

RENO SPARKS GROWTH: INFRASTRUCTURE AND FISCAL ISSUES

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Growth is Here

- Population growth-Washoe County: 5,149 people FY 2016-17 and 6,370 FY 2017-18
 - City of Reno-3,244 FY 2016-17 and 3,543 FY 2017-18
 - City of Sparks-1,185 FY 2016-17 and 2,145 FY 2017-18 (NV Department of Taxation)
- Employment growth-Reno MSA: 8,606 jobs 1Q 2016-1Q 2017
 - 9,754 jobs 2015-2016, 8,165 2014-2015, 6,766 2013-2014 (DETR)
- Unemployment rate below natural employment-4.5% to 5%
 - Reno MSA-4.1% as of August 2017
 - Highest 13.9% January 2011, lowest 2.5% October 1999 (DETR)
- Washoe County housing units-8.7% vacancy in 2016 compared to 9.0% in 2005, highest in 2011 at 13.5%
 - If seasonal and rented/sold not occupied excluded-4.9% in 2016 (American FactFinder)
 - 2.23% apartment vacancy rate (Johnson Perkins Griffin, Q1 2017)

Local Government Services

- Infrastructure-roads, water, sewer, expanded administrative offices, parks, schools, etc.
- Residential services-police, fire, judicial, parks, education, recreation, road maintenance
- Commercial services-business licenses, permitting, police, fire, judicial, road maintenance
- Other-clerk, recorder, assessor, libraries, social services, animal control, planning, medical examiner, jail, etc.

Local Government Funding

- Property and sales tax
 - % of all Governmental Funds

FY 2016-17	Property Tax	Sales Tax*
City of Reno	25.52%	21.60%
City of Sparks	23.47%	23.67%
Washoe Co.	39.97%	20.65%

- % of General Fund

FY 2016-17	Property Tax	Sales Tax*
City of Reno	26.72%	21.60%
City of Sparks	33.58%	23.67%
Washoe Co.	48.46%	20.65%

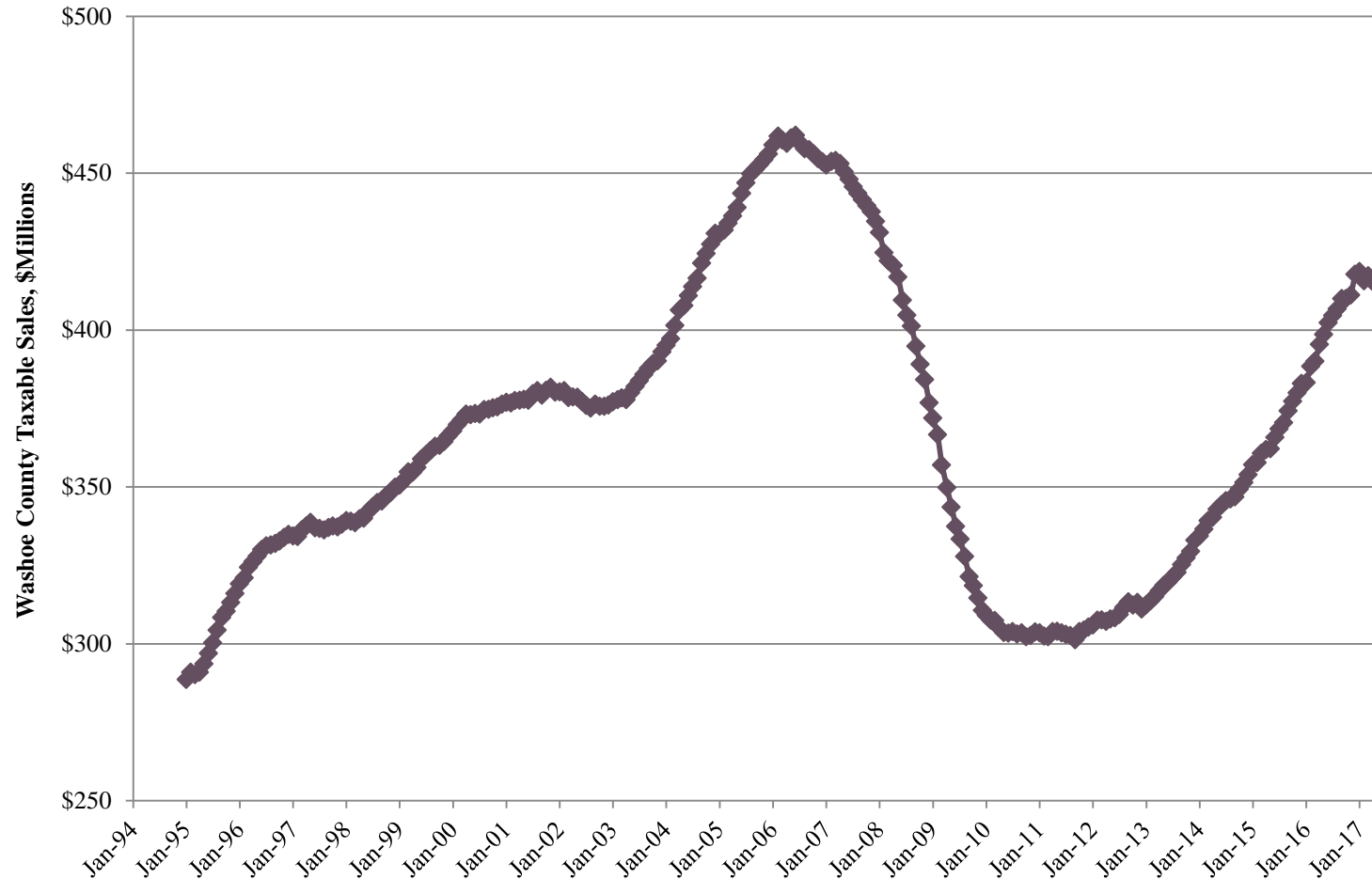
*CCRT/AB 104 revenue

- Other sources-licenses and permits, charges for services, fines and forfeitures, other intergovernmental

Sales Tax

- No tax on services, raw food (groceries), prescription medicine
 - Related to disposable income and impacted by economic changes
- Washoe County-8.265%, Storey County-7.60%
 - 2.0%-State General Fund
 - 2.6%-Local School Support Tax (Reno-30%, Sparks-12%, Washoe-51% of revenue collected in County)
 - 2.25%-City County Relief Tax (CCRT)
 - Total 6.85%-same for all counties
 - Remaining rates are for restricted uses:
 - 0.540% School Capital Improvements-Washoe
 - 0.375% Transportation-Washoe
 - 0.250% Local Government Tax Act (AB 104)-Washoe (Reno-15.5%, Sparks-7.5%, Washoe-66.6%)
 - 0.125% Infrastructure-Washoe
 - 0.125% Railroad Grade-Washoe
 - 0.250%-Tricounty Railway Commission-Storey
 - 0.250%-Infrastructure-Storey
 - 0.250%-Promotion of Tourism-Storey

Sales Tax



Nevada Department of Taxation, monthly data adjusted for seasonality and inflation

Property Tax

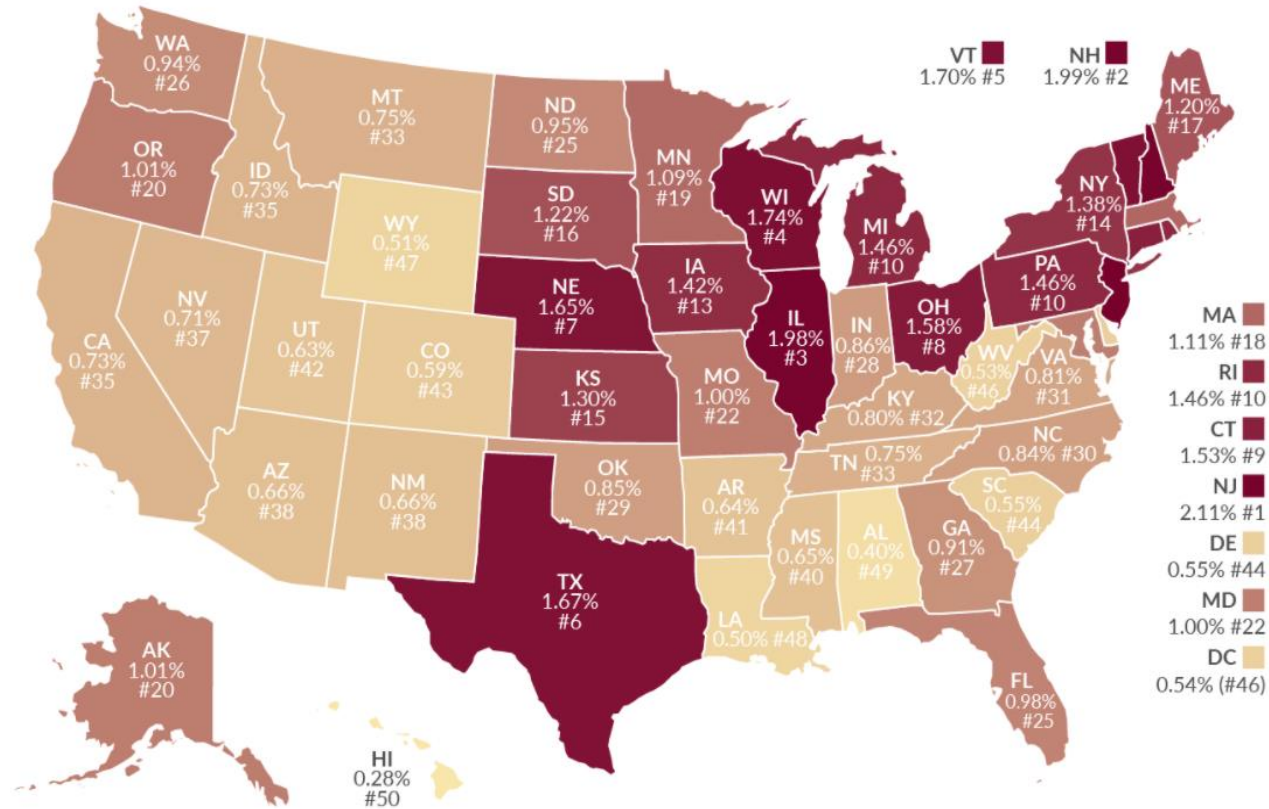
- Major reforms to property taxes:
 - Legislative cap on property tax rate set at \$3.64 per \$100 of assessed value, (1979)-\$5.00 constitutional tax rate cap
 - Change to “Replacement Cost” Approach, (1981)
 - An annual depreciation of 1.5% of improvement’s replacement cost for up to 50 years, (1983)
 - Partial abatement of property tax payments-3% for primary residences, up to 8% for investment/commercial properties, (2005)

New Home	Year 1	Year 2	Note
Appraised Value	\$ 150,000	\$ 162,000	Using Marshall Swift construction costs for improvements, market value for land
Accumulated Depreciation	(2,250)	(4,680)	1.5% of Appraised Value per year, up to 50 years
Taxable Value	\$ 147,750	\$ 157,320	Appraised Value - Depreciation
Assessed Value	\$ 51,713	\$ 55,062	35% of Taxable Value
Property Tax Bill	\$ 1,893	\$ 2,015	\$3.66 per \$100 of Assessed Value
Allowed Tax Bill	\$ 1,893	\$ 1,942	Assuming 2.6% allowed cap
Abated Amount	\$ -	\$ 73	

- Since 2002, Nevada only state in US to primarily use replacement cost/depreciation approach
 - Indiana’s appraisal system found unconstitutional-now uses market value

Property Tax

Mean Effective Property Tax Rates on Owner-Occupied Housing, Calendar Year 2014



Note: The figures in this map are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: 2014 American Community Survey, available from the Census Bureau; Tax Foundation calculations.



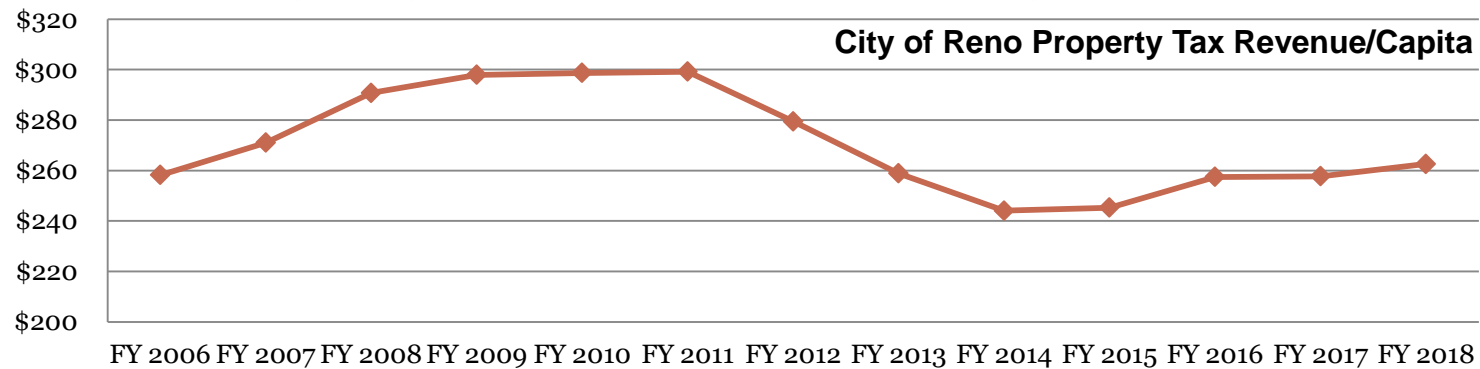
Property Tax

- Depreciation/Replacement cost approach
 - Low assessed values during periods of growth, need new construction to offset depreciation, taxpayer confusion/distrust, taxpayer inequality, delay in revenue collection

	At Market Value	New Home	Older Home	Old Home
APN	All	502-652-12	200-292-04	006-082-07
Sales Price	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Year Built	NA	2013	1993	1948
Building Square Feet	NA	1,782	1,825	1,671
Appraised Value	\$ 350,000	\$ 252,684	\$ 188,389	\$ 87,698
Tax Cap Value	\$ 287,504	\$ 209,446	\$ 159,613	\$ 69,122
Property Tax	\$ 3,683	\$ 2,687	\$ 2,050	\$ 891

Property Tax

- 3.64% tax rate cap (now 3.66%)
 - Limits governmental responsiveness to growth
- Tax bill abatement
 - Difficult to recover revenues after recession



- Total abated property tax revenue FY 2017-2018:
 - City of Reno- \$9,984,300 abated, 13.43% of property tax revenue, 3% of total citywide revenue
 - City of Sparks-\$4,462,500 abated, 16.7% of property tax revenue, 4.8% of total citywide revenue
 - Washoe County-\$29,053,488 abated, 12.9% of property tax revenue, 6.1% of total countywide revenue

Growth Constraints

- **Funding:**

- CPI projected to increase 2.25% to 2.6% annually through 2026 (Trustees of US Hospitals/Federal Reserve)
 - Sales, property, liquor/cigarette, gaming, and other taxes and fees
- 37% of taxable values in WC can only increase by up to 3% per year
 - Remaining 63% can increase by up to 8%, historical average 5.1%, 2.6% in FY 2017-18
- Police, fire, some public works costs increase by 4% per year

- **Staffing:**

- City of Reno: 1,883 FTEs in FY 2007-08 to 1,223 in FY 2017-18 (-35%)
 - From 8.89 to 5.05 FTEs per 1,000 residents
- City of Sparks: 860 FTEs in FY 2007-08 to 567 in FY 2017-18 (-34%)
 - From 9.34 to 5.92 FTEs per 1,000 residents
- Washoe County: 3,199 FTEs in FY 2007-08 to 2,666 in FY 2017-18 (-17%)
 - From 7.82 to 5.94 FTE per 1,000 residents

Growth Constraints

- **Services and Infrastructure:**
 - Cheaper to provide services to infill projects
 - Access to existing infrastructure and capacity
 - Reaching capacity in multiple areas-water, sewer, fire, roads
 - Infrastructure needed before revenues can be collected, developer's fees not always representative of costs
 - Aging infrastructure
 - Weighted average age of all structures: City of Reno-1984, City of Sparks-1987, Unincorporated Washoe-1988, total Washoe County-1986

Growth Constraints

- **Vision:**
 - No consistent vision for each jurisdiction
 - Focus on affordability and sustainability-without definitions
 - Inconsistencies between staff and elected officials, and elected officials and market forces
 - Low versus high density, affordability, etc.
 - Lack of understanding of fiscal impacts of various uses
 - “Residential doesn’t pay for itself”
 - Appropriate mix to accommodate residents and result in positive fiscal impacts

Questions

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