family Homes**	$6,046,156	$4,020
Newcastle (2005)	26 - **Singe Family Homes**	$373,729	$14,374

Revenues and expenditures were estimated using the assumptions outlined in Appendices C, D and E. The model ran through 2028 to ensure that it took into consideration all loans and bond repayment for financing infrastructure related to the new development.

As a result of statewide initiative I-747, property tax levies for a local taxing district are limited to an annual increase of 1%, when excluding the value of new construction. Under this law, a property may experience a tax increase greater than 1% when its assessed value increases faster than the assessed value increase of the district as a whole. It is assumed that over the course of the study period, property value increases will be neutralized by incremental levy-rate reductions. As such, annual property tax revenues remain consistent from 2008 through the end of the model.

While the model accounts for a per capita share of additional tax revenues, it does not account for the ripple effect in economic development as portrayed in the figure to the right. As a county grows, it grows in its ability to attract retail services and commercial enterprises that demand a larger market size. With more commercial development, the share of retail purchases made by the county's population increases while concurrently it provides services to more and more people living outside its corporate boundaries.



Fiscal Impact of New Single-Family Development

1. New Homes are built
2. Homes are bought, lived in, resold overtime
3. New commercial development follows demand

This analysis accounts for information available to the consultants at the time of its publication. Changes in taxing regulations, desired levels of municipal services, and other circumstances not presently foreseen are not included in the model and this analysis.

APPENDIX C – DEVELOPMENT PHASE REVENUES

Revenues received by the County prior to occupation of new housing can be generalized as 1) taxes assessed on the vacant land; 2) real estate excise taxes received from the sale of the land between investor and developer, and developer and future resident; or 3) fees related to new development.

1) **Property Taxes** - for undeveloped land were determined by multiplying the County property tax rate ($1.60 per $1,000 Assessed Value) by the 2007 appraised value of the Donut Hole site ($40-Million). To account for the conversion of vacant land into homesites the property taxes associated with the undeveloped land were reduced 20% per year starting in 2010.

2) **Real Estate Excise Tax (REET)** - was determined by utilizing both of the King County REET tax rates of .25% and multiplying it by the 2007 appraised value of the Donut Hole site ($40-Million). The tax rate was consistent with the County REET as further described in Appendix D.

3) **Construction Sales Taxes** - were determined by multiplying the King County sales tax rate (1.1%) by the difference between the current and proposed appraised sales value of the site. The current appraised value is $40-Million and the project future value of the Donut Hole Site is $503-Million. The overall construction sales tax revenue is shown on a per unit basis.

4) **Fees Related to Servicing New Development** - these are fees associated with the development process itself (plan check fees, building permits, plat submittal and zoning hearings) or for facilities the county has or will construct to serve new development. It was assumed that all fees incurred directly related to the development process covered costs only, with no surplus. Additionally, it was assumed that all school impact fees collected on behalf of the development would go directly to the school district with no surplus revenues going to the county. Fees related to capacity development were included in the estimations of annual expenditures. The table below reflects fees currently in place for new development per the County Municipal Code.

Development Impact Fees "Scenario 1"		
Development Phase - Revenue Source	**Traffic Impact Fee [2]**	**School Impact Fee [3]**
Single-Family Home (Per Unit)	$1,080	$5,052
Townhome (Per Unit)	$648	$1,325
Condominium Unit (Per Unit)	$648	$1,325
Apartment Unit (Per Unit)	$648	$1,325
Commercial/Retail (Per Unit)	$19,818[4]	N/A

[2] Transportation Impact Fees are provided by King County through the "Mitigation Payment System Program" (MPS), which provides funding for transportation road improvements necessary for mitigating the traffic impacts of new development on the roadway system. The Donut Hole property is located in MPS Zone 277.

[3] School Impact Fees are based upon the 2008 Adopted School Impact Fees Matrix.

[4] Fee per 1,000sqft - King County Mitigation Payment System Zone "277" - Fee based upon ITE Code 814 "Specialty Retail Center" - 6.84 Peak Hour Trip Rate with a King County Authorized 50% reduction for pass by trips.

APPENDIX D – RECURRING REVENUES

The following tables outline the expected recurring revenue rates for new single-family residential homes, Town Homes, Condominiums, Apartments, and Commercial Retail Units. As previously mentioned, Scenario 1 would take place over a 5 year period starting in 2010 and subsequently ending with in 2014. Therefore the assumed property tax revenue stream is not fully realized until the 2014 tax year. This table does not reflect these initial variations; but those variances were adequately taken into consideration in the annual revenues modeling that produced the results tabulated on page 1 of this report.

Anticipated King County Revenues Average 2014 Single-Family Home			
Type	**Description**	**Amount**	**Assumptions**
Property Tax		$563.50	Current Property Tax Rate: 1.6 mills ($1.60 per $1,000 assessed value) as per King County Assessor. Assumed value of each home is $350,000.
Real Estate Excise Tax (REET)	REET 1	$182.55	Current REET 1 Tax Rate: .25% (KCC[5] 4.32.010) Current REET 2 Tax Rate: .25% (KCC 4.32.010) Assumes that one out of every five homes (1/5) will sell each year. Source: National Association of Realtors.
	REET 2	$182.55	
Utility Charges King County Surface Water Management Charge		$49.50	Surface Water Fee Amount based on "Moderate Coverage" ($597.85 per acre) as provided on the King County Surface Water Management Rate Card: http://dnr.metrokc.gov/wlr/surface-water-mgt-fee/pdf/swm-rate-card.pdf
Sales & Use Tax 1.10% sales tax		$93.08	Based on actual 2007 King County Sales Tax Revenues. http://www.metrokc.gov/budget/2007/adopted/index.htm
State-Shared Tax Revenues	Liquor Excise Tax	$2.55	Per capita distribution of $1.07 per state code. Source: “Budget Suggestions for 2008,” MSRC.
	Liquor Board Profits	$7.24	Per capita distribution per state code. Estimate based on document, “Budget Suggestions for 2008,” MSRC. $3.04 per Capita.

[5] King County Municipal Code: http://www.kingcounty.gov/council/legislation/kc_code.aspx

Anticipated King County Revenues Average 2014 Town Home			
Type	**Description**	**Amount**	**Assumptions**
Property Tax		$402.70	Current Property Tax Rate: 1.6 mills ($1.60 per $1,000 assessed value) as per King County Assessor. Assumed value of each home is $250,000.
Real Estate Excise Tax (REET)	REET 1	$130.39	Current REET 1 Tax Rate: .25% (KCC[6] 4.32.010) Current REET 2 Tax Rate: .25% (KCC 4.32.010) Assumes that one out of every five town homes (1/5) will sell each year. Source: National Association of Realtors.
	REET 2	$130.39	
Utility Charges King County Surface Water Management Charge		$49.50	Surface Water Fee Amount based on "Moderate Coverage" ($597.85 per acre) as provided on the King County Surface Water Management Rate Card: http://dnr.metrokc.gov/wlr/surface-water-mgt-fee/pdf/swm-rate-card.pdf
Sales & Use Tax 1.1% sales tax		$93.08	Based on actual 2007 King County Sales Tax Revenues. http://www.metrokc.gov/budget/2007/adopted/index.htm
State-shared tax revenues	Liquor Excise Tax	$2.27	Per capita distribution of $1.07 per state code. Source: “Budget Suggestions for 2008,” MSRC.
	Liquor Board Profits	$6.44	Per capita distribution per state code. Estimate based on document, “Budget Suggestions for 2008,” MSRC. $3.04 per Capita.

[6] King County Municipal Code: http://www.kingcounty.gov/council/legislation/kc_code.aspx

Anticipated King County Revenues Average 2014 Condominium			
Type	**Description**	**Amount**	**Assumptions**
Property Tax		$322.00	Current Property Tax Rate: 1.6 mills ($1.60 per $1,000 assessed value) as per King County Assessor. Assumed value of each condominium is $250,000.
Real Estate Excise Tax (REET)	REET 1	$104.31	Current REET 1 Tax Rate: .25% (KCC[7] 4.32.010) Current REET 2 Tax Rate: .25% (KCC 4.32.010) Assumes that one out of every five condo units (1/5) will sell each year. Source: National Association of Realtors.
	REET 2	$104.32	
Utility Charges King County Surface Water Management Charge		$49.50	Surface Water Fee Amount based on "Moderate Coverage" ($597.85 per acre) as provided on the King County Surface Water Management Rate Card: http://dnr.metrokc.gov/wlr/surface-water-mgt-fee/pdf/swm-rate-card.pdf
Sales & Use Tax 1.1% sales tax		$72.74	Based on actual 2007 King County Sales Tax Revenues. http://www.metrokc.gov/budget/2007/adopted/index.htm
State-shared tax revenues	Liquor Excise Tax	$1.99	Per capita distribution of $1.07 per state code. Source: “Budget Suggestions for 2008,” MSRC.
	Liquor Board Profits	$5.65	Per capita distribution per state code. Estimate based on document, “Budget Suggestions for 2008,” MSRC. $3.04 per Capita.

[7] King County Municipal Code: http://www.kingcounty.gov/council/legislation/kc_code.aspx

Anticipated King County Revenues - Average 2014 Apartment Unit			
Type	**Description**	**Amount**	**Assumptions**
Property Tax		$119.26	Current Property Tax Rate: 1.6 mills ($1.60 per $1,000 assessed value) as per King County Assessor. Assumed value of each apartment building is $4-Million or Approximately $83,333 per unit.
Real Estate Excise Tax (REET)	REET 1	$9.66	Current REET 1 Tax Rate: .25% (KCC[8] 4.32.010) Current REET 2 Tax Rate: .25% (KCC 4.32.010) Assumes that one entire apartment building will sell every 20-years.
	REET 2	$9.66	
Utility Charges King County Surface Water Management Charge		$49.50	Surface Water Fee Amount based on "Moderate Coverage" ($597.85 per acre) as provided on the King County Surface Water Management Rate Card: http://dnr.metrokc.gov/wlr/surface-water-mgt-fee/pdf/swm-rate-card.pdf
Sales & Use Tax 1.1% sales tax		$72.74	Based on actual 2007 King County Sales Tax Revenues. http://www.metrokc.gov/budget/2007/adopted/index.htm
State-shared tax revenues	Liquor Excise Tax	$1.99	Per capita distribution of $1.07 per state code. Source: “Budget Suggestions for 2008,” MSRC.
	Liquor Board Profits	$5.65	Per capita distribution per state code. Estimate based on document, “Budget Suggestions for 2008,” MSRC. $3.04 per Capita.

[8] King County Municipal Code: http://www.kingcounty.gov/council/legislation/kc_code.aspx

Anticipated King County Revenues - Commercial/Retail Unit			
Type	**Description**	**Amount**	**Assumptions**
Property Tax		$1,369.19	Current Property Tax Rate: 1.6 mills ($1.60 per $1,000 assessed value) as per King County Assessor. Assumed value of each commercial/retail unit is $850,000.
Real Estate Excise Tax (REET)	REET 1 REET 2	$2,125	Current REET 1 Tax Rate: .25% (KCC[9] 4.32.010) Current REET 2 Tax Rate: .25% (KCC 4.32.010) Assumed that one commercial/retail unit will turnover every 20-years.
Utility Charges King County Surface Water Management Charge		$49.50	Surface Water Fee Amount based on "Moderate Coverage" ($597.85 per acre) as provided on the King County Surface Water Management Rate Card: http://dnr.metrokc.gov/wlr/surface-water-mgt-fee/pdf/swm-rate-card.pdf

[9] King County Municipal Code: http://www.kingcounty.gov/council/legislation/kc_code.aspx

APPENDIX E – EXPENDITURES

Average annual expenditures were derived using information provided by the Washington State Auditor's Office (SAO). The SAO has available on its website revenue and expenditure data for King County as far back as 1997 along with the County's estimated population for each of those years. This data is organized consistent with the Budget and Accounting Reporting Standards (BARS) promulgated by the SAO. Average costs were derived for the following nine major categories in the BARS accounts: Law and Justice Services, Health and Human Services, Transportation, Natural Resources, General Government, Utilities, Capital, Debt Service-Principal and Debt Service-Interest. In this report, the separate debt service categories have been combined. It should also be noted that "General Government" is not synonymous with "general fund." "Natural Resources" includes engineering and planning services, along with parks and recreation. "Utilities" has been limited to include only those expenditures related to storm drainage. To account for expenditures for non-residential uses, only 95% of gross expenditures were distributed among the County's population for each fiscal year. To account for non-commercial uses for the commercial/retail portion of the model, only 2.43% of gross expenditures were distributed among the County's existing commercial/retail structures. This percentage was further broken down in an attempt to isolate the expenditures associated with the percentage of "mixed use retail" within the County. Originally this study estimated future expenditures by utilizing data available for each year starting in 1997. Because of unique annexations and other anomalies taking place in the late 1990's and early 2000's within King County this analysis based future expenditure projections on budget years 2003 through 2006.

County expenditures fluctuate year to year based on capital outlays and changes in levels of service. Annual expenditures utilized in the study are shown within the matrix on page "D.16" and are estimates based on historical trends in municipal expenditures for each BARS category. These numbers were adjusted to 2007 dollars. As previously mentioned, costs attributed to residential uses are based on the proportion of the county's assessed value in residential land use. In the case of "Natural Resources," annual permit and development fee revenues were assumed to be collected at cost, and therefore subtracted from annual expenditures to determine the per capita cost for county residents.

Average Annual Expenditures/Expenses "Scenario 1"							
All Expenditures/Expenses (BARS)	**BARS Account Number / BARS Code**	**Single Family**	**Town Home**	**Condo**	**Apartment**	**Commercial / Retail**
Law & Justice Services	Legal (Excluding Civil) (515) Law Enforcement (521) Detention & Correction (523)	($402)	($358)	($314)	($314)	($132)
Health & Human Services	Welfare (551)	($340)	($303)	($156)	($156)	($15)
Transportation	Road/Street-Maint & Oper (M&O) (542) Road/Street-M&O-General Admin (543)	($196)	($175)	($153)	($153)	($13)
Natural Resources	Natural Resources-Environ & Devel (531) Engineering (532) Planning & Cmnty Development558) Spectator & Community Events (573) Participant Recreation (574) Cultural & Recreational Facilities (575) Park Facilities (576)	($135)	($120)	($105)	($105)	($9)
General Government	Legislative (511) Executive (513) Financial & Records Services (514)	($85)	($76)	($66)	($66)	($6)
Utilities	Storm Drainage (538.3) Storm Drainage-Transportation (542.40) Storm Drainage-Road/Street (545.40)	$13	$12	$10	$10	$1
Capital	Executive (594/596.13) Finance & Other Admin. (594/596.14) Miscellaneous General Gov. (594/596.19) Law Enforcement (594/596.21) Natural Resources (594/596.31) Engineering (594/596.32) Planning (594/596.58) Multipurpose/Comm. Center (594/596.73) Fairgrounds/Conv. centers (594/596.75) Park Facilities (594/596.76) Road/Street Maintenance (594/596.42) Capital Outlays (594/596.43.60) Capital-Road/Street-Construction (595) Other Utilities (594/596.38)	($19)	($17)	($14)	($14)	($1)
Debt Service-Interest & Principal	Debt Int-Amort of Premium (592.81) Debt Int-Misc General Govt (592.19) Debt Int-Other Utilities (592.38) Debt Prin-Misc Gen Gov.(582/591.19) Debt Prin-Other Utilities (582/591.38)	($248)	($221)	($194)	($194)	($293)

APPENDIX E – EXPENDITURES (Cont.)

There are substantial revenues received by King County that are appropriated to specific operations that do not directly serve city residents, but rather special commercial or user services. In most cases these user fees cover the service for which they are collected. These include fees and building permits, land development fees and solid waste disposal. The expenditures for these services were not included in the average cost of services as provided above by subtracting from the expenditures the corollary revenue. In addition to these user fees, numerous state and federal grants are received by the county in order to pursue specific programs that fulfill state or federal goals along with local needs. In many instances, these grants and redistributions of federal and state monies come to the city based on population formulas. However, the significant number of these grants and redistributions and their various formulas are beyond the scope of this analysis. Therefore, in order to account for average cost of services that are funded locally, the grants as shown below were subtracted from expenditures in a similar manner as described above. If one should argue that these grants should not be subtracted thereby increasing the average cost, these revenues should likewise be included in the revenue formulas by considering the makeup of the formulas of the state and federal agencies that distribute these funds.

Revenues & Expenditures Withheld From Expenses	
Bars Account #	**Description of Bars Account**
322	Non-Business Licenses and Permits
331	Federal Direct Grants to Local Governments
333	Federal Indirect Grants to Local Governments
334	State Grants to Local Governments
336	State Shared Revenue (Entitlements, Impact Payments and In-Lieu of Taxes)
337	Local Grants, Entitlements, Impact Payments and In-Lieu Payments
343	Physical Environment Related Fees
345	Economic or Welfare Related Fees
347	Culture & Recreational Fees & Charges
591	Debt Service-Redemption of Long-Term Debt In Operating Funds
592	Debt Service-Interest and Other Costs For Long-Term Debt In Operating Funds

D.3 Scenario 2 - Fiscal Impact Analysis

A. Background

R.W. Thorpe & Associates, Inc. (RWT/A) has undertaken the necessary research and analysis to determine the fiscal impact of Scenario 2, which would annex, redesignate, rezone, and subsequently provide the basis for development of the 156-acres of property, known as the "Donut Hole". Situated within the City of Maple Valley, the Donut Hole site derives its name from its current status as unincorporated King County property entirely surrounded by the City of Maple valley. Scenario 2 would take place within the proposed zoning classifications of residential R-6 (6 units to the acre). For the purpose of this analysis assumptions for future development of the Donut Hole are based upon the sites "Highest and Best Use" under the above said zone and would include approximately 936 new single-family residential homes.

This analysis will help to determine if Scenario 2 represents a financial benefit or burden for the City of Maple Valley. A fiscal impact analysis model was developed using data that includes the estimated revenue and expense attributes for the entire 156-acre site. This analysis includes factual data from city tax rates, budgets and other financial reports. They were used to evaluate revenues generated to Maple Valley under Scenario 2 from annualized city expenses arising from the servicing of new residential development and its residents. All of the supporting data is attached in the appendices to this report.

B. Conclusion

The results of this study projects that over a twenty-year period, the City of Maple Valley is likely to generate a higher amount of revenues when compared to expenditures under Scenario 2. This model projects that this scenario would generate a net financial benefit to the City of Maple Valley, as of the 2028 fiscal year, in excess of $9.7-Million or approximately $488,000 per year for 20 years. This dollar amount represents one-time revenues and expenditures generated in the pre-occupation period of the development (e.g. development permits, impacts fees, undeveloped ground real estate excise taxes, undeveloped ground property taxes, and construction sales taxes) in addition to recurring annual revenues and expenditures generated during and after the occupation phase of the development (e.g. Revenues: property taxes, real estate excise taxes, sales taxes, gambling taxes, utility taxes and state-shared revenues; Expenditures: Law & Justice Services, Health & Human Services, Transportation, Natural Resources, General Government, Utilities, Capital, Repayment of Debt).

C. Findings of Fact

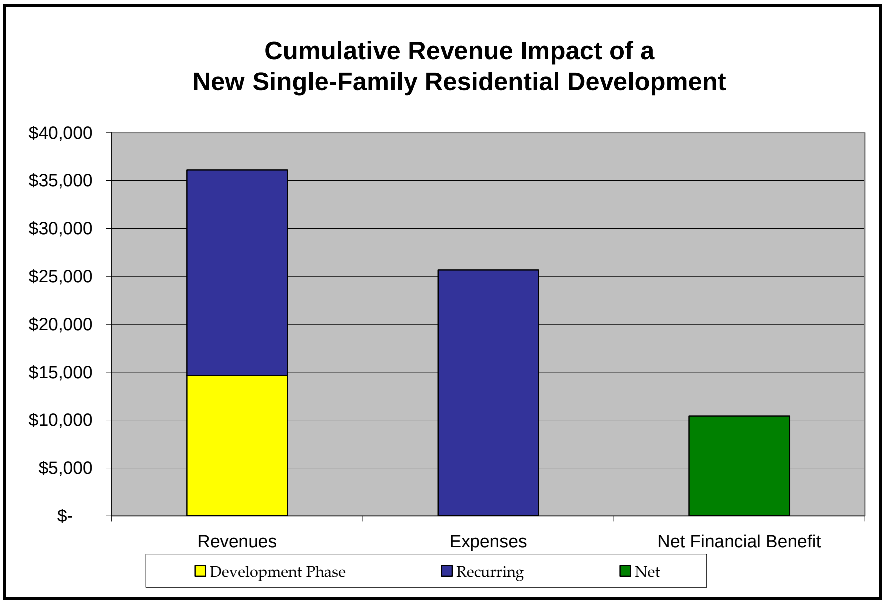
The Table below is a summary of the table on page 2, which displays the primary findings of this analysis. As previously stated, Scenario 2 is projected to generate a 20 year benefit in excesses of $9.7-Million.

20-Year Summary of "Scenario 2" Revenue & Expense Analysis	**Per Home Total**
Pre Occupation Revenues	$14,661
Total 20-Year Revenues for all Annually Recurring Revenues	$21,455
Total 20-Year Expenditures for all Annually Recurring Expenditures	($25,681)
Average Net Recurring Benefit / Burden	($4,226)
20-Year Net Benefit / Burden	$10,435
20-Year Net Benefit (Burden) All Units	**$9,766,884**

Summary of 20-Year Revenue & Expense Analysis "Scenario 2" **(Shown On A Per Unit Basis)**		
Pre Occupation Revenues	**Per Home**	**% of Total**
Property Tax	**$1,339**	**9.14%**
REET 1	**$982**	**6.70%**
REET 2	**$982**	**6.70%**
Construction Sales Tax	**$2,586**	**17.64%**
Impact Fees	**$8,772**	**59.83%**
Total	**$14,661**	**100%**
Net Pre Occupation Benefit (Burden) Per Unit	**$14,661**	
Total 20-Year Revenues for all Annually Recurring Revenues		
Property Tax	**$5,733**	**26.7%**
REET 1	**$3,412**	**15.9%**
REET 2	**$3,412**	**15.9%**
Sales & Use Tax	**$3,382**	**15.8%**
Utility Tax	**$1,428**	**6.7%**
Gambling Tax	**$89**	**0.4%**
Franchise Fees	**$647**	**3.0%**
Surface Water Management Fees	**$1,445**	**6.7%**
State-shared Revenues	**$1,906**	**8.9%**
Total	**$21,455**	**100%**
Total 20-Year Expenditures for all Annually Recurring Expenditures		
Law & Justice Services	**($6,539)**	**25.5%**
Health & Human Services	**($90)**	**0.4%**
Transportation	**($1,562)**	**6.1%**
Natural Resources	**($2,170)**	**8.5%**
General Government	**($3,029)**	**11.8%**
Utilities	**($1,781)**	**6.9%**
Capital	**($8,427)**	**32.8%**
Repayment of Debt	**($2,083)**	**8.1%**
Total	**($25,681)**	**100%**
Average Net Recurring Benefit / Burden - Per Unit Basis	**($4,226)**	
20-Year Net Benefit / Burden (Recurring Revenues + Recurring Expenditures)	**$10,435**	
20-Year Net Benefit / Burden - All Units	**$9,766,884**	

D. Analysis of Findings

This model assumed that all development within the Donut Hole would start in 2010 and be phased over a 5-year period (ending in 2014). Additionally, a 20% occupancy rate is assumed for the new development in 2010, increasing by 20% in 2011, 2012, 2013 and 2014.



New development requires additional facilities and services to serve the growth. In order to mitigate the impacts of growth, City of Maple Valley requires developers to assist in paying for impacts to roads, schools, and parks created by new developments. This analysis was limited to the City of Maple Valley's benefits and expenses related to new single-family development. If government spending does not expand at a faster rate than inflation, this model projects that Scenario 2 will generate an annual surplus in revenues resulting in a cumulative net benefit per home of over $10,435.

What follows are five appendices providing more details into the methodology, data sources, and special considerations accounted for in this analysis. They are as follows: A) Key Assumptions, B) Methodology, C) Development Phase Revenues, D) Recurring Revenues, and E) Expenditures.

APPENDIX A – KEY ASSUMPTIONS

- The average initial sales price of the single-family homes is approximately $350,000.

- Annual changes in the assessed value of each home is based upon forecasts for Washington State home values provided by the Washington Center for Real Estate Research. (www.cbe.wsu.edu/~wcrer/)

- It is estimated that Scenario 2, between the years of 2010 and 2014 represents a population increase of approximately 2,771 persons (based on 2.96 persons per household average, U.S. Census Bureau 2000 Data for Maple Valley).
  - 936 new single-family homes.

- Real Estate Excise Taxes (REETs) for the proposed development are based upon the assumption that one single-family home will resell on average every five years after initial sales.

- The current City of Maple Valley property tax rate is assumed at 1.17 mills ($1.17 per $1,000 assessed value) as per King County Assessor and City of Maple Valley Finance Director.

- Taxes, fees and facility charges received by City of Maple Valley prior to the full occupation of these 936 new homes totals over $13.7-Million. This does not include the value of all infrastructure, including sewer lines, roads, sidewalks and other public facilities that would need to be installed as part of the new development.

- Construction Sales Tax revenue was estimated by applying the City of Maple Valley sales tax to the difference between the projected "appraised" value of the Donut Hole site at full build out, which was estimated to be $327-Million, and the 2007 appraisal for the site, which stated that the site's market value is currently $40-Million. The estimated future appraised value of the Donut Hole site was determined by multiplying the proposed 936 single family homes by their original selling price of $350,000.

- Sales tax revenues were derived from actual 2007 per capita sales tax revenues for Maple Valley. To account for construction sales tax revenues, only 73% of the actual 2007 sales tax revenues were used in projecting sales tax revenues for this project.

- At the request of the City of Maple Valley Finance Director the average expenditure calculations were adjusted to include expenditures data within the three years between 2003 through 2006, as provided by the Washington State Auditor's Office.

APPENDIX B – DISCUSSION OF METHODOLOGY

Determining the cost of single-family residential development upon city and municipal finances is not a new subject. Historically, population and economic growth were seen as complimentary in ensuring fiscal solvency and political prominence. Up until the 1960's there were few who questioned the growth prerogative. However, growth patterns in burgeoning population centers typified as sprawl, particularly in the West and South, led local governments and states to adopt growth management planning strategies. In 1990, Washington State adopted the Growth Management Act (see RCW 36.70A) to limit urban expansion in rural areas, reduce automobile dependence, stabilize local finances and ensure adequate available lands for projected population growth.

The comprehensive planning model was enveloped into the GMA, requiring cities and counties to contemplate and expect growth, while ensuring new public facilities are in place concurrent with the new growth. This principle, generally referred to as concurrency, drives the discussion over the cost of development. Citizens have become wary of taxing themselves for new capital-intensive facilities that are proposed due to growth measures. As such, cities and counties have implemented strategies towards this end. Changes to subdivision regulations are the most physically apparent embodiment of these strategies. In the past, developers were required to record a plat for the purposes of simplifying land transfers. Later, basic infrastructure, such as water and sewer lines and a paved roadbed were required. With the call for quality growth and concurrency, developers now provide for sidewalks, improved arterial linkages, parks, sewer pump stations, traffic lights and storm water features.

Other regulatory strategies for dealing with growth are not necessarily evident within the development or even nearby and account for the use of impact fees and general facility charges. Impact fees are collected from new development to ensure that levels of public goods, such as fire service, parks and schools are not reduced on the account of new development. General facility charges help finance the capital facilities that are related to new growth, which have limited capacity on which a dollar amount can be placed.

Although these fees are calculated to ensure that they do not exceed the new development's proportion of the cost of the services that are reasonably related to it, there has been little investigation into how these fees correspond to the composite expenditures and levels of service of a municipality while accounting for all fiscal benefits accruing to the city because of new development. This study, therefore, is an attempt to investigate this fiscal impact in the context of growth management in Washington State.

A review of existing literature on the cost of new residential development shows that not all agree on the fiscal impacts of growth. Some acknowledge that growth controls and impact fees are capitalized into the price of homes while others deny that growth management strategies are to blame for the housing affordability crisis in the Puget Sound. A study in the January 1993 issue of Urban Land showed that growth allowed cities to provide more services without raising taxes. The National Association of Home Builders published a report in March 2004 determining that the construction of 100 single family homes in the Puget Sound four County area resulted in $2.8 million in taxes and other revenue for local government, $18.1 million in local income and 311 local jobs. However, this report failed to consider these impacts at the fine grain detail of the individual city or city in which the homes were constructed.

R.W. Thorpe & Associates, Inc. conducted analyses of new single-family development in Duvall, WA (Sept. 2005) and unincorporated areas of Snohomish County, WA (Nov. 2005). With respect to development within the city of Duvall, the analysis concluded that the 71 new homes built in 2003 in the City of Duvall will result in a cumulative net benefit to municipal finances of $175,611 by 2025. In

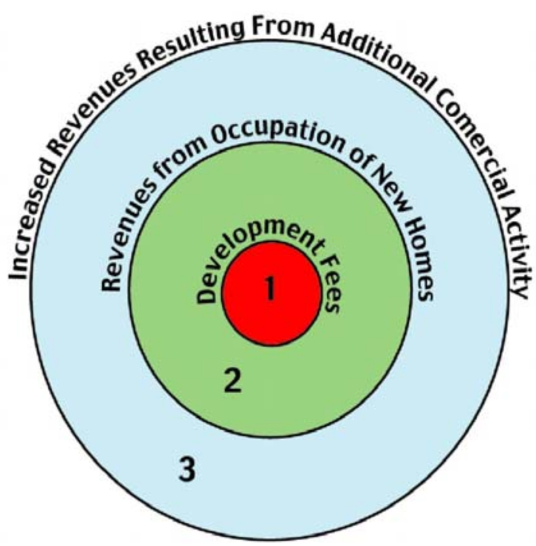
Snohomish County, 1504 homes built in 2003 will result in a cumulative net benefit to the county's finances of over $6.05 million. This report attempts to further qualify the conclusions of those reports and provide additional context to discussions over the cost of development.

The method selected for performing this analysis was based on the "per capita multiplier" method as outlined in "The Fiscal Impact Guidebook" produced by the U.S. Department of Housing and Urban Development. The most significant modification to this method is that, rather than looking at homes that could be built, the analysis utilized information for existing homes within the City of Maple Valley. Appreciation rates on these homes were assumed to be 4.31%, adjusted for inflation, consistent with 10-year data for homes sales within the King County region (see http://www.cbe.wsu.edu/~wcrer/). The resulting annual net benefit or burden for each fiscal year was totaled without utilizing a discount rate. Average household size was assumed to be 2.96 persons, consistent with the median household size for City of Maple Valley, as published in the 2000 U.S. Census. It was assumed that all homes included in the study were, on average, occupied and thus consuming city services by the fourth quarter of 2014.

Revenues and expenditures were estimated using the assumptions outlined within the following appendices. The model ran through 2028 to ensure that it took into consideration all loans and bond repayment for financing infrastructure related to the new development.

As a result of statewide initiative I-747, property tax levies for a local taxing district are limited to an annual increase of 1%, when excluding the value of new construction. Under this law, a property may experience a tax increase greater than 1% when its assessed value increases faster than the assessed value increase of the district as a whole. It is assumed that over the course of the study period, property value increases will be neutralized by incremental levy-rate reductions. As such, annual property tax revenues remain consistent from 2014 through the end of the model.

While the model accounts for a per capita share of additional tax revenues, it does not account for the ripple effect in economic development as portrayed in the figure to the right. As a city grows, it grows in its ability to attract retail services and commercial enterprises that demand a larger market size. With more commercial development, the share of retail purchases made by the city's population increases while concurrently it provides services to more and more people living outside its corporate boundaries. This phenomenon is evident among growing cities within the Puget Sound area, where over the course of several decades, places like Bellevue, Redmond and Kirkland grew to the extent that in some instances growth in employment and retail activity have surpassed current residential growth trends.



Fiscal Impact of New Single–Family Development

1. New Homes are built
2. Homes are bought, lived in, resold overtime
3. New commercial development follows demand

This analysis accounts for information available to the consultants at the time of its publication. Changes in taxing regulations, desired levels of municipal services, and other circumstances not presently foreseen are not included in the model and this analysis.

PREVIOUS STUDIES

R.W. Thorpe & Associates has conducted similar financial analyses **with respect to new single-family and multi-family developments** in Duvall, WA (Oct. 2006 & Sept. 2005), unincorporated areas of Snohomish County, WA (Nov. 2005), Newcastle, WA (Nov. 2005), and Woodinville WA (March 2006). These studies were reviewed by staff (Finance Director) and an independent consultant in Snohomish County. Similar studies in Skamania, Okanogan and Jefferson Counties were also prepared. Each of these studies proved that new single-family developments result in the following cumulative net benefits.

Study Area	Number of Homes in Study	Net Benefit of All Homes	Net Benefit per Dwelling Unit
Duvall, WA (April, 2007)	50 Unit - Apartment Building	$ 1,176,176	$23,524
Duvall, WA (April, 2007)	455 - Single-Family Homes	$10,926,580	$24,014
Duvall, WA (Oct. 2006)	113 - Single-Family Homes	$ 2,124,769	$18,803
Woodinville, WA (March 2006)	400 - Multifamily Residential	$8,192,992	$20,482
Duvall, WA (Sept. 2005)	71 - Single-Family Homes	$175,611	$2,473
Unincorporated Areas of Snohomish County, WA (Nov. 2005)	1,504 - Single-Family Homes	$6,046,156	$4,020
Newcastle (2005)	26 - Singe Family Homes	$373,729	$14,374

APPENDIX C – DEVELOPMENT PHASE REVENUES

Revenues received by the city prior to occupation of new housing can be generalized as 1) taxes assessed on the raw land; 2) real estate excise taxes received from the sale of the land between investor and developer, and developer and future resident; 3) construction sales taxes; or 4) fees related to new development.

5) **Property Taxes -** for undeveloped land were determined by multiplying the City of Maple Valley property tax rate ($1.17 per $1,000 assessed value) by the 2007 appraised value of the Donut Hole site ($40-Million). To account for the conversion of vacant land into homesites property taxes associated within undeveloped land were reduced 20% per year starting in 2010.

6) **Real Estate Excise Tax's (REET) -** were determined for both undeveloped and developed property by utilizing both of the City of Maple Valley REET tax rates of .25%. These tax rates are consistent with the City REET as further described in Appendix D.

7) **Construction Sales Taxes** - were determined by multiplying the City of Maple Valley sales tax rate (.842%) by the difference between the current and proposed appraised sales value of the site. The overall sales tax revenue was then broken down into a per unit basis for this report.

8) **Fees Related to Servicing New Development** - these fees are associated with the development process itself (plan check fees, building permits, plat submittal and zoning hearings) and/or for facilities the city has or will construct to serve the new development. It was assumed that all fees incurred, which directly related to the development process would cover costs only, with no surplus. Additionally, it was assumed that all school impact fees collected on behalf of the development would go directly to the school district thereby creating no surplus revenues to the city. Fees related to capacity development were included in the estimations of annual expenditures. The table below reflects the fees currently in place for new development per the City of Maple Valley Finance Director and the Maple Valley Municipal Code.

Development Impact Fees		
Development Phase Revenue Source	**Single-Family Home**	**All Homes**
Transportation Impact Fee[10]	$6,272	$5,870,592
Park Impact Fee[11]	$2,500	$2,340,000

[10] Source: City of Maple Valley Finance Director
[11] Source: City of Maple Valley Finance Director

APPENDIX D – RECURRING REVENUES

The following tables outline the expected recurring revenue rates for new single-family residential homes. As previously mentioned, with no formal development plan set, it was assumed that Scenario 2 would take place over a 5 year period starting in 2010 and subsequently ending with in 2014. Therefore the assumed property tax revenue stream is not fully realized until the 2014 tax year. This table does not reflect these initial variations; but those variances were adequately taken into consideration in the annual revenues modeling that produced the results tabulated on page 1 of this report.

Anticipated Maple Valley Revenues Average 2014 Single-Family Home			
Type	**Description**	**Amount**	**Assumptions**
Property Tax		$409.50	Current Property Tax Rate: 1.17 mills ($1.17 per $1,000 assessed value) as per King County Assessor and City of Maple Valley Finance Director. Assumed value of each home is $350,000.
Real Estate Excise Tax (REET)	REET 1	$182.55	Current REET 1 Tax Rate: .25%[12] Current REET 2 Tax Rate: .25% Assumes that one out of every five homes (1/5) will sell each year. Source: National Association of Realtors.
	REET 2	$182.55	
Surface Water Management Fee		$85.02	Annual Charge based upon information provided by City of Maple Valley Finance Director.
Utility Taxes		$83.99	Based on actual revenues from 2007 City of Maple Valley Budget. Information provided by City of Maple Valley Finance Director.
Sales & Use Tax	.842% sales tax	$198.94	Based on approximately 73% of actual revenues from 2008 City of Maple Valley Budget. This was to account for 27% of sales tax revenues, which are attributable to construction sales tax revenues.
State Shared Revenues	Gas Tax (New Unrestricted)	$74.27	Per capita distribution per state code. Estimate based on document, "Budget Suggestions for 2008," Municipal Research and Services Centers of Washington (MSRC).
	Profits of Liquor Board	$20.96	
	Liquor Tax	$13.91	
	Criminal Justice	$2.28	
	Criminal Justice	$0.68	
Franchise Fees		$38.07	Based on actual revenues from 2008 City of Maple Valley Budget.
Gambling Tax		$5.25	Based on actual revenues from 2008 City of Maple Valley Budget.

[12] Source: City of Maple Valley Finance Director

APPENDIX E – EXPENDITURES

The State Auditor's Office has available on its website revenue and expenditure data for the City of Maple Valley as far back as 1997 along with the City's estimated population for each of those years. As shown in the matrix below this data is organized consistent with the Budget and Accounting Reporting Standards (BARS) promulgated by the State Auditor's Office (SAO). There are nine major categories in the BARS format for Maple Valley: Law and Justice Services, Health and Human Services, Transportation, Natural Resources, General Government, Utilities, Capital, Debt Service-Principal and Debt Service-Interest. It should be noted that "General Government" is not synonymous with "general fund." "Natural Resources" includes engineering and planning services, along with parks and recreation. "Utilities" has been limited to include only those expenditures related to storm drainage. At the request of the City of Maple Valley Finance Director the following expenditures reflect averages for a three year period between 2003 and 2006.

Expenditures/Expenses for Maple Valley "Scenario 2"		
All Expenditures/Expenses	**BARS Account / BARS Code**	**Annual / Per Unit Total**
Law & Justice Services	Legal (Excluding Civil) (515) Law Enforcement (521) Detention & Correction (523)	($384.68)
Health & Human Services	Welfare (551)	($5.30)
Transportation	Road/Street-Maint & Oper (M&O) (542) Road/Street-M&O-General Admin (543)	($91.89)
Natural Resources	Natural Resources-Environ & Devel (531) Engineering (532) Planning & Community Development (558) Spectator & Community Events (573) Participant Recreation (574) Cultural & Recreational Facilities (575) Park Facilities (576)	($127.66)
General Government	Legislative (511) Executive (513) Financial & Records Services (514)	($178.17)
Utilities	Storm Drainage (538.3) Storm Drainage-Transportation (542.40) Storm Drainage-Road/Street (545.40)	$23.76
Capital	Executive (594/596.13) Finance & Other Admin. (594/596.14) Miscellaneous General Gov. (594/596.19) Law Enforcement (594/596.21) Natural Resources (594/596.31) Engineering (594/596.32) Planning (594/596.58) Multipurpose/Comm. Center (594/596.73) Fairgrounds/Conv. centers (594/596.75) Park Facilities (594/596.76) Road/Street Maintenance (594/596.42) Capital Outlays (594/596.43.60) Capital-Road/Street-Construction (595) Other Utilities (594/596.38)	($495.69)
Debt Service-Interest & Principal	Debt Int-Amort of Premium (592.81) Debt Int-Misc General Govt (592.19) Debt Int-Other Utilities (592.38) Debt Prin-Misc Gen Gov.(582/591.19) Debt Prin-Other Utilities (582/591.38)	($122.50)

APPENDIX E – EXPENDITURES (Cont.)

City expenditures fluctuate year to year based on capital outlays and changes in levels of service. Annual expenditures utilized in the study were estimates based on historical trends in municipal expenditures for each BARS category. Each of the per unit expenditure totals were adjusted to 2007 dollars. The costs shown are based on the proportion of the city's assessed value in residential land use. Citywide, residential equals 97%.

There are substantial revenues received by the City of Maple Valley that are appropriated to specific operations that do not directly serve city residents, but rather special commercial or user services. In most cases these user fees cover the service for which they are collected. These include fees and building permits, land development fees and solid waste disposal. The expenditures for these services were not included in the average cost of services as provided above by subtracting from the expenditures the corollary revenue. In addition to these user fees, numerous state and federal grants are received by the city in order to pursue specific programs that fulfill state or federal goals along with local needs. In many instances, these grants and redistributions of federal and state monies come to the city based on population formulas. However, the significant number of these grants and redistributions and their various formulas are beyond the scope of this analysis. Therefore, in order to account for average cost of services that are funded locally, the grants as shown below were subtracted from expenditures in a similar manner as described above. If one should argue that these grants should not be subtracted thereby increasing the average cost, these revenues should likewise be included in the revenue formulas by considering the makeup of the formulas of the state and federal agencies that distribute these funds.

Revenues & Expenditures Withheld From Expenses	
Bars Account #	**Description of Bars Account**
322	Non-Business Licenses and Permits
331	Federal Direct Grants to Local Governments
333	Federal Indirect Grants to Local Governments
334	State Grants to Local Governments
336	State Shared Revenue (Entitlements, Impact Payments and In-Lieu of Taxes)
337	Local Grants, Entitlements, Impact Payments and In-Lieu Payments
343	Physical Environment Related Fees
345	Economic or Welfare Related Fees
347	Culture & Recreational Fees & Charges
591	Debt Service-Redemption of Long-Term Debt In Operating Funds
592	Debt Service-Interest and Other Costs For Long-Term Debt In Operating Funds