FEE WAIVER PROGRAM: 3-YEAR REVIEW

SAMPLING OF PROJECT RESULTS (2013-2015)

Board of County Councilors

Work Session – June 29, 2016

Important Notes

- Staff compiled the top ten projects in years 2013, 2014, and 2015 to gather and analyze data.
- The projects represent the top ten in one of three categories: 1) application fees waived, 2) Traffic Impact Fees (TIF) waived, and 3) applicant reported increase of annual taxable retail sales.
- The slides cover a sampling only. They do not cover all possible permutations of projects given the 3-year window and the 3 categories of data.
- The slides represent a snapshot in time. Not all projects are completely built; full assessed valuation (A/V) of property may not be tallied; and applicant reported increase of taxable retail sales may not be accurate or verifiable.

Important Notes

- The reported increase in annual taxable retail sales does not address the question of whether or not those sales would have occurred absent the Fee Waiver program. One such example is the $21,480,000 reported for the Rotschy, Inc. project.
- Payback period is defined as the length of time in years that must pass before the county is capable, through the project's activity alone, to restore the fee revenue that was not collected. This assumes several factors, including:
  1) A one-time sales tax amount collected from new construction of 1.2% of the additional value recognized.
  2) The projected increase of taxable retail sales provided by the applicant is accurate and taxable.
  3) 65% of the general fund portion of the levy limit increase is flagged for law and justice uses and cannot be used to restore building and development fund.

Totals for Top Ten Projects (2013-2015)

Fees Waived	2013	2014	2015
Applications	$911,552	$896,894	$484,216
TIF	$1,653,323	$1,179,270	$132,261
Total	**$2,564,875**	**$2,076,164**	**$616,478**

Taxable retail sales	2013	2014	2015
Reported	$41,905,476	$51,084,039	$60,527,598
Built	$36,490,476	$14,704,039	$1,600,000
Partially built or not built	$5,415,000	$43,460,000	$58,927,598

2013 Sample Projects

Sample #1: Natural Grocers

- Type – Tenant Improvement
- 12,105 s.f. grocery
- Fees waived - $11,130
- TIF waived - $0 (TI; TIF n/a)
- New const. A/V - $1,057,037
- Annual sales - $4,400,000

- Estimated payback – < 1 year

Sample #2: GTS Drywall

- Type - New facility
- 29,896 s.f. office/warehouse
- Fees waived - $69,892
- TIF waived - $42,754
- New const. A/V - $2,065,800
- Annual sales - $772,240

- Estimated payback – 6 years

2013 Sample Projects

Sample #3: Smith-Root

- Type - New facility
- 10,824 s.f. office/admin
- 13,567 LI/manufacturing
- Fees waived - $109,694
- TIF waived - $126,911
- New const. A/V - $1,960,600
- Annual sales - $19,573

- Estimated payback – 41 years

Sample #4 – Black Rock Coffee

- Type – New facility
- 1,287 s.f. drive-thru coffee with sit-down coffee bar
- Fees waived - $41,165
- TIF waived - $153,368
- New const. A/V - $149,500
- Annual sales - $250,000

- Estimated payback – 50 years

2014 Sample Projects

Sample #1 – Evergreen Plastics

- Type – New facility
- 53,930 s.f. manufacturing
- Fees waived - $67,239
- TIF waived - $78,249
- New const. A/V - $3,542,975
- Annual sales - $1,400,000

- Estimated payback – 4 years

Sample #2 – Hazel Dell Marketplace (Ph. 1)

- Type – Upgrade; multi-tenant new facility
- 35,039 s.f. commercial
- Fees waived - $142,259
- TIF waived - $208,408
- New const. A/V - $1,866,000
- Annual sales - $6,600,000

- Estimated payback – 4 years

2014 Sample Projects

Sample #3 – Black Rock Coffee

- Type – New facility
- 1,379 s.f. drive-thru coffee
- Fees waived - $34,008
- TIF waived - $77,050
- New const. A/V - $321,900
- Annual sales - $250,000

- Estimated payback – 28 years

Sample #4 – McDonald's

- Type – Rebuild existing
- 4,109 s.f. restaurant and drive-thru windows
- Fees waived - $51,165
- TIF waived - $0 (Replacement; TIF n/a)
- New const. A/V - $225,100
- Annual sales - $225,100

- Estimated payback – 9 years

2015 Sample Projects

Sample #1 – Hazel Dell Marketplace (Ph. 2)

- Type – New facility
- 36,000 s.f. commercial
- Fees waived - $55,865
- TIF waived - $121,515
- New const. A/V - $560,900
- Annual sales - $7,500,000

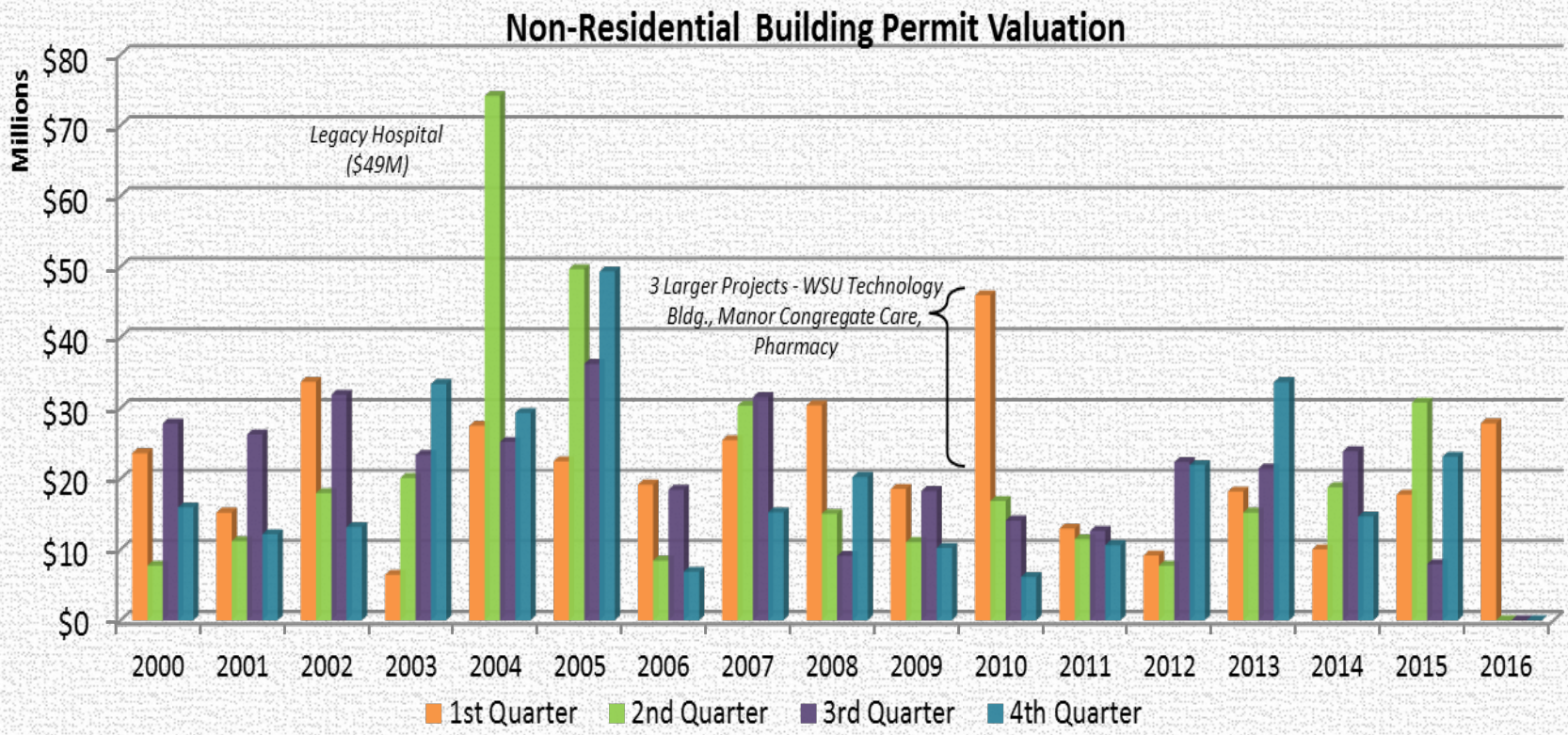
- Estimated payback – 2 years

Sample #2 – Rotschy, Inc.

- Type – Upgrade/new facility
- 4,000 s.f. office with small tool & equip. yard
- Fees waived - $3,315
- TIF waived - $0 (upgrade)
- New const. A/V - $84,601
- Annual sales - $21,480,000

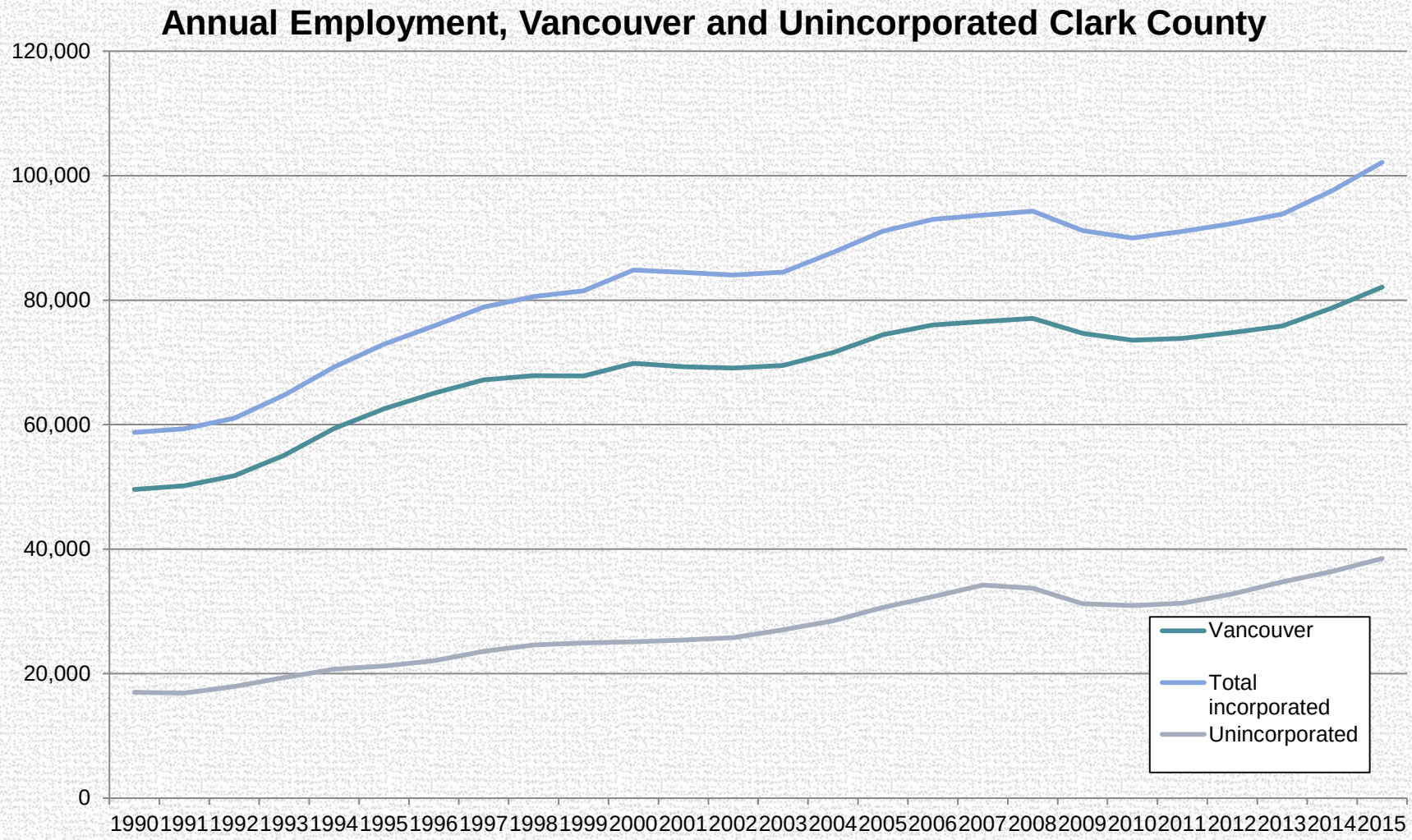
- Estimated payback - < 1year

Historical Valuation Data from 2000 to 2016



Clark County Employment Data

(Source: Washington Employment Security Department/LMPA – May 2016)



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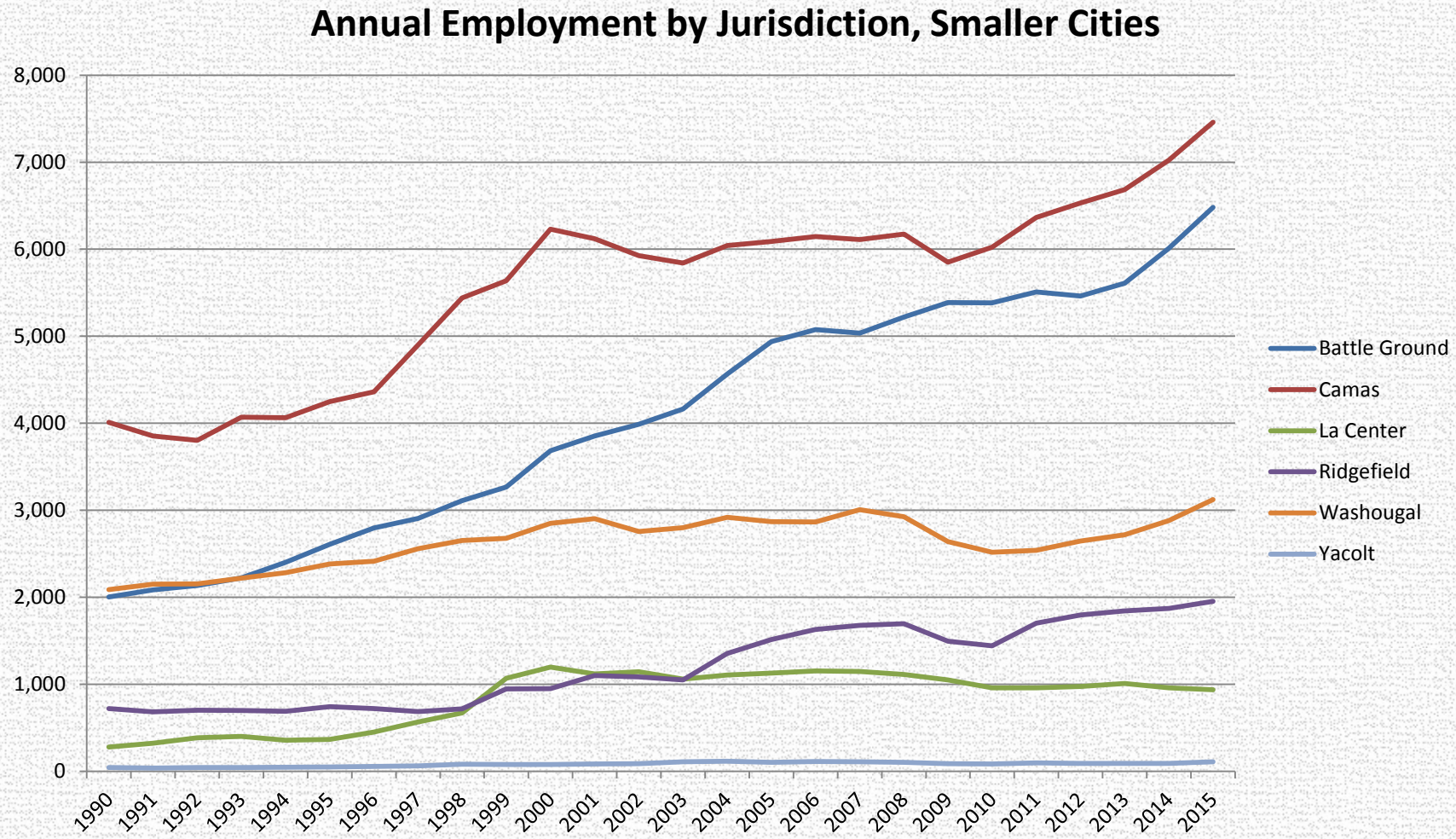

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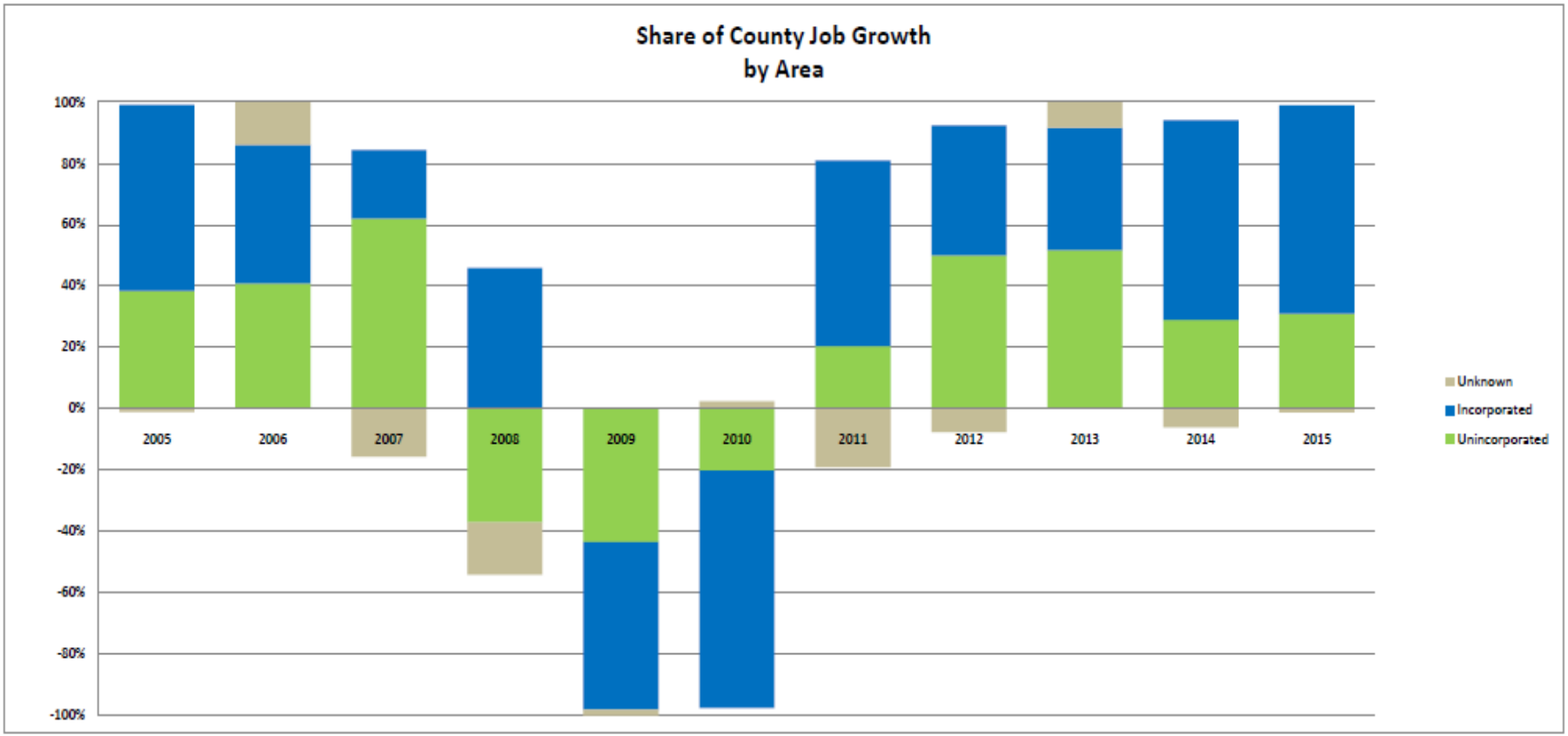

Jobs	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015	
Unincorporated	2,180	39%	1,715	41%	1,871	90%	(505)	455%	(2,481)	44%	(309)	21%	357	33%	1,492	59%	1,941	52%	1,673	33%	2,101	32%
Incorporated	3,425	62%	1,904	45%	672	32%	627	-565%	(3,112)	55%	(1,193)	81%	1,060	98%	1,263	50%	1,503	40%	3,760	74%	4,587	69%
Unknown	(57)	-1%	583	14%	(471)	-23%	(233)	210%	(109)	2%	38	-3%	(334)	-31%	(227)	-9%	312	8%	(342)	-7%	(73)	-1%
Total	5,548	100%	4,202	100%	2,072	100%	(111)	100%	(5,702)	100%	(1,464)	100%	1,083	100%	2,528	100%	3,756	100%	5,091	100%	6,615	100%

Takeaways from the project data

- The data is inconsistent. Although the fees waived is a reliable data set, the construction A/V is time sensitive (due to a time lag with property assessments) and the reported increase in annual taxable retail sales is difficult to verify.
- Tenant improvement or replacement projects with either high sales tax or construction A/V, or both, have shorter payback periods due to little or no TIF waived (e.g. Natural Grocers, GTS Drywall).
- New projects with moderate to high fees waived and high TIF waived have a long payback period, especially when the construction A/V is relatively low (e.g. drive-thru coffee kiosks, NW Self Storage).
- Some projects, notably not for profit projects, have a very long payback period.

Takeaways from the project data

- There are mixed results across the projects.
- The true payback period is dependent on three things:
  1) the full construction A/V;
  2) the accuracy of the increase in annual taxable retail sales;
  3) future BoCC decisions relative to 'earmarking' revenues from the General Fund to pay back fees waived.

Regarding Employment data

- Unincorporated Clark County experienced the biggest employment gains in 2012 and 2013 with 59% and 52% of the total.
- Incorporated Clark County experienced the biggest employment gains in 2014 and 2015 with 74% and 69% of the total.

What next?

With the original purpose of the Fee Waiver program to spur economic activity and to increase the number of projects adding private sector jobs, the Board of County Councilors should consider the following:

- Keep the Fee Waiver program as is;
- Eliminate the Fee Waiver program at some future point; or
- Modify the Fee Waiver program, asking stakeholders for their input on potential designs.

The County Manager and his staff are eager to work with the Board upon its request.