

ATLANTIC FIELDS | MARTIN COUNTY
**ECONOMIC AND
FISCAL IMPACT
ANALYSIS**

*Prepared by GAI Consultants, Inc.
Prepared for Becker B-14 Grove, LTD*



NOVEMBER 2021

ATLANTIC FIELDS | MARTIN COUNTY ECONOMIC AND FISCAL IMPACT ANALYSIS

NOVEMBER 2021

GAI's Community Solutions Group (CSG) is a cross-functional team of professionals that helps create sustainable, livable places. We plan and design public spaces, sculpt landscapes and parks, reimagine streets and roads, and provide the regulatory and economic insight necessary to bring projects to life.

ACKNOWLEDGMENTS

Rick J. Melchiori, P.E. | General Manager

Becker B-14 Grove, LTD

Becker B-14 Grove, LTD

1701 S.R. A1A Suite 204

Vero Beach, Florida 32963

(772) 473.0841

GAI CONTACTS

Owen Beitsch, PhD, FAICP, CRE | Senior Advisor

Community Solutions Group, GAI Consultants, Inc.

Laura Smith | Project Manager

Community Solutions Group, GAI Consultants, Inc.

Natalie Frazier | Senior Analyst

Community Solutions Group, GAI Consultants, Inc.

618 East South Street, Suite 700

Orlando, FL 32801

(321) 319.3088



**COMMUNITY
SOLUTIONS
GROUP**

© GAI Consultants, Inc. 2021

This document has been prepared by GAI Consultants, Inc.
on behalf of Becker B-14 Grove, LTD.

TABLE OF CONTENTS

Summary of Major Findings.....	2
Atlantic Fields Project Introduction.....	4
Concepts for Measuring Economic and Fiscal Activity.....	6
Framework & Analysis: Economic Impact Analysis.....	7
Framework & Analysis Fiscal Impact Analysis.....	13

TERMS & LIMITING CONDITIONS

- This Publication is intended for the Client's use for purposes of information, marketing, and other activities. This Publication may be used in its entirety for those purposes. Partial excerpts of, or partial references to the Publication in any form must acknowledge that these passages are out of context and the entire Publication must be considered or viewed.
- Possession of the Publication or copy thereof by anyone other than the Client, does not carry with it the right of publication or reproduction.
- Certain data used in compiling the Publication was furnished from sources which we consider reliable; however, we do not guarantee the correctness of such data, although so far as possible, we have made reasonable, diligent efforts to check and/or verify the same and believe it to be accurate. There could be small errors of fact based on data and methods of reporting or accounting for that data. No liability is assumed for omissions or inaccuracies that subsequently may be disclosed for any data used in the Publication.
- GAI has no obligation to update the Publication for information or knowledge of events or conditions that become available after the date of publication.
- Authorization and acceptance of, and/or use of, the Publication constitutes acceptance of the above terms and limiting conditions.
- In no event shall either party be liable for any loss of profits, loss of business, or for any indirect, special, incidental, or consequential damages of any kind.

SUMMARY OF MAJOR FINDINGS

GAI Consultants, Inc. ("GAI") was retained by Becker B-14 Grove, LTD ("Client") to conduct a detailed analysis associated with the planned development of an upscale residential community, Atlantic Fields ("Project"), located in Martin County, Florida ("County"). The Project is anticipated to be developed by Discovery Land Company ("Developer") and comprises approximately 1,530 acres which center on a relatively limited number of estate lots oriented to a Fazio designed professional length golf course, as well as a mix of equestrian and family-oriented amenities.

As detailed elsewhere, individual lots or home sites would sell for a minimum of \$3.25 million, with the smallest homes ultimately valued at no less than \$7.0 million on average. A total of 327 units are contemplated, creating one of the highest value residential communities in the local economy.

The analysis explores the most important and fundamental economic and fiscal relationships involved in developing the program as it has been designed by the Developer. GAI was not retained to test the concept nor its feasibility. While this analysis cannot assure the results described will be achieved, they could be significant if implemented as represented by the Developer.

Based upon our analysis, the Project could generate significant positive economic and fiscal impacts for the County, well above the average contributed by other existing properties and projects. Because the Project would contribute at above average rates to the County, its development and continued operations support a significant concentration of employees while also offsetting capital and operating requirements of government activities budgeted at existing levels.

This report presents only one set of assumptions to inform our economic analysis. At this time, certain information or data has been explicitly defined by the Developer. Such information or any related assumptions are mostly subject to the Developer's control and actions, the total cost of infrastructure for example. That cost and other similar assumptions would not materially alter our expectations about the Project's likely economic output.

Since several highly sensitive assumptions result largely from the actions of many individuals other than the Developer alone, the report provides multiple scenarios for the fiscal analysis. These other actors include multiple homebuilders, their clients, and officials who implement actual property tax procedures with the latter in particular following very tightly controlled procedures for determining taxable values. The low, medium, and high scenarios for the fiscal analysis taken together offer a broader perspective on the Project as well as a better overall understanding of the information and conclusions. As a group, the three scenarios evidence a range of outcomes with all yielding significantly higher than average receipts for the County's use and benefit if the program is achieved as described.

While any of the fiscal scenarios are potentially achievable, we believe the moderate scenario is most reliable based upon observed or underlying market conditions and valuation practices that we can objectively document at this time. Having made that observation, the Project's Developer has developed and now operates a number of communities in other settings which ostensibly perform well beyond their competitive peer group.

Highlights, based upon the probable economic result and the moderate fiscal scenario, are summarized on the following page.

Downtown Stuart, Martin County, Florida



MAJOR ECONOMIC IMPACTS OF THE PROJECT

Economic impacts within our analysis are measured in terms of output, jobs, and wages. Some of these measures occur as one-time events, whereas other measures are recurring impacts. The following are summary comments of our economic analysis:

- *Continuing*, permanent economic activities stemming from the management, maintenance, and operation of the residential community, as well as the golf course and associated amenities, together will generate **\$39.5 million** in gross annual economic output in a typical year across local economies.
- This *recurring* annual economic output is associated with more than **436** direct, indirect and induced permanent jobs earning nearly **\$15.5 million** in wages each year, as well as

a value added, a measure of the County's contribution to GDP, of approximately **\$22.4 million** generated from the Project annually.

- The initial *one-time* impacts from the investment in the Project are also substantive, albeit only occurring throughout the development and construction period of approximately 8-10 years. This one-time investment in construction of the Project is expected to generate a total of nearly **\$1.6 billion** in gross economic output (\$156.9 million annual average) and almost **10,755** total *temporary* jobs (1,075 annual average) providing **\$543.4 million** in wages and salaries (\$54.3 million annual average).
- The presentation of tables holds all revenues and costs in constant 2021 dollars.

MAJOR FISCAL IMPACTS OF THE PROJECT

Fiscal impacts within our analysis reflect primarily the ad valorem property taxes, and other receipts which accrue to the benefit and the use of the County offsetting the costs of general governmental services provided by the County itself. The following are summary comments of our fiscal analysis:

- High, moderate, and low ("H-M-L") scenario have been prepared within this fiscal impact analysis to address the various material considerations associated with achieving a longer-term fiscal outcome.
- Ad valorem receipts from all sources will be among the major revenues generated by the Project. In terms of total (gross) ad valorem receipts generated by the current 10.2668 millage rate applicable to operations, general fund, and major Municipal Service Taxing Units ("MSTU"), it is estimated that the Project could contribute between **\$7,376,700** and **\$12,487,200** in ad valorem taxes each year to the County when fully developed.
- In addition to these receipts, property millage rates totaling 7.0322 could generate total (gross) ad valorem receipts of approximately **\$5,052,600** to **\$8,553,100** annually for other taxing authorities including the School Board, Water Management District, and other units of governmental agencies to the County.
- Total gross receipts without regard to source

or benefiting taxing authority will be in the billions of dollars over 30 years.

- These figures result largely from the Project's high valuations which could contribute a minimum taxable value per FTE between **\$1,065,300** to **\$1,803,400** at full build-out. These sums are a significantly higher ratio of property value per FTE compared to the existing County average.
- After adjusting for all normal costs and obligations of all general County services, it is estimated that the Project would yield at its build-out an annual *fiscal surplus* to the County between **\$3,738,000** to **\$7,116,000**.
- These figures equate to a total improved position for the County of approximately **\$113,000,000** to **\$215,538,000** over 30 years.
- These positive fiscal benefits derived by the Project are largely a result of the material increase in taxable value of residential properties generated compared with existing County conditions.
- The presentation of tables holds all revenues and costs in constant 2021 dollars.

All of these respective economic and fiscal impact assumptions, as well as our methods for calculating the impacts, underlying theory supporting our models or approach, and their implications, are detailed in this report.

ATLANTIC FIELDS PROJECT INTRODUCTION

The Project master plan, developed by Discovery Land Company, centers on approximately 1,531 acres located in Martin County, Florida. At full build-out, this upscale residential community will have approximately 454 acres dedicated to residential land use and 76 acres for community amenities, as well as a total of 1,001 acres for golf course, polo and equestrian fields, and other open/green space and wetland area. The land use summary is detailed in the following table (see Table 1).

Table 1. Project Land Use Summary

Land Use Type	Acres	% Total
Residential Real Estate	454.1	29.7%
Community Amenities	75.5	4.9%
Community Streetscape/Trails	116.5	7.6%
Irrigated Golf Course	314.2	20.5%
Shared Pasture/Polo Fields	84.6	5.5%
Low-Irrigation Community Open Space	142.6	9.3%
Water Bodies/Constructed Lakes	190.6	12.5%
Wetland Restoration Area	124.4	8.1%
State Park Public Access/Facilities	23.1	1.5%
Reserved for HSLCD	5.0	0.3%
Total	1,530.6	100%

Source: Development Representatives.

The 454 acres dedicated to residential land use have approximately 327 home sites currently contemplated on this acreage. At this stage, these homes have selling prices ranging between \$3.0 million to \$11.0 million contemplated by the Developer based on varying lot and home sizes, as detailed in the following table (see Table 2). While there are a few exceptions, the lots are being designed to accommodate individual single-family houses. These houses will be constructed over a period of several years on the lots created.

Table 2. Project Development Summary

Product Type	Lot Size (AC)	Units	% Total
Preserve Estates	3.0–4.0	20	6%
Equestrian Estates	1.0–3.0	15	5%
Estate Homes 175'	1.0–1.5	48	15%
Estate Homes 150'	1.0–1.5	66	21%
Estate Homes 130'	1.0–1.5	39	12%
Cottages	0.5–1.0	69	22%
Lake Homes	0.33–0.5	60	19%
Club Suites	Size Varies	10	–
Total		327	100%

Source: Development Representatives.

Although many of the home sites will likely have their own private facilities, all housing units will have access to an extensive complement of open space, trails, and other amenities including golf, and equestrian sports, as well as other family-oriented activities. Many home sites will directly overlook a Fazio designed professional length golf course, water features, conservation areas, and other open spaces that together comprise the remaining 1,000 acres, more or less. Based on the Developer's plans and representations, the nature of the homes, the sites, and the complementing amenities should place the community at the highest end of the residential marketplace within the County.

As the Project is currently envisioned, the Developer would be implementing the master plan for this community over the course of multiple phases with most of the main infrastructure, many of the amenities, and Fazio professional length golf course constructed in the earliest periods of activity (Period 1). About half the homes sites would become available in a subsequent period (Period 2), with the balance of the home sites and connecting roads completed thereafter (Period 3).

Period 1 is fundamentally the creation of the core community, enabling a group of home sites to come to market. The activities of Period 1 could

take about two years to finish although sales activities will likely begin before the initial lots are actually completed. Period 2 opens a number of home sites to additional builders. While some homes may get constructed by entities associated with the Developer, there will also be other builders active in the Project. It is expected to take one-to-two years to complete Period 2. Period 3 will close out the Project over the course of the subsequent two-to-three years.

From the Developer’s standpoint, the various phases comprising Periods 1–3 of the Project, will be completed in approximately a five-to-six year time period overall. Actual home construction will likely continue for an additional two-to-three years past the actual completion of the core community. On average, some 25-35 homes could be built each year until all, or the vast majority, of the lots have been utilized. The table below illustrates the general schedule of the Project (see Figure 1). Minor variations to this schedule or sequence could affect the annual flow of benefits described but not their totals.

Figure 1. Atlantic Field Phasing Program

- 1** *Period 1: All lakes and site grading activities complete; construction and dedication of State Park access road and related facilities; par 3 course and practice facilities; main entrance and western spine road loop; eastern spine road loop to Grove Golf Club; 18-hole golf course and lake club facilities; golf cottages/suites; equestrian center amenities.*
- 2** *Period 2: Plat approval for 149 single-family home site lots.*
- 3** *Period 3: Complete western spine loop road, plat approval for 168 single-family lots including supporting infrastructure, family club, and sports park, all remaining landscaping and site amenities.*

During the Project’s full development and construction period, this venture will support a variety of its own personnel, most involved in administration and marketing as well as other activities. Certainly, during second period, if not somewhat earlier, the Developer(s) will increase their initial staffing to include employees associated with maintaining and managing the community. These employees will be added

according to the needs and the pace of sales or growth of community residents. Current expectations are that about 355 full-time employees will be employed within the Project when it is ultimately completed.

While a few of the Developer’s employees could also be involved in the development of the property, various amenities, and the construction of homes, most will be employed by others. For the most part, the labor force will be employees of outside companies or firms providing technical services, including engineering, design, legal, and other services rather than employees of the Developer. In addition to these specialized professionals, the various builders erecting homes will employ their own crews of trades people, craftsmen, and professionals.

Effectively, this development program, focus, costs, staffing, and timing comprise the foundation for various economic and fiscal activity as they are further explained in this report.

The map below illustrates the location of the Project site located on Southeast Bridge Road in Hobe Sound, FL.



CONCEPTS FOR MEASURING ECONOMIC AND FISCAL ACTIVITY

Economic and fiscal impacts are related but reflect very different concepts and measures, as described within the following pages.

Economic benefits are usually defined as the economic output of new business or development typically expressed in terms of sales or production capacity, value added or other like economic or commercial activity, and total employment generated. The common measures of benefit are simply economic output, jobs, and wages. In this situation, they are the jobs and benefits created over multiple phases of the Project's development followed then by its continued operation.

Fiscal benefits are the property taxes, other taxes, and similar revenues realized by the host jurisdiction(s) as the result of local expenditures for various economic inputs or services. These fiscal benefits center on the public revenues and public costs that are estimated to be associated with a set of activities, generally originating from new business or development or other economic development initiatives. The measures of economic benefit, as described above, are generally the basis for the creation of these new public tax revenues and fees, so the scale of each is consistent. Here, the major contributors to future receipts will be the Project's unusually high price points and values compared with the typical achieved in Martin County.

Both economic and fiscal benefits can be classified as direct, indirect, or induced:

- *Direct benefits* or effects relate to revenues generated or expenditures made in the local economy during the years of construction and operation of proposed Project.
 - *Indirect benefits* or effects stem from spending between and among firms or businesses that supply the core activity.
 - *Induced benefits* are experienced, in large measure, through wages received by workers and the spending they circulate to support their household unit.
- Both economic and fiscal events can be considered as permanent and continuing events (recurring) or one time (non-recurring).
- Permanent or recurring activities are focused on sustained operations such as that associated with the continuing activity of a small retailer, manufacturer, or real estate company. For the Project these are the full complement of staffing that will be in place and work once the community is completed.
 - Typically, one time or non-recurring events are those related to activities having a fairly well determined start and end date. Construction projects, blockbuster events, and seasonal festivals or celebrations are among the most common one time or non-recurring events. Most of these one-time events tie to the Project's outside professionals, crews, and building partners.
 - From a fiscal context, an activity can generate significant tax revenues on both a one-time and permanent basis although the former is obviously a spike and short-lived. Jobs generated and tourist taxes received during the Super Bowl are examples of extraordinary one-time economic and fiscal events. The permanent or recurring equivalent of these measures would be the continuing operation of a stadium and the taxes on concession sales occurring there. Here, the comparable periods are those of horizontal and vertical construction and subsequent operation of all on site facilities.

Theory, observation, and applied analysis explicitly and consistently acknowledge these multiple levels and incidence of effects. However, our analysis is purposefully conservative in its representations.

In the case of the economic impacts, our analysis considers all levels of *direct*, *indirect*, and *induced* activity. As the *Summary of Major Findings* section suggests, similar calculations could be provided for the fiscal analysis. However, we have elected to confine our fiscal analysis exclusively to the *direct effects* to avoid any misrepresentations about benefits accruing to the discrete jurisdictions

or agencies which necessarily are the source of obligations or the beneficiaries of revenues stemming from the project. So, while the *indirect* or *induced* effects caused could be reliably calculated, the estimates would include sums not practically captured by the County for its own use.

To avoid any confusion about the dollar value of future years, all information is portrayed in 2021 dollars. These have the advantage of not overstating any impacts while allowing a subsequent analysis to average them or to convert items of specific interest to future year dollars.

FRAMEWORK & ANALYSIS

ECONOMIC IMPACT ANALYSIS

Economic impact analysis begins with introducing a change in the output of goods and the use of a multiplier model to analyze the effects on a region's larger economy tied to a uniformly maintained chart of accounts that record the spending and receipts in discrete geographic areas. Theoretically, the collective spending of all projects or activities would total to all spending of the state and the nation.

The standard input-output model estimates the *direct*, *indirect*, and *induced* economic implications of some discrete or particular economic activity. The secondary effects, or the sum of all *indirect* and *induced* impacts, along with the particular economic activity, provide an estimate of the "multiplier" effects from that activity. In such models, measures of aggregate economic

activity is used as a basis for estimating the total economic impact of the subject activity. The use of an input-output model is to calculate benefits generally accepted as the industry standard practice. Results will be very consistent among different input-output models or between different professionals.

IMPLAN

The economic benefits derived in this report have been prepared using the application of an Impact Analyses and Planning ("IMPLAN") model, a recognized and commercially available software application. Similar to other economic modeling systems, IMPLAN calculates the initial and subsequent economic effects of a specific stimulus, such as employment in a specific industry or investment in the construction of new



facilities, or the operational expenditures from a firm or industry. These are essentially the nature of the activities represented in this development program.

IMPLAN and similar models replicate the reported interactions and accounts between or among industries and households in an economy, identifying forward and backward transactions which impact the production and consumption of all goods and services. The various economic impacts are measured in terms of the output, jobs, income, and tax revenues generated by the activities being traced.

IMPLAN models identify the resources and categories of inputs required to create given quantities of different kinds of output. The most direct impacts of activities involve economically connected or proximate businesses, households, and units of governmental agencies. Economic impacts address distributional issues, identifying gains or losses in economic activity for particular regions or economic sectors. In an aggregate measure, these are the estimated results of an activity.

The analysis explores the most important and fundamental economic and fiscal relationships involved in developing the Project as it has been defined by the Developer. GAI was not retained to test the concept nor its feasibility. While GAI cannot assure the results described will be achieved, they could be significant if implemented as represented by the Developer.

Based upon our analysis, the Project could generate significant positive economic and fiscal

impacts for the County, well above the average contributed by other existing properties and projects. Because the Project would contribute at above average rates to the County, its development and continued operation support a significant concentration of employees while also offsetting capital and operating requirements of government activities budgeted at existing levels.

IMPACT MEASURES

The economic impacts are measured typically in terms of value added sales, income, and jobs. The model traces impact through direct and secondary effects. Jobs are consistent with Bureau of Labor Statistics ("BLS") data and do not differentiate part-time jobs from full-time jobs.

- *Value Added* is the metric of economic significance preferred. It discretely centers on the contribution of the activity or industry to gross regional or national product. Value added includes the personal income to households (wages, salaries, and payroll benefits), profits and rents of private firms, and indirect business taxes accruing to governmental agencies in the region.
- *Wages* and personal or total income are often reported instead since value added is not as widely understood as the other measures. Personal income, total income or value added are especially useful when comparing impacts across economic sectors.
- *Personal Income* measures wages and salaries, payroll benefits, and income of sole proprietors. Total income adds in profits and rents of businesses.



DIRECT, INDIRECT, AND INDUCED EFFECTS

These effects comprise initial and subsequent spending, as well as initial and subsequent rounds of impacts, which continue until all activity leaks to the larger region or state. This model, through the choice of inputs and appropriate multipliers, has considered economic impacts primarily to Martin County and fiscal impacts, to the degree they are localized, exclusively to the County.

No local economy produces every good or service, capturing all economic activity. When there are gaps in local production, the local effects will be reduced. As money and purchases circulate through the economy, moving from one business to another and one individual to another, the economic benefits are shared, generating the multiplier effect. Ultimately, these effects bleed away to other areas as spending continues.

Amplifying earlier concepts:

- *Direct Effects* are the sales, income, and jobs in those businesses. In this case we are speaking about total spending within in the project for all its horizontal and vertical components and ultimately the continued operations of the overarching management entity.
- *Indirect Effects* result when those business or activities directly impacted the purchase goods and services from other businesses within the region, so-called “backward-linked” industries.

Input-output models estimate these effects by using a production function for each sector and estimate the propensity of businesses to buy goods and services from local suppliers.

- *Induced Effects* stem from household spending of income earned directly or indirectly from the visitor spending. For example, the various employees identified or estimated live in the area and spend their income on housing, groceries, and other personal needs. This spending supports additional jobs in a variety of local businesses but ultimately not entirely within the study area.
- Collectively, the indirect and induced effects are termed *secondary effects*. The total impact of all major spending is the sum of direct, indirect, and induced effects. The figure below illustrates the larger multiplier effect (See Figure 2).

Figure 2. Direct, Indirect, and Induced Effects



The economic benefits derived in this report have been prepared using an Impact Analyses and Planning (“IMPLAN”) model for both on-going (recurring) operational impacts and one-time (non-recurring) construction impacts.

BASIC ASSUMPTION AND PROCESS

As highlighted in the summary, the potential economic impacts extend from fairly specific and discrete assumptions based on the expected nature of the community, the costs incurred for the Project, and its phased timing. While we cannot opine on the Project’s costs, the Developer has provided detailed information on which we relied for this analysis. This information allows us to examine a number of individual activities that populate and generate our IMPLAN output.

The most significant actors in this aspect of the analysis stem from the estimated total development costs of approximately \$192.5 million in infrastructure, sales and marketing costs, developer fees, and soft costs, as well as over \$990.2 million in housing construction costs, as detailed by the Developer.

The Developer has also provided a detailed staffing plan for about 355 full-time employees broken down by specific operations of the Project at full build-out, which corresponds to the IMPLAN output. If the initial figures are larger or smaller than represented, the output will be increased or decreased proportionately.

Effectively we have modeled multiple periods or activities that are summarized in the several tables that follow. These include (A) Phase I and IA construction or development efforts and the incremental development costs associated with Phases II and III, (B) the construction of the 327 homes that will be erected in the community during Phases II and III, and (C) the longer-term operation of all facilities constructed and then managed or maintained at full build-out of the Project. In each of these models, we have addressed the *direct*, *indirect* and *induced* effects of the Project at full build-out.

The following sub-sections illustrate the one time or non-recurring economic activities (A and B above), as well as the on-going or recurring economic impacts (C above) we assume to be

possible as a result of the Project based on the IMPLAN models. These impacts reflect a constant 2021 dollar year, therefore it is not necessary to view the impacts on an annual basis.

TOTAL CONSTRUCTION IMPACTS

During all construction phases over a 10-year period, an estimated 10,755 total jobs are expected to be created within the County with 8,058 of these directly associated with the Project. The total job count for new development of the entire site is associated with almost \$1.6 billion in total output with more than \$543.4 million in earnings connected to the Project.

The following table illustrates the estimated non-recurring (one-time) economic impact captured within the County from the proposed infrastructure and home site construction activities (see Table 3).

Table 3. Economic Impacts – One-Time Impacts

Economic Measures	Direct	Indirect-Induced	Total Impact
Employment	8,058	2,697	10,755
Earnings (\$,M)	\$ 421.3	\$ 122.1	\$ 543.4
Value Added (\$,M)	\$ 636.5	\$ 217.1	\$ 853.6
Output (\$,M)	\$ 1,182.6	\$ 386.0	\$ 1,568.5

Sources: IMPLAN Group; GAI Consultants. Notes: Represents 2021 constant dollars.

While these impacts occur only during the construction and development of the Project. They are nonetheless critical to maintaining a flow of demand for construction related employment within the local economy and establish a base of skilled labor that provides for future opportunities.

Direct, Indirect, and Induced One-Time Impacts

Construction spending will also provide a catalyst for *indirect* and *induced* employment impacts in the form of a mix of professional and service-related jobs. The following table estimates the top employment sectors created at build out of the Project from the *direct* effects of one-time construction.

The jobs identified by IMPLAN are not necessarily full-time. As such, some will have earnings higher than others and some may be less than full-

time. The one time or non-recurring jobs are estimated for the full period of development and construction activity. The actual number of workers or jobs on site is the total labor force that will be engaged. On average over a period of about 10 years, the estimates equate to an expected 1,075 full- and part-time workers either on site or supporting their respective businesses each year.

The following table estimates the top industry sectors which are anticipated at full build-out of the Project, resulting from the direct effects of one-time construction impacts (see Table 4).

Table 4. Employment Sector Impacts, Direct Effects – One-Time Impacts

Industry Sector	Jobs
Construction	7,589
Professional & Technical Services	220
Building Material & Suppliers Dealers	1
Administrative & Support Services	248
Total	8,058

Sources: IMPLAN Group; GAI Consultants.

Whereas the table below illustrates the top 10 industry sectors resulting from the total impacts (*direct, indirect, and induced* effects) of the one-time construction impacts generated from the Project at full build-out (see Table 5).

Table 5. Employment Sector Impacts, Direct, Indirect, and Induced Effects – One-Time Impacts

Industry Sector	Jobs
Construction	7,615
Professional & Technical Services	501
Building Material & Suppliers Dealers	497
Administrative & Support Services	497
Food Services & Drinking Places	200
Real Estate	199
Ambulatory Health Care Services	137
Hospitals	102
Repair & Maintenance	97
Wholesale Trade	89

Sources: IMPLAN Group; GAI Consultants.

The *indirect* and *induced* employment impacts created from the construction of the Project represents a mix of professional and service-related jobs, clearly providing adjacent neighboring area with more and enhanced employment opportunity than would otherwise exist.

TOTAL OPERATIONAL IMPACTS

The Project, as proposed, is expected to produce nearly 436 total annual, permanent jobs within the local economy from on-going operations at full build-out. Nearly 355 of these jobs, as described by the Developer, will be directly associated with the Project, supporting the selling, operations, and maintenance of the single-family residential properties and associated community amenities, along with the golf course, polo and equestrian club, and other trails/green space facilities. The other 81 jobs result from *indirect* and *induced* effects from operations and household disposable incomes. Independent of any additional *indirect* and *induced* jobs, the Project’s own direct job counts are the significant factor in overall economic impacts. The total job count from on-going operations is associated with nearly \$39.5 million in annual economic output and \$15.5 million in total annual earnings. *Direct* job impacts associated with the Project total almost \$27.6 million in annual economic output and \$11.9 million in annual earnings.

The following table illustrates the estimated recurring (on-going) economic impact captured within the County from the proposed maintenance and operations activity of the Project (see Table 6).

Table 6. Economic Impacts – On-Going Impacts

Economic Measures	Direct	Indirect-Induced	Total Impact
Employment	355	81	436
Earnings (\$,M)	\$ 11.9	\$ 3.5	\$ 15.5
Value Added (\$,M)	\$ 15.9	\$ 6.5	\$ 22.4
Output (\$,M)	\$ 27.6	\$ 11.9	\$ 39.5

Sources: IMPLAN Group; GAI Consultants. Notes: Represents 2021 constant dollars.



Hobe Sound Golf Course, Martin County, Florida

These kinds of recurring annual economic impacts are essential to achieving the fiscal impacts. The levels of annual economic output (e.g. sales, business revenues) and annual wages directly support the predominate forms of tax revenues used to fund County services.

Direct, Indirect, and Induced Operating Impacts

The subsequent rounds of spending that create *indirect* and *induced* employment impacts are those most likely to benefit the neighboring areas adjacent to the Project. While these employment impacts can occur anywhere within the local economy, the *direct* activity stimulated by the Project is likely a main attraction for these support and affiliated jobs. The *indirect* and *induced* employment impacts created from the development of the Project represents a mix of professional and service-related jobs, clearly providing adjacent neighboring area with more and enhanced employment opportunity than would otherwise exist.

As with construction or one-time (non-recurring) employment, the jobs identified by IMPLAN are not necessarily full-time. As such, some will have earnings higher than others, and some may be less than full-time. It can be useful, however, to think of them as the number of positions on average that will be supported in a typical or operational activity.

The following table estimates the top 10 industry sectors created at build-out of the Project resulting from the total impacts (*direct, indirect, and induced* effects) of on-going operations (see Table 7).

Similar to one-time impacts, the *indirect* and *induced* employment impacts created from the operations of the Project represents a mix of professional and service-related jobs, clearly providing adjacent neighboring area with more and enhanced employment opportunity than would otherwise exist.

Table 7. Employment Sector Impacts, Direct, Indirect, and Induced Effects – On-Going Impacts

Industry Sector	Jobs
Amusement & Recreation Industries	150
Administrative & Support Services	94
Food Services & Drinking Places	63
Personal Services	32
Social Assistance	21
Real Estate	20
Crop Production	10
Professional & Technical Services	9
Ambulatory Health Care Services	4
Repair & Maintenance	3

Sources: IMPLAN Group; GAI Consultants.

FRAMEWORK & ANALYSIS

FISCAL IMPACT ANALYSIS

As with the economic model, the fiscal impact analysis is based on a series of major assumptions tied to the nature of the Project and its phased timing. As to the nature of the Project, that is generally characterized by the values recognized in the open marketplace for transactions of similarly positioned home sites and finished homes. At this point, the Developer has represented that this Project will achieve above average pricing and valuations. While the Developer controls the timing and coordination of the major activities within the community, much of the outcome realized as a fiscal impact is not directly controlled by the Developer and is subsequently a result of the final tax treatment of key properties.

The manner of that tax treatment drives the receipts in large measure and are often not proportionate to the perceived value of the underlying property. This issue is more common in the initial years of a newer and higher priced project where the County appraiser is limited by the pool of transactions needed to establish a defensible benchmark for taxable values. Typically, it takes multiple transactions to establish that pool and identify a "trend". In this situation, the Project may set its own foundation for tax valuation purposes but that will not occur for at least several appraisal cycles. These figures, whatever they may ultimately be, are further affected by homesteads, other exemptions, portability rules, and maximum annual valuation increases for all properties.

To deal with the various material considerations associated with achieving a longer-term fiscal outcome, a high, moderate, and low ("H-M-L") scenario have been prepared within this model, as detailed below.

High Scenario recognizes the Developer's pricing schedule for the planned 327 home sites and the market value associated with those anticipated developments. Generally, that places the proposed homes with an average price per square foot between \$1,040 and \$1,410, resulting in an average home price of approximately \$11.0 million. While these values may be achieved, the

number of properties in the County with such valuations is extraordinarily small at this time and does not justify an obvious trend or outlook based on the highest range of value. Ultimately a large number of higher assessed properties concentrated in a single area could increase pressures to move toward increased valuations overall, that possibility is speculative at this time. If achieved, even the high scenario might then be considered conservative.

Moderate Scenario is consistent with, and relies upon, recently purchased and/or built and recently assessed high value properties in the County. As suggested above, this is a rather small number of properties but still a larger pool than that establishing valuation benchmarks for the high scenario. Generally, those transactions and valuations place the proposed homes with an average price per square foot between \$810 and \$1,400, resulting in an average home price of approximately \$5.9 million. From the information currently available, we believe this is the "most likely" scenario. Again, a large number of higher assessed properties could increase pressures to move toward increased valuations overall.

Low Scenario reflects a sample group of properties, also of higher value but with lower range of value given the larger number of observations. If anything, the low scenario reflects a worst-case situation. Homes in this scenario have an average price per square foot between \$730 and \$1,300, resulting in an average home price of approximately \$4.8 million.

Within each of the above scenarios, the fiscal model also addresses likely differences for the tax treatment of golf facilities, equestrian facilities, and the other various Project amenities. As for the tax value assigned to open space, water features, and conservation areas, such value will be largely captured in the transaction prices of any homes or underlying home sites subject to tax assessment. It is important to note that all values within the fiscal models represent constant 2021 dollars.

The following details the summary comments on this fiscal impact analysis:

- While there are many considerations in this analysis, most costs shown here are exclusively obligations of the County itself. Similarly, the bulk of the revenues shown accrue solely for the use of the County. Other taxing authorities, apart from the County, may have other costs or receipts which are worthy of additional consideration and discussion.
- Using a fiscal impact methodology covering both potential of the County’s general-government operating and capital costs needed to support the build-out of the Project, it is estimated that the Project could contribute an annual fiscal surplus to the County between \$3,738,000 to \$7,116,000, as illustrated in the table below (see Table 8). This equates to a range of approximately \$113,000,000 to \$215,538,000 over 30 years.
- These figures reflect an estimated Full-Time Equivalent (“FTE”) population of 674 persons based on the proposed development program.
- At full build-out, the Project is expected to contribute a taxable value per FTE between \$1,065,300 to \$1,803,400, a significantly higher ratio of property value per FTE compared with the existing County average.
- Sources for prior revenue and expenditure relationships were obtained from the County’s 2020 Comprehensive Annual Financial Report (“CAFR”).
- Using audited financial statements, operating needs have been based on current FY 2020 actual spending.
- Our approach to fiscal impact recognizes the importance of excluding existing deficiencies in calculating capital costs since this would impose an unfair burden on new households. As a result, our approach excludes any existing capacity in capital infrastructure by assuming new FTE population generated by the Project would require the same level of capital spending to replace “everything” the County has constructed.
- The presentation of tables holds all revenues and costs in constant 2021 dollars.

Table 8. Annual Fiscal Impact in 2021 Dollars

	Martin County	Atlantic Fields Project		
		Low	Moderate	High
Ad Valorem Revenue	\$ 206,469,000	\$ 4,877,000	\$ 6,026,000	\$ 8,254,000
Other Revenue (revenue sharing, transfers)	41,077,000	190,000	190,000	190,000
Total Revenues	\$ 247,546,000	\$ 5,066,000	\$ 6,216,000	\$ 8,444,000
Gross Operating Costs (excluding capital)	\$ (292,603,000)	\$ (1,352,000)	\$ (1,352,000)	\$ (1,352,000)
Direct Revenues (program charges, fees) ¹	70,042,000	324,000	324,000	324,000
Net Operating Revenue/(Expense)	(222,561,000)	(1,028,000)	(1,028,000)	(1,028,000)
Annual Capital Expense	(31,847,000)	(300,000)	(300,000)	(300,000)
Net Operating with Capital	\$ (254,408,000)	\$ (1,328,000)	\$ (1,328,000)	\$ (1,328,000)
Net Fiscal – Surplus/(Deficit)	\$ (6,862,000)	\$ 3,738,000	\$ 4,887,000	\$ 7,116,000

Sources: FY 2020 CAFR; GAI Consultants. Notes: (1) Excludes impact fees. Totals may not add due to rounding.



In comparison, our analysis indicates that the balance of the County currently operates at a fiscal deficit of slightly more than \$6,862,000 annually without considering the current Project or its cost and benefits. As proposed, the new project will positively contribute to the existing fiscal deficit in the County going forward.

FISCAL ANALYSIS METHODOLOGY

Potential fiscal benefits center on the public revenues and public costs expected to be realized (or lost) as the result of activities, generally originating from new residential or non-residential development or from other economic development initiatives. Calculations of potential fiscal benefits could rationally include both direct and indirect impacts for multiple levels of public goods and services. Our analysis of the Project, however, is more conservative. It is purposefully confined to the direct effects only in the County to avoid misrepresentations about net impacts to municipalities, agencies, or special districts.

Methods for calculating fiscal benefits can vary widely. While there is no industry standard, a common approach reflects activities, receipts, and expenditures “per capita”. The premise in this approach is that new development attracts new population growth and will generally have a consistent cost impact on the basis of public service needs per person.

Following that premise, new development, at a basic level, is expected to generate costs (and most revenues) at the same rate, creating the same levels of service needs being provided to existing residents. Reasonable rates of revenues and costs can be derived for any governmental agency using a per capita measure as the common denominator and existing costs and revenues. In contrast, to assume that new development creates more or less requirements than those imposed by current residents constitutes an obvious positional bias in the information used to make important policy decisions.

In this case, we use a *modified per capita* approach to determine potential operating and capital costs using planned population, expected employment, and the expected relationships between households and individuals working in their place of residence versus working in another

area. This method can still be referred to as a per capita approach, but it uses a Full-time Equivalent (“FTE”) population since that population imposes demands upon all systems relative to its needs. Using this modified per capita method, expected population (household population, establishment employment, and visitors) are converted to an FTE using a 24-hour 7-day period representing a “full-time” person impacting the potential demands for operating and capital needs. Thus, a person residing in a home located in the County and working at a business located in the County would represent a full-time person or 1.0 FTE. Whereas someone residing in a home located in the County and working outside would represent less than a full-time person or 0.74 FTE (see Table 9).

Table 9. Full-Time Equivalents

	Hours	% FTE	FTE	1 FTE =
Live & Work	8,763	100%	1.00	1
Live Only	6,486	74%	0.74	1.3
Work Only	2,250	26%	0.26	3.9
Hotel Visitor	120	1%	0.01	72.8
Day Visitor	4	<1%	0.0005	2,184

Sources: U.S. Census; GAI Consultants.

FTE population is intended to reflect the annual, permanent demands on services and infrastructure as opposed to peak demands. As a result, the estimated FTE factor for non-resident workers or visitors declines based on the assumed time spent within the County relative to a resident that both works and lives in the County – theoretically creating a full unit of demand for annual, permanent services and infrastructure.

For example, as illustrated above, a day-visitor, someone living in another part of the State, spending 4 hours within the County has an FTE factor equal to 0.0005 or 4 hours divided by 8,763 hours. This can also be expressed as 2,184 day-visitors equal the equivalent of 1 full-time resident that also works in the County. On the other hand, a hotel visitor with a 5-day stay has an FTE factor of 0.01 or approximately 73 hotel visitors equal to 1 full-time resident. The effects of both hotel and day visitors on the calculation of FTE populations is based on the mix of these populations, resulting in an average number of hours as opposed to the exact values in Table 9.



The table below provides the calculated FTE population for the County and the Project based on expected uses at build-out (see Table 10).

Table 10. Full-Time Equivalent Estimates

	Martin County	Atlantic Fields
Household Population ¹	142,385	785
Establishment Employment	77,790	355
FTE Population		
Resident	136,971	583
Establishment	9,023	91
Total FTE	145,995	674

Sources: U.S. Census; ESRI Estimates; GAI Consultants. Notes: (1) Represents a person per household ("PPH") population of 2.4 for the Atlantic Fields Project, this value is in-line with the PPH of the County.

The FTE population model only indirectly accounts for seasonal populations that are different from hotel and day-visitors, which also occur on a seasonal basis. Seasonal residency or "snowbirds" is a common factor in the difference between population per total housing unit and population per occupied housing units. There will always be a natural rate of vacancy in housing because of market timing in home sales and household formation. While a vacancy rate in some jurisdictions can be higher because of a larger snowbird affect, it is more conservative when calculating fiscal impacts to exclude an assumption regarding a proportion of seasonal housing units. For the purpose of this analysis, the residential development uses population that is more reflective of persons per occupied units. Thus, it does not understate the impact of service and capital costs by assuming some portion of the new development could accommodate a seasonal resident.

One of the more important benefits of a modified per capita approach is that revenues and costs do not need to be allocated between residential and non-residential uses. The sum of FTE population reflects a common factor with which revenues and costs can be divided and applied back to specific uses based on the underlying population (household population, establishment employment, and visitors). For example, a single-family unit would generate the equivalent cost per FTE based on the observed population per

household adjusted for how many are employed and their place of work (i.e., within the County or outside the County). In addition, an office use would generate the equivalent cost per FTE based on the number of establishment employment adjusted their FTE equivalency.

EXISTING ACTIVITIES AND THEIR RELATED FISCAL REVENUES AND COSTS

Providing public sector services and infrastructure is accomplished on the basis of not-for-profit management of economic and financial resources. Each year, governmental agencies or organizations prepare for meeting service and capital needs with a budget that balances revenues and spending. In other words, allowable annual spending equals expected revenues. In the context of legal constraints to spending, most local governments operate well below what is allowed. The annual budgets adopted do not reflect expected income (profit or losses) in the same way as for-profit enterprises.

The annual budgetary process can make understanding the marginal impacts of new population or new development a challenge. The main challenges are the use of transfers between funds to accommodate "fund accounting" reporting, the use of cash balances in funds as revenues and cash forward as expenses to balance the budget, the recognition of capital as an expense in the year funds are expended, and the recognition of debt proceeds as revenue to also balance capital expenditures. The budgetary process is "cash-basis" accounting.

In addition to the annual budgetary process, every governmental organization in the U.S. prepares a Comprehensive Annual Financial Report ("CAFR"). While the formats and contents can vary slightly, these reports present the financial statements of the governmental entity, as well as important analysis tools like the management's discussion and analysis ("MD&A") and the notes to the financial statements similar to private industry. CAFRs present financial information of accounts for the financial position of the government as a whole. Governments use modified accrual accounting for their statements in the CAFR and include reconciliations explaining how they made the switch from cash-basis accounting to the modified accrual basis they report.

Most importantly, governments are required to present their consolidated financial statements in the CAFR that essentially mirror for-profit financial statements. In particular, the Statement of Activities for a not-for-profit organization is equivalent to an Income Statement for a for-profit enterprise. The main difference is the treatment of capital infrastructure and equipment. On a cash-basis, capital costs are recognized within the year funds are expended. For example, if the County spends funds to build a new County government office in 2020, that expense is a capital item in the same year and it is generally funded through some combination of current revenues, existing cash balances, and debt proceeds or exclusively with debt proceeds. As a result, the cash-basis is faulty because it places the burden of past and future capital needs, funded using past and future revenues, in a single current fiscal period. Conversely, the Statement of Activities only recognizes current revenues and accounts for

capital on a depreciation and amortization basis. Thus, it matches capital spending with the life cycle of the asset.

Our analysis utilizes these Governmental Statements of Activities to correct for the challenges associated with governmental budgeting and fund accounting, especially capital spending which can otherwise materially ebb and flow on an annual basis. Our position is that the reported revenues and expenses, divided by FTE population, provide the best measure of the marginal impacts from new development and new population given the existing financial structure of the County.

Based on Fiscal Year ("FY") 2020 audited financial statements from the County's CAFR, Table 11 provides the current fiscal costs and revenues on a per FTE basis for all general government activities for the County.

Table 11. Martin County's Current FY 2020 Net Fiscal Position

Revenue/(Expense)	Per FTE	Total
Direct Revenues (Charges, Fees)	\$ 480	\$ 70,042,000
Ad Valorem	1,414	206,469,000
Other ¹	289	42,213,000
Enterprise Transfer	(8)	(1,136,000)
Subtotal	\$ 2,175	\$ 317,588,000
General Government	(506)	(73,844,000)
Public Safety	(1,122)	(163,822,000)
Physical Environment & Transportation	(162)	(23,610,000)
Culture & Recreation	(106)	(15,483,000)
Economic Environment	(36)	(5,299,000)
Human Services	(46)	(6,688,000)
Interest on Long-Term Debt	(26)	(3,857,000)
Annual Capital Requirements	(218)	(31,847,000)
Subtotal	\$ (2,222)	\$ 324,450,000
Net Fiscal – Surplus/(Deficit)	\$ (47)	\$ (6,862,000)

Sources: U.S. Census; GAI Consultants. Notes: (1) Other revenues include earnings on taxes (tourist development, communication, fuel, local government), franchise fees, and earnings on investments.

In FY 2020, all general government activity within the County reflected an average cost per FTE of \$2,222, including annual capital requirements of \$218 per FTE. Capital requirements are reflected

in terms of depreciation and amortization versus capital expenditures, consistent with the Statement of Activities in the CAFR. This approach more appropriately aligns cost with the life cycle of

assets. For example, a building built by the County 30-years ago that is still serving the community today would still be accounted for in our analysis because its average service life is generally 50 years or more. However, the capital expenditure for that building would not be recognized, especially if its debt is paid off.

Attempting to off-set total operating and capital costs, the current revenue sources contributed an average of \$2,175 per FTE. As a result, the County currently has a slight fiscal deficit of \$47 per FTE or approximately \$6,682,000 annually. It is important to note that this calculated deficit is based on modified accrual accounting versus cash-basis accounting, therefore the County is not losing \$6,682,000 each year on a cash-basis. Given the current levels of spending including interest costs and annual capital requirements, current revenues through taxes, charges, and fees do meet current spending in FY 2020. This is the current basis from which types of new development will be measured using assumptions for FTE population and various ad valorem revenues models.

This fiscal analysis is not a reconciliation of funds and fund balances, but an estimate of annual net fiscal surplus/(deficit) for governmental activities. So, at any level, jurisdictions can function with a deficit by drawing from existing balances or using debt, and at the same time adopting balanced budgets where expenditures equal revenues. However, this analysis is not a budget exercise but an estimate of the net fiscal impact from current activities, which can generate positive or negative cash flow.

INTERFUND TRANSFERS AND BUSINESS ACTIVITIES

GAI's approach to fiscal analysis also treats business-type activities (e.g., water and sewer) as a net transfer. Because these activities are generally profit centers and, in theory, run like a business where prices (water rates) are set to meet or exceed operating and capital, a majority

of these types of activities provide a net income transfer into the general fund to subsidize governmental activities. The fact is that when a utility system issues debt to fund capital, it is generally required to set utility rates to generate 1.25 to 2.00 times more operating income than annual debt service. Since average service lines are the costliest components of a system and extend well beyond debt payments, the structure of rates and charges relative to expenses typically creates significant positive cash flow annually. Also, any capital requirements to meet new water and sewer demand is generally funded 100% with connection fees and/or water and sewer impact fees because those fees are calculated at full cost of service requirements, unlike many other impact fees or capital charges.

It is prudent and appropriate for local governments to then transfer some excess cash into general government activities as a payment-in-lieu-of-taxes. If utility services were provided by a private company, the County would be allowed to generate revenues through franchise fees on those services, so a transfer accomplishes the same thing. Thus, this analysis includes this net transfer as a revenue off-set after calculating incremental governmental expenses required to serve a new development. In the rare case where general-government activities subsidize a business-type activity, it is still included with revenues, but it would reflect a deduction in general revenues. The rationale is that it is reasonable to assume that new development will generate the same excess (or deficit) water and sewer revenues on a per capita basis as existing development.

In FY 2020, the County made an annual transfer of about \$1,136,000 to business-type activities (mainly water and sewer) to subsidize governmental activities. In our model, this transfer reflects a \$8 per capita revenue subtraction from the general government activities.



PROSPECTIVE FISCAL IMPACTS OF NEW DEVELOPMENT

Using FY 2020 audited financial statements and expected property valuation for the Project at full build-out, Table 12 details the expected net fiscal impact of the Project in each of the low, moderate, and high scenarios. The moderate scenario is to be considered the “most likely” outcome as a result of full build-out of the Project based on the timing of phases and development program in the County.

While the Project is expected to create an expense (operating and capital) of \$2,449 per FTE per year, significant property tax contributions ranging between \$7,231 and 12,239 per FTE, along with direct and other revenues, more than off-set those costs and create a significant net fiscal surplus between \$5,543 and \$10,551 per FTE per year.

Table 12. Atlantic Fields Net Fiscal Impact – Low, Moderate, High Scenarios

	Low Scenario		Moderate Scenario		High Scenario	
	Per FTE	Total	Per FTE	Total	Per FTE	Total
<i>Revenues</i>						
Direct Revenues	\$ 480	\$ 324,000	\$ 480	\$ 324,000	\$ 480	\$ 324,000
Ad Valorem ¹	7,231	4,877,000	8,934	6,026,000	12,239	8,254,000
Other	289	194,000	289	194,000	289	195,000
Enterprise Transfer	(8)	(5,250)	(8)	(5,250)	(8)	(5,250)
Subtotal	7,992	5,389,700	9,695	6,538,700	13,000	8,767,700
<i>Expenses</i>						
General Government	(506)	(341,100)	(506)	(341,100)	(506)	(341,100)
Public Safety	(1,122)	(756,800)	(1,122)	(756,800)	(1,122)	(756,800)
Physical Envir. & Transportation	(162)	(109,100)	(162)	(109,100)	(162)	(109,100)
Culture & Recreation	(106)	(71,500)	(106)	(71,500)	(106)	(71,500)
Economic Environment	(36)	(24,500)	(36)	(24,500)	(36)	(24,500)
Human Services	(46)	(30,900)	(46)	(30,900)	(46)	(30,900)
Interest on Long-Term Debt	(26)	(17,800)	(26)	(17,800)	(26)	(17,800)
Annual Capital Requirements ²	(445)	(300,000)	(445)	(300,000)	(445)	(300,000)
Subtotal	(2,449)	(1,651,700)	(2,449)	(1,651,700)	(2,449)	(1,651,700)
Net Fiscal – Surplus/(Deficit)	\$ 5,543	\$ 3,738,000	\$ 7,247	\$ 4,887,000	\$ 10,551	\$ 7,116,000

Sources: FY 2020 CAFR; GAI Consultants. Notes: (1) Calculated based on Atlantic Fields property value estimates. (2) Calculated based on Atlantic Fields FTE estimates.

The strong positive contribution from property taxes compared with existing values results both from market conditions and current property tax law. New development of residential product in the County yields both market and taxable values significantly greater than comparable values of residential product built before 2010, which currently accounts for 94% of all housing units in the County. Some of the market value increase is a result of larger single-family homes (in terms of square feet) and increases in land costs. In addition, property tax law limiting annual increases in property value of homestead property adds an additional constraint on the comparative value of older single-family properties.

As well, newer non-residential development also tends to have higher value on an FTE bases. In this case, properties with a golf course/driving range and related amenities, as well as improved agriculture stables DOR use code were examined as the non-residential properties. Regardless, all values are markedly higher for properties more recently added to the tax rolls (see Table 13).

In addition, adding property tax exemptions allowed by property tax law is expected to create a significant gap between existing households and expected development within the Project, as reflected in the table below (see Table 14).

Table 13. 2020 Average Market Value by Year Built

	Martin County		Atlantic Fields Project		
	Before 2010	In 2020	Low	Moderate	High
Market Value (per unit)					
Homestead	\$ 346,370	\$ 2,760,300	\$ 2,450,000	\$ 3,024,700	\$ 4,162,000
Non-Homestead	263,100	2,605,365	2,450,000	3,024,700	4,162,000
Total	\$ 318,500	\$ 2,709,173	\$ 2,450,000	\$ 3,024,700	\$ 4,162,400
Market Value (per acre)					
Non-Residential	\$ 14,800	\$ 53,900	\$ 25,000	\$ 54,400	\$ 62,800

Sources: Florida DOR; GAI Consultants. Notes: (1) Atlantic Fields Project are estimated.

Table 14. 2020 Average Taxable Value by Year Built

	Martin County		Atlantic Fields Project		
	Before 2010	In 2020	Low	Moderate	High
Market Value (per unit)					
Homestead	\$ 211,000	\$ 2,218,600	\$ 2,080,800	\$ 2,568,900	\$ 3,534,800
Non-Homestead	251,400	2,575,400	2,421,800	2,989,900	4,114,100
Total	\$ 224,400	\$ 2,336,400	\$ 2,192,500	\$ 2,706,800	\$ 3,724,500
Market Value (per acre)					
Non-Residential	\$ 14,300	\$ 31,000	\$ 24,200	\$ 32,000	\$ 31,000

Sources: Florida DOR; GAI Consultants. Notes: (1) Atlantic Fields Project are estimated.

Both market forces and Florida Tax Law suggests that the significant gap created in taxable values per capita from new development compared with existing averages is a strong factor in positive fiscal impact from new development. In addition, this gap can be even more pronounced within areas of redevelopment where the existing conditions are driven by both age and a relatively depressed market.

The Project, as proposed, is expected to contribute a significantly higher ratio of property value per FTE compared with the existing County average (see Table 15). Under the premise that existing households would require no more or no less operating and capital needs than those households proposed for the Project, this observed relationship between property value and year-built implies a significant positive fiscal impact from the newly developed property.

Table 15. Population and Taxable Value Impact

	Martin County	Atlantic Fields		
		Low	Moderate	High
FTE Population	145,955	674	674	674
Taxable Value				
Residential	\$ 17,667,400	\$ 714,900	\$ 882,500	\$ 1,210,700
Non-residential	143,400	3,600	4,800	5,600
Total	17,810,700	718,500	887,400	1,216,300
Value per FTE	\$ 122,996	\$ 1,065,300	\$ 1,315,700	\$ 1,803,400

Sources: U.S. Census; GAI Consultants; County FY 2020 Taxable Values.

GAI’s approach to fiscal impact also includes a relatively conservative approach to estimating capital requirements for new development. *It is important to exclude existing deficiencies in calculating capital costs since this would impose an unfair burden on new households. In part, to the degree there are differences, these would be addressed by impact fees which can only apply to new development and capital.*

Our approach also excludes any existing capacity in capital infrastructure by assuming new FTE population would require the same level of capital spending to replace everything the County has constructed. This method takes all capital assets at original costs and escalates them to 2021 dollars (see Table 16).

Table 16. General Government Capital Assets at Cost in 2021 Dollars (in thousands)

Capital Assets	Net	Depreciation	Gross	2021 Dollars
Land and Right-Of-Way	\$ 220,753	\$ -	\$ 220,753	\$ 441,506
Infrastructure	-	-	-	-
Construction	46,068	-	46,068	46,068
Buildings and Capital	429,132	(599,457)	1,028,588	2,049,000
Total Net Capital Assets	\$ 695,953	\$ (599,457)	\$ 1,295,409	\$ 2,536,574
Capital Per FTE	\$ 2,939	\$ (4,106)	\$ 2,939	\$ 14,035

Sources: FY 2020 CAFR. Note: GAI Consultants converted the values to 2021 dollars.

Based on replacing all capital assets in current dollars, new FTEs would be expected to generate capital needs of \$14,035 per FTE (see Table 17). Total impact fees were estimated by applying the Project's total square feet of residential and non-residential uses to an average rate as provided in the County's schedule of fees and services.

Table 17. Calculation of the Project's Annual Capital Expense

	Per FTE	Total
Capital Needs	\$ 14,305	\$ 9,470,000
(less) Total Impact Fees ¹	(5,870)	(3,958,763)
Net Required Capital	8,172	5,511,237
Annual P&I (30 years, 3.5%)	\$ 445	\$ 300,000

Sources: FY 2020 CAFR; GAI Consultants. Notes: (1) Total impact fees for the Project were estimated.

Net capital requirements after deduction of impact fees paid to the County results in a net capital requirement of \$8,172 per FTE. Assuming debt service over 30 years, a 3.5% interest results in an annual impact of \$445 per FTE. This \$445 per FTE is included in the operating and capital costs previously detailed in Table 12.

OTHER FISCAL CONSIDERATIONS

Regardless of the fiscal scenario embraced for policy purposes, the Project generates extraordinary levels of receipts, well above those produced by other properties on average in the County, assuming the Developer's representations are achieved in approximately the time frames estimated or described. Certain resources are exclusively available for the County's use to offset its costs of operations and debt as these were documented in this analysis.

However, noting that the bulk of the analysis centers on the County's own direct and controllable costs and receipts, the Project will also generate significant levels of property tax revenues for other related units of government, largely separate from the County. These are additional resources not otherwise addressed in this analysis but are relevant to a broader policy deliberation addressing this and other new development.

While the detailed analysis does not extend the cost of services for these related bodies, these costs will likely be modest at the margin, certainly

relative to the gain in receipts. For example, it is notable that an estimated \$4.5 to \$7.7 million will be available for use by the Martin County School Board itself on an annual basis going forward. Such sums would be generated by the Project's high value properties that may have limited need for school services.

The table on the following page illustrates what annual total (gross) ad valorem receipts are for all currently recognized millages for each respective taxing authority, without regard to other potential receipts or any corresponding cost of services. Viewed in the aggregate, this information is a limited characterization of the resources created by the Project's full build-out (see Table 18).

As a reminder, the analysis is based on 2021 dollars allowing the output to be manipulated or adjusted for a period(s) different than that described. While the economic benefits for this Project are certainly substantial, it is apparent that the County's fiscal benefits are especially significant.

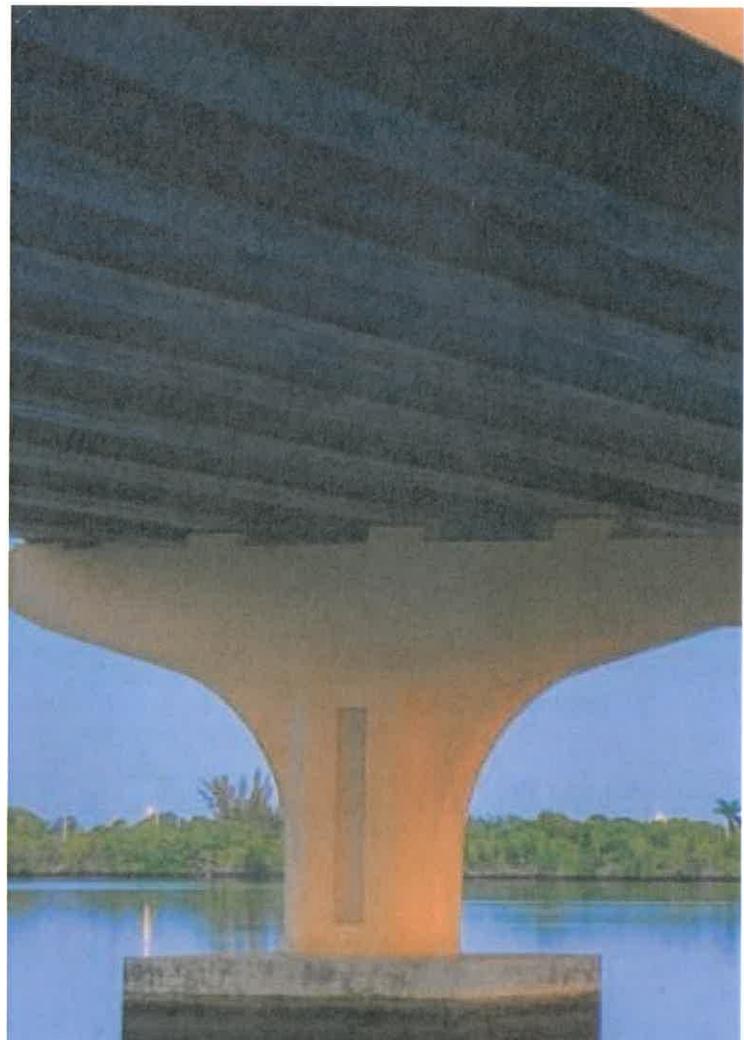
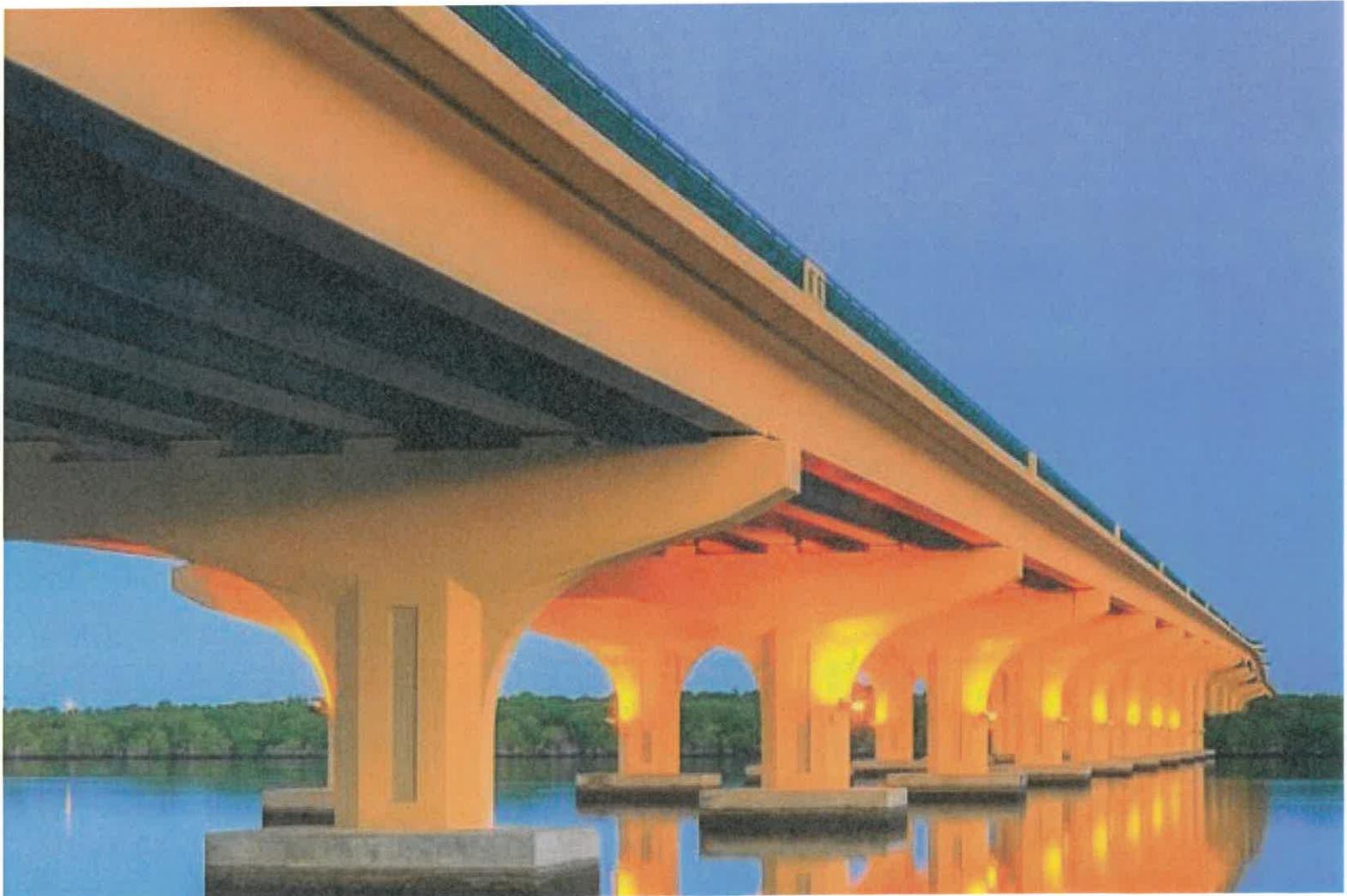


Table 18. Calculation of the Project’s Annual Total (Gross) Ad Valorem Receipts

	Millage Rate ¹	Ad Valorem Receipts at Full Build-Out		
		Low	Moderate	High
County General	6.7934	\$ 4,881,000	\$ 6,028,300	\$ 8,262,600
County MSTUs ²	3.4734	2,495,600	3,082,200	4,224,600
Subtotal	10.2668	\$ 7,376,600	\$ 9,110,500	\$ 12,487,200
District 3 MSTU	0.0582	41,800	51,600	70,800
School Board ³	6.3230	4,543,100	5,610,900	7,690,500
Children Services	0.3618	260,000	321,100	440,000
South FL Water Mgmt. Dist. ⁴	0.2572	184,800	228,200	312,800
FL Inland Navigation Dist.	0.0320	23,000	28,400	38,900
Subtotal	7.0322	\$ 5,052,700	\$ 6,240,200	\$ 8,553,000
Total	17.2990	\$ 12,429,000	\$ 15,351,000	\$ 21,040,000

Sources: FY 2020 CAFR; Martin County Property Appraiser; GAI Consultants. Notes: (1) Rate per \$1,000 of Taxable Value by Municipality. (2) Includes Fire Rescue, Parks & Recreation, Stormwater, and Road Maintenance MSTUs. (3) Includes Local Board and State Law. (4) Includes South Florida Water Management District for Basin, Everglades Construction, and overall District millage rates..



Prepared By:

**COMMUNITY
SOLUTIONS
GROUP**

618 E. South Street Suite 700
Orlando, FL 32801
T 407.423.8398
F 407.843.1070

gaiconsultants.com/communitysolutions