

# Ivanhoe Economic Development Initiative

Presented

October 24<sup>th</sup>, 2015

# Intent

- Provide visibility and education to the community concerning our current economic position and condition
- Provide an understanding of how our available resources match up to our immediate needs
- Consider the future needs of our community to identify the incremental resources required for these needs
- Work to identify potential revenue streams to support the survival and growth of Ivanhoe long into the future

# Agenda

1. What is Economic Development?
2. Ivanhoe's Needs
3. Economic State of Affairs
4. How Do We Fund The Future?
5. Current Income Sources

# What is Economic Development?

1. Policies that governments undertake to meet broad economic objectives such as high employment, expanded tax base, and sustainable growth.
2. Policies and programs to provide infrastructure and services such as roads, parks, affordable housing, crime prevention, and educational programs and projects.
3. Policies and programs explicitly directed at job creation and retention through specific efforts in business finance, marketing, neighborhood development, small business start-up and development, business retention and expansion, technology transfer, workforce training and real estate development.
4. Spending of public money to attract and retain business

# What is Economic Development?

- ...the actions of communities and policymakers that improve the **standard of living** and economic health of a community.
- ...the development of economic wealth of communities for the **well-being** of their inhabitants.
- ...efforts that seek to improve the economic well-being and **quality of life** for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.

# What is Quality of Life?

- ...the degree to which the experience of an individual's life satisfies that individual's wants and needs (both physical and psychological).
- ...the degree to which a person enjoys the important possibilities of his/her life.
- ...the difference, or gap, between the hopes and expectations of a person and their present experience."

# Ivanhoe's Needs

## *(Quality of Life Components)*

- **Community Infrastructure**
  - Roads – Maintenance only at present/**Replacement/Upgrades**
  - Dams – Maintenance/Repairs/**Rebuilds**
  - Parks – Maintenance/Improvements/**Expansions**
  - Lakes – Sustaining mode/**Lake Ivanhoe Currently Compromised**
  - Facilities :
    - City Hall- **Compromised / under-served**
    - Community Center – Fit for current use and purposes
    - Bath Houses- **Closed due to lack of maintenance resource**
- **Security**
  - Crime Response – Limited / **Dependent on County**
  - Crime Deterrents – Video Surveillance
  - Patrol – **County staffed/City Funded**
- **Community Development**
  - Code Enforcement – **Volunteer Only**
  - Animal Control – **No financial support/Infrastructure**
  - Property Value Support – **Tied to code enforcement/roads/security**

# Economic State of Affairs

- **Current City Income:**

- Property taxes
- Utilities income (Franchise Fees)
- Sales Tax
- Permitting
- Unbudgeted Revenue (Grants/Aid)

- **IPOIA Income:**

- Stickers/boat ramp fees
- Park/Community Center rental
- Fund raising

- **Budgeting:**

- Currently aimed at maintenance of *existing* infrastructure
- Currently operating in “survival” mode only
- Not aligned with requirements of *future* infrastructure
- Not aligned with a Comprehensive Plan for the future
- **As inflation increases, buying power of our revenue diminishes**
- **Budget requirements changing from maintenance to *replacement***



# A Comprehensive Plan?

- **Branding?**
  - What type of community do we want to be?
  - What type of community must we be to survive?
  - What will people think of when they think of Ivanhoe?
  - What type of resident will we attract and serve?
  - What will first time visitors think on their first visit?
- **Future Infrastructure Development?**
  - Larger community center
  - Expanded city hall and city services
  - Improved/expanded parks
- **Budgeting?**
  - Plan for funding new infrastructure and facilities
  - Plan for funding additional maintenance of new infrastructure

# Where do cities get their money?

- Property Taxes – 40% / 92%
- Sales Taxes – 27% / <3%
- Franchise Fees – 8 %
- Permits/Fees – 5% / <1%
- Transfers from other funds – 6%
- Court Fines – 3% / 0%
- Interest Earnings – <1%
- Other Sources – 10%

# How Do We Fund The Future?

- **City Revenue**
  - Property Taxes
  - Permit Fees/Citations
  - Sales Taxes
  - Special Improvement District Assessments
  - Street Assessments
  - City Owned Businesses
- **IPOIA Revenue**
  - Use/Permit Fees
  - Community Events
  - Fundraising
- **Government Funding**
  - Grants
  - Aid Programs

# Property Tax

- **Advantages:**
  - Property tax/permits/use fees already in use
    - Proven/trusted mechanisms for funding a community
- **Disadvantages:**
  - Property tax is limited by value of current property/new construction
- **Opportunities to Increase Funds:**
  - Stimulate new construction
  - Increase property values
  - Adjust tax rate in line with inflation and Comprehensive Plan

# Permit Fees/Citations

- **Advantages:**
  - Permit fees already established and in use
  - Revenue increases as community grows
  - Citations could help mitigate negative activities
- **Disadvantages:**
  - Relatively low volume revenue
  - Do not increase if community is not growing
  - Citations may be difficult to enforce and collect
- **Opportunities to Increase Funds:**
  - Stimulate new construction
  - Encourage additional permitted events

# Sales Tax

- Development of privately owned businesses within Ivanhoe
- ~1.5% of top line revenue (Woodville Rate)
- To successfully attract new business requires:
  - A specific community need or pain
    - Food and Necessities
    - Auto Fuel/Service
    - Medical Care
    - Child Care
    - Entertainment
    - Education/Development
  - A specialty resource that can be capitalized on
    - Lakes
    - Parks
    - Community Center
    - Customers with a specific need
  - A business advantage
    - Tax Breaks
    - Geographic Advantage
  - A regulatory advantage
    - Liquor Licensing

# Sales Tax : Opportunities

- **Local Needs:**
  - Food and Necessities
  - Auto Fuel/Service
  - Medical Care
  - Child Care
  - Entertainment
  - Education/Development
  - Communication/Data Connectivity
- **Potential Businesses:**
  - Liquor Store
  - Small Chain Grocery Store
  - “Dollar Store”
  - Convenience Store/Fuel Stop
  - Daycare
  - Private Practice Physician
  - Broadband Internet Infrastructure

# Sales Tax : Revenue Impact

- **Advantages**

- No direct cost to existing property owners
- No direct cost required by the city (less filing and permitting)
- May provide needed services to our community
  - Daycare
  - Youth/Family/Programs
  - Grocery/Retail

- **Disadvantages**

- Equates to \$15,000 per \$1,000,000 of commercial revenue
- Funding Durwood project with sales tax would require \$18.3 MM in sales

Annual Revenue	\$ 1,000,000
Monthly Revenue	\$ 83,333
Daily Revenue	\$ 2,654
Average Daily Customers	50
Average Purchase Per Customer	\$ 53.08
Annual Corp Tax @ 1.5%	\$ 15,000
Improvement to 2016 Income	4%



# Special Improvement District

- **Governed by:**
  - Texas Constitution and Statutes -Local Government Code
  - Title 12. Planning and Development
  - Subtitle A. Municipal Planning and Development
  - Chapter 372. Improvement Districts in Municipalities & Counties
  - Subchapter A. Public Improvement Districts
- **Authorized Improvements:**
  - Roads, parks, signs, libraries, landscaping, etc.. (*Sec.372.003*)
- **Requires:**
  - Detailed petition signed by 50% of properly owners (*Sec 372.005*)
  - Feasibility Report: outlining project and costs (*Sec. 372.007*)
  - Advisory Body: to develop plan (*Sec. 372.008*)
  - Hearing: (*Sec. 372.009*)
  - Improvement Order: (*Sec. 372.010*)
  - *Service/Assessment Plan: (Sec. 372.013 – 372.014)*
  - *Assessment Plan: (Sec. 372.010)*

# Special Improvement Districts

- **Advantages:**

- Provides access to near term infrastructure with long term financing
- Provides resources by the area / for the area
- Allows “self-governance” of priorities by those who live there
- Proven method of financing improvements/repairs

- **Disadvantages:**

- Limited by the resources of the area residents

# Street Assessments

- **Advantages:**
  - Provides for projects that directly benefit the property owner
  - Simple structure and process
  - Only requires 2/3 vote by council to pass
  - City responsible for 1/3 cost
- **Disadvantages:**
  - Direct financial impact on residents (2/3 cost)

# City Owned Businesses

- **Advantages:**
  - Generate jobs, revenue, and infrastructure
  - Higher revenue potential than 3<sup>rd</sup> party owned businesses
- **Disadvantages:**
  - Requires initial capital investment
  - May require ongoing workforce and management
- **Opportunities to Increase Funds:**
  - Restaurant
  - Child Care/Private Education
  - Local Grocery Store
  - Campgrounds
  - Water Park
  - Convenience Store/Fuel Stop
  - Auto Fuel/Convenience
  - Liquor Store

# IPOIA Revenue

- **Advantages:**
  - Use fees are simple to manage
  - Revenue should grow as our city does
- **Disadvantages:**
  - Fees are small in dollars and in volume
- **Opportunities to Increase Funds:**
  - Stimulate building and activity growth
  - Work to hold additional community events (*Festivals, fish tournaments, etc.*)

# Government Funding (*Grants*)

- **Advantages:**
  - More or less “free” money
  - Continuously available for application
- **Disadvantages:**
  - Usually limited by income base
  - Long lead time to complete and receive
  - Successful capture of funds weighs against future funding
  - The more our community improves, the harder it may be to secure these funds
- **Opportunities to Increase Funds:**
  - Apply for more grants

# Next Steps

- Identify the critical requirements to stabilize our community
- Identify what we want to be as a community in 5-10-20 years
- Identify and agree on reasonable time tables to achieve near, mid, and long term goals
- Further study and identify available options to meet the goals
- Use all viable options to meet our objectives in the time frame recommended