

MEMORANDUM

TO: Cynthia Bowen, REA
FROM: Colin McAweeney, TischlerBise
Carson Bise, AICP, TischlerBise
DATE: August 16, 2022
RE: City of Franklin Infrastructure Financing Strategy

This subtask ultimately will compare the projected capital revenues and capital costs under two scenarios for the Goose Creek Basin study area. Following the FY2022 budget for the City of Franklin, the City captures several growth-related capital revenues that are earmarked for infrastructure projects needed to accommodate that growth. However, there are significant transportation utilities, and other infrastructure needs to provide City standards to the Goose Creek Basin if the area were to be incorporated into Franklin. Shown in the body of the report, there is a funding gap between the revenues for capital projects and the infrastructure needed to support the estimated buildout of Goose Creek. The memo ends by providing infrastructure funding options that will mitigate the estimated funding gap.

The evaluation includes the following components:

1. Assessment of existing infrastructure funding arrangements
2. Funding approach considerations
3. Calculate the capital revenues/capital expenditures/funding gap
4. Recommend infrastructure funding options to bridge the funding gap

It should be noted that TischlerBise relied on the FY2022 City of Franklin Adopted Budget for this evaluation. Additional financial documents were consulted as well.

Existing Capital Revenues

There are five major revenue sources for the City of Franklin with the specific purpose to fund capital infrastructure projects. These projects may benefit the existing residents, but the intent is to offset the new demand generated by growth. A few revenues are narrow in the type of infrastructure that can be funded while others have a broader scope. A brief description of these revenues is provided below while Figure 1 lists the rates used in the revenue projections (FY2022 budget) for the Goose Creek Basin buildout scenarios.

Note: Further details about Franklin's capital and operating revenues can be found in a separate memo *Fiscal Efficiency*.

- **Road Impact Fees:** These one-time fees are collected both from new residential and nonresidential development and funds collector and arterial roadway expansions. The collector fees are programmed with four service areas, while the arterial fees are collected on a citywide basis. The collector service areas allow for more direct benefit to the fee payors and is consistent with the benefit zone of collector roadways, while arterial roadways benefit the citywide transportation network. With that said, the road impact fee study has not been updated since 2017.
- **Parkland and Park Improvement Fees:** Similar to the road impact fees, the goal of these programs is for residential developments to contribute its share of impact to the City's parks and recreation system. Developments may donate land to Franklin for a credit against the parkland portion of the fee. Additionally, there are four service areas in the impact fee program to ensure there is a direct benefit to the fee payors. The parkland and park improvement impact fee studies were last updated in 2019.
- **City Facilities Tax:** This revenue is a special privilege tax that is assessed on new residential and nonresidential development to assist in capturing growth's fair share of new public facilities needed to accommodate the new demand. The City Facility Tax revenue can be used to fund growth-related costs for police, fire, sanitation, and parks & recreation facilities. For example, new equipment and infrastructure projects can be funded through the privilege tax, but replacement of existing infrastructure cannot be funded.
- **Property Taxes:** The City has a specific levy assessed to all properties to service its debt. The bonds and other debt issued only fund capital projects, not operations. Thus, it is included in the fiscal impact analysis since any new projects in the Goose Creek Basin may be debt financed consequently being funded by this revenue source. Additionally, the structure of the revenue and budget allows this revenue to fund capital projects for any City-related infrastructure needs (excluding utilities).
- **Sales Taxes:** In the past, the City has used some of its General Fund sales tax revenue to fund capital projects. However, starting in FY2022 the City of Franklin will be receiving an additional half-cent sales tax (the revenue was previously being collected for the Williamson County School

District). Furthermore, half of the new sales tax is committed to capital projects, replacing the previous General Fund appropriations. Similar to the property tax collected for debt servicing, the sales tax collected for capital projects is able to fund any City-related infrastructure needs (excluding utilities).

Figure 1. City of Franklin Dedicated Capital Revenues

Capital Revenue	Unit	Single Family	Multifamily	Retail	Office
Road Impact Fee	DU or KSF	\$8,251	\$5,233	\$10,878	\$7,802
Parkland Dedication Fee	DU or KSF	\$4,304	\$4,304	-	-
Park Improvement Fee	DU or KSF	\$3,409	\$3,409	-	-
City Facilities Tax	per gross sq. ft.	\$0.89	\$0.71	\$1.18	\$1.18
Debt Service Property Tax [1]	millage rate	16.47	16.47	16.47	16.47
Sales Tax (Capital Only) [2]	tax rate	0.25%	0.25%	0.25%	0.25%

[1] The City's Debt Service Fund provides funding to the previously bonded capital infrastructure projects. It is predominately funded by a specific property tax, along with other capital revenues.

[2] A voter approved half-cent sales tax will be a new revenue to the City of Franklin starting in 2022. The City has dedicated half to capital projects.

- Utility Impact Fees:** The City of Franklin assesses impact fees and tap fees for new connections to its water and sewer systems. The fees are based on the size of the meter, following the increasing capacity of waterflow at larger meter sizes (Figure 2). The fees are used to fund capacity needs including collection, storage, distribution, and treatment of water and wastewater.

Figure 2. City of Franklin Water and Sewer Fees

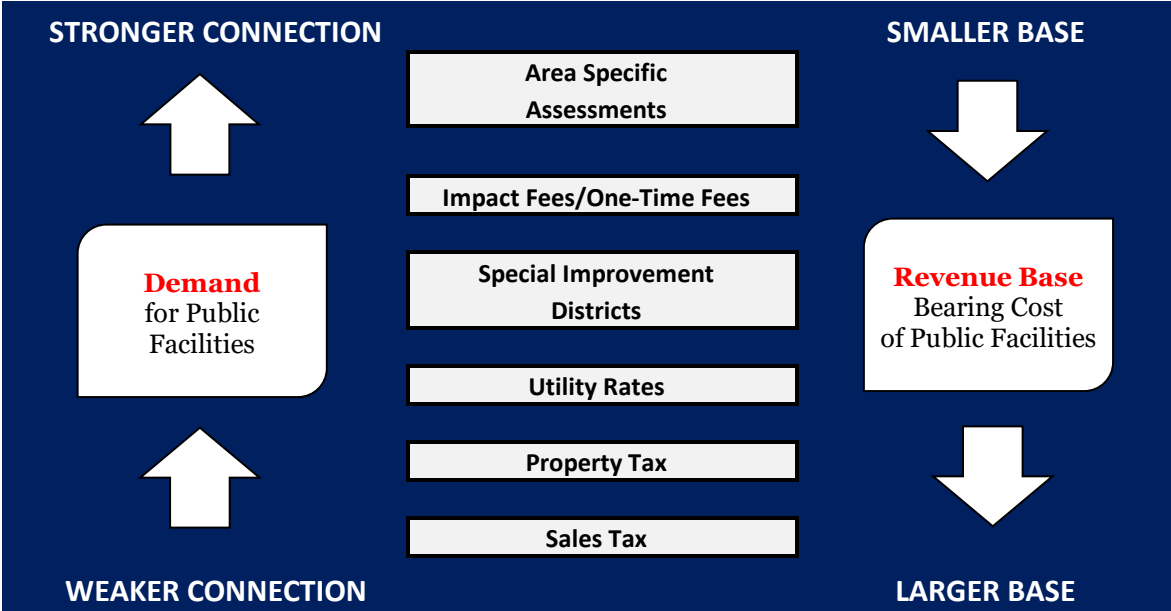
Meter Size	Water				Sewer			
	Water Impact Fee	Tap Already Made	Tap Not Made	Irrigation Meter (plus install)	Sewer Impact Fee	Tap Already Made	Tap Not Made	Effluent Disposal Fee
3/4 inch	\$2,089	\$315	\$756	\$3,150	\$3,544	\$263	\$1,240	\$450
1 inch	\$8,358	\$374	\$897	\$4,725	\$14,175	\$263	\$1,240	\$1,800
1 1/2 inch	\$20,009	\$656	\$1,444	\$6,300	\$34,020	\$263	\$1,240	\$4,320
2 inches	\$26,745	\$1,362	\$2,223	\$7,875	\$45,360	\$263	\$1,240	\$5,760
3 inches	\$58,506	\$1,581	\$3,654	\$9,450	\$99,225	\$263	\$1,240	\$12,600
4 inches	\$83,580	\$2,668	\$5,492	\$11,025	\$141,750	\$263	\$1,240	\$18,000
6 inches	\$200,592	\$4,723	\$7,387	\$12,600	\$340,200	\$263	\$1,240	\$43,200
8 inches	\$250,740	\$10,293	\$14,110	\$14,175	\$425,250	\$263	\$1,240	\$54,000

Funding Approach Considerations

To address infrastructure funding, revenue strategies often cause decisionmakers to wrestle with a tension between two competing desires. As shown on the left side of Figure 3, various infrastructure funding options have a strong to weak connection between the source of funds and the demand for public facilities. For instance, area-specific assessments are based on known capital costs in a specific location and are paid by those directly benefiting from the new infrastructure. In contrast, property tax revenue may be used by a locality to fund infrastructure with little, if any, connection between those paying the tax and the need for capital improvements.

It is unfortunate that the funding options with the closest nexus to the demand for public facilities also have the smallest demand base to bear the cost of the public facilities (see the right side of the diagram). Using utilities as an example, only new utility customers pay capacity fees, which are similar to impact fees. In contrast, all existing customers, plus the new customers that are added each year, pay water/sewer user rate charges. Therefore, the base of utility user charges continues to increase over time, but new customers paying a capacity fee do not accumulate.

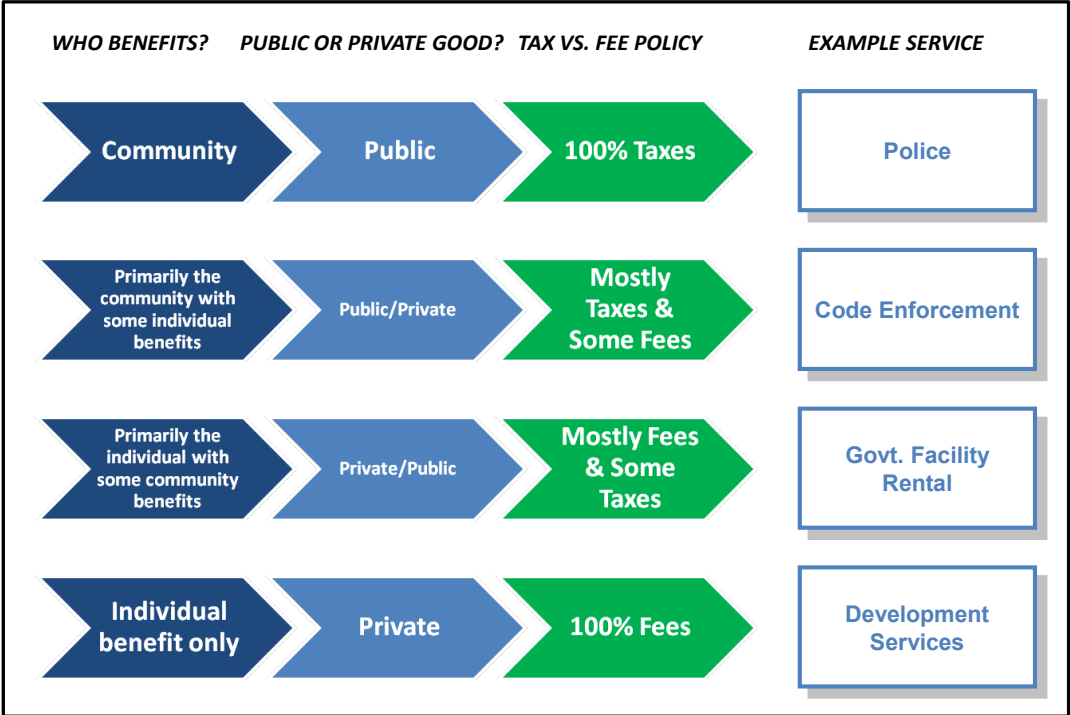
Figure 3. Conceptual Framework for Capital Funding Revenue Strategies



Source: TischlerBise, Inc.

As with capital infrastructure funding, paying for public services offers its own set of tensions. As depicting in the figure below, certain types of services are more appropriate to be funded with general tax dollars because they are a public good and benefit all of a community, rather than an individual (e.g., public safety). At the other end of the continuum, other services can be viewed as more appropriately funded with user fees because the benefit is directly enjoyed by an individual (e.g., development services such as building permits). Still others are a mix of both community and individual benefits and therefore appropriate to be funded with a combination of general tax dollars and fees. Because of these issues, local governments often establish policies regarding acceptable thresholds for cost recovery from fees while considering social and economic factors.

Figure 4. Taxes vs. Fees: Who Benefits and Who Should Pay?



Source: TischlerBise, Inc.

Goose Creek Basin Capital Revenues vs. Capital Expenditures

The following section is broken into three parts. First, there is a discussion regarding the revenues projected in the two growth scenarios. Second, there is a discussion regarding the infrastructure expenditures identified in the Goose Creek Basin study area. Last, the revenues and expenditures are compared to understand funding gaps. To begin the analysis, the 30-year growth scenarios are detailed:

1. Interchange Scenario

- In this scenario, an I-65 interchange is constructed between the Goose Creek Bypass interchange and I-840. This allows for a quicker buildout in the southern portion of the study area and more dense housing styles to be built.
- Overall, there are 1,500 single family homes and 2,879 multifamily homes projected over a 30-year horizon. Based on persons per housing unit factors from the U.S. Census Bureau for the City of Franklin the housing growth will generate 9,305 new residents, an 11 percent increase from the existing population in Franklin.
- Furthermore, 1,508,000 square feet of new nonresidential development is projected. The majority of this development will be office and retail. During stakeholder interviews, there is interest in a small town center with local serving shops and restaurants while the proximity to the interstates is beneficial to office development. Based on employee density factors, a total of 3,972 jobs are estimated from the new nonresidential development (5 percent increase from the existing employment in Franklin).

2. Flyover Scenario

- In this scenario, a flyover is constructed over I-65 between the Goose Creek Bypass interchange and I-840. Although growth in the southern portion of the study area is slower compared to Scenario 1, the flyover still allows for development to occur in the rural area along with connectivity to other areas of Franklin.
- Overall, there are 1,528 single family homes and 1,819 multifamily homes projected over a 30-year horizon. Based on persons per housing unit factors from the U.S. Census Bureau for the City of Franklin the housing growth will generate 7,502 new residents, a 9 percent increase from the existing population in Franklin.
- Furthermore, 1,500,000 square feet of new nonresidential development is projected. The majority of this development will be office and retail. Based on employee density factors, a total of 3,876 jobs are estimated from the new nonresidential development (5 percent increase from the existing employment in Franklin).

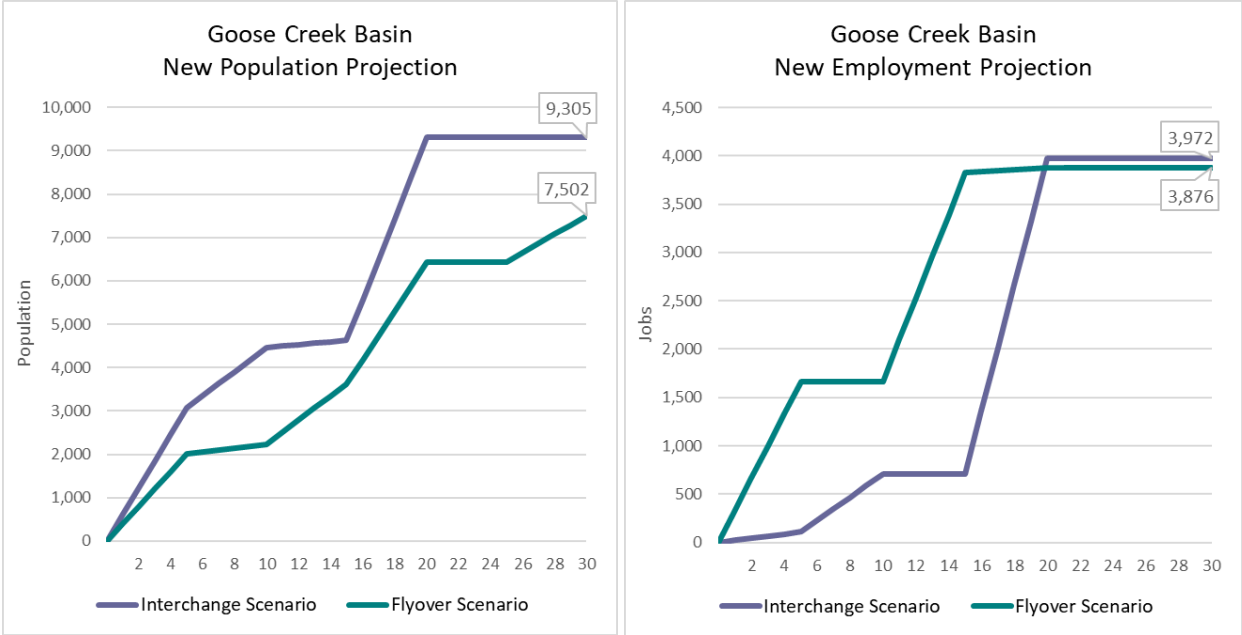
Figure 5. Goose Creek Basin 30-Year Buildout Scenarios

30-Year Development Buildout	Interchange Scenario	Flyover Scenario
Population	9,305	7,502
Increase from 2021 Base	11%	9%
Housing Units		
Single Family	1,500	1,528
Multifamily	2,879	1,819
Total Units	4,379	3,347
Jobs		
Retail	1,502	1,523
Office	2,404	2,259
Expo/Institutional	66	94
Total Jobs	3,972	3,876
Increase from 2021 Base	5%	5%
Square Feet		
Retail	707,609	717,422
Office	738,022	693,523
Expo/Institutional	62,165	89,321
Total Square Feet	1,507,796	1,500,266

Source: REA & TischlerBise analysis

Illustrated in Figure 6 are the population and employment absorption projections for the scenarios. Under the Interchange Scenario residential growth is fully absorbed in 20 years, while under the Flyover Scenario residential growth occurs (at a slower rate) until Year 30. Rapid commercial development in the Interchange Scenario does not occur until Year 15, while in the Flyover Scenario commercial growth is projected to be completed by Year 15.

Figure 6. Population and Employment Absorption Projections



Other Budget and Fiscal Assumptions

The following are a few other noted assumptions for the analysis:

- The fiscal analysis does not include revenues that fund operations nor does it include operational costs to serve the new demand from the growth in the scenarios. There may be an operational surplus from the Goose Creek Basin growth that could supplement capital expenditures. However, the City of Franklin does not regularly increase its tax rates and has recently reduced its property tax levy, so TischlerBise does not anticipate a significant General Fund surplus from the scenarios.
- Water and wastewater capital expenditures in the two scenarios are assumed to be wholly funded by impact fees, tap fees, user fees, and developer contributions. Although it is an important consideration for the feasibility of development in the Goose Creek Basin, these services are operated either through an enterprises fund or a private company. As such, revenues and developer obligations will be scaled in a way that there is no funding gap. Because of this, there is no quantitative analysis of water and wastewater funding needs. Several capital needs are included in the expenditure projection section for this report.
- The rate of inflation is assumed to be zero throughout the projection period; cost and revenue projections are in constant 2022 dollars. This assumption is in accord with budget data and avoids the difficulty of speculating on inflation rates and their effect on specific cost categories. It also avoids the problem of interpreting results expressed in inflated dollars over an extended projection period. In general, including inflation is complicated and unpredictable. This is particularly the case given that capital costs such as contractual and building construction costs increase at different rates. Using constant dollars avoids these issues.
- Similarly, the Fiscal Year 2022 Budget is used to represent a “snapshot” of the City’s current costs and levels of service. In summary, the “snapshot” approach does not attempt to speculate about how services or costs will change over time or whether current levels of service are sufficient or insufficient. Also, home and commercial property values are held constant through the analysis.
- Lastly, it should be noted that while a fiscal impact is an important consideration in planning decisions, it is only one of several issues that should be considered. Environmental and social issues, for example, should also be considered when making planning and policy decisions. The above notwithstanding, this analysis will enable interested parties to understand the fiscal implications of the two growth scenarios for the Goose Creek Basin.

Revenue Projections

The City of Franklin has a number of one-time and on-going revenues associated with development and on-going economic activity. The purpose of this analysis is to understand any potential funding gaps for infrastructure under the growth scenarios. For that reason, only specifically dedicated revenues for capital projects are included in the analysis. Historically, there have been transfers from the General Fund to capital funds. However, the recent addition of a half-cent sales tax and a portion being dedicated to capital projects has brought in more funding for infrastructure needs, so there are no General Fund transfers assumed in the projections.

Listed in Figure 7 are the five capital revenues sources included in the analysis. Based on the buildout projections, the Interchange Scenario is estimated to generate \$126.8 million over the next 30 years for capital projects. The Flyover Scenario is estimated to generate \$109.5 million. Road impact fees are the largest revenue source, while park impact fees and the property tax collected for capital-related debt service are significant as well. The difference in revenue generation stems from the 1,000 additional homes under the Interchange Scenario.

Figure 7. 30-Year Cumulative Capital Revenues

30-Year Capital Revenues				
Goose Creek Basin	Interchange Scenario	%	Flyover Scenario	%
Debt Service Property Tax	\$30,921,287	24%	\$26,524,177	24%
Sales Tax	\$11,018,465	9%	\$12,482,789	11%
Road Impact Fees	\$40,897,726	32%	\$35,341,340	32%
Park Impact Fees [1]	\$33,775,227	27%	\$25,815,411	24%
City Facility Tax	\$10,205,076	8%	\$9,319,955	9%
Grand Total	\$126,817,781	100%	\$109,483,672	100%

[1] Includes the fee-in-lieu for parkland and the park improvement impact fee

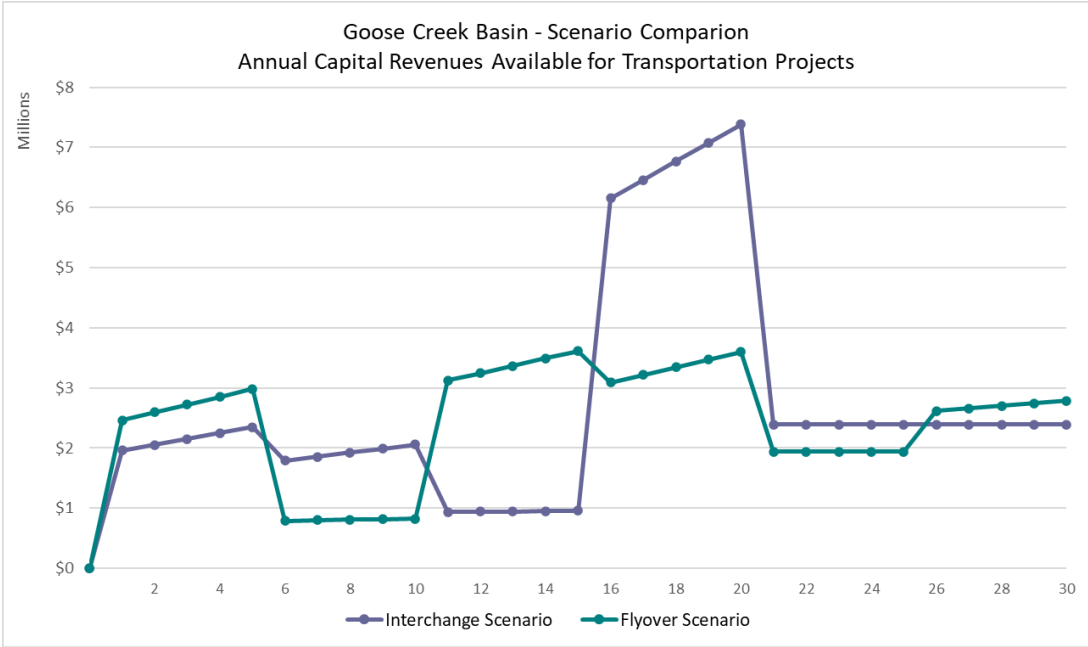
- **Transportation**
 - A critical element to the infrastructure needs in the Goose Creek Basin is the roadway improvements necessary to support the growth. In Figure 8, the three available revenues for roadway construction projects are listed. Over the 30-years, the Interchange Scenario generates \$82.8 million and the Flyover Scenario generates \$74.3 million in future road project funding.

Figure 8. 30-Year Cumulative Capital Revenues – Road Projects Only

30-Year Capital Revenues Available for Road Projects				
Goose Creek Basin	Interchange Scenario	%	Flyover Scenario	%
Debt Service Property Tax	\$30,921,287	37%	\$26,524,177	36%
Sales Tax	\$11,018,465	13%	\$12,482,789	17%
Road Impact Fees	\$40,897,726	49%	\$35,341,340	48%
Grand Total	\$82,837,478	100%	\$74,348,306	100%

- Figure 9 illustrates the annual revenue estimates for transportation projects. In the figure, revenue spikes occur when development and the resulting road impact fees are anticipated to occur under the scenarios. While the property tax for capital-related debt servicing and the dedicated capital sales tax result in consistent annual revenue. In the Interchange Scenario, after buildout the property tax and sales tax generate \$2.4 million annually. In the Flyover Scenario, after buildout the property tax and sales tax generate \$2.1 million annually. Importantly, of the three revenue sources, road impact fees are the only funding source dedicated to roadway expansion. The other two are available to other infrastructure priorities as well.

Figure 9. Annual Capital Revenues Available for Transportation Projects



• **Other Facility Needs**

- For other infrastructure needs (i.e., parks & recreation, fire, police, general government) there are two revenues available to the City of Franklin. The fee-in-lieu option under the parkland dedication program and park improvement impact fees generate \$33.8 million in the Interchange Scenario and \$25.8 million in the Flyover Scenario. The City Facility Tax generates about \$10 million in revenue for both scenarios which is available for police, fire, sanitation, and parks & recreation facilities.

Figure 10. Capital Revenues for Non-Transportation Projects

30-Year Capital Revenues Available for Non-Transportation Projects				
Goose Creek Basin	Interchange Scenario	%	Flyover Scenario	%
Park Impact Fees [1]	\$33,775,227	77%	\$25,815,411	73%
City Facility Tax	\$10,205,076	23%	\$9,319,955	27%
Grand Total	\$43,980,303	100%	\$35,135,366	100%

[1] Includes the fee-in-lieu for parkland and the park improvement impact fee

Expenditure Projections

The following provides capital expenditures for the Goose Creek Basin by infrastructure type.

- **Transportation**
 - In Figure 11 are the identified roadway improvements and expansions needed in the study area under the two scenarios. Although development is different under the scenarios, the same improvements are needed. As a result, both scenarios require \$217.6 million in transportation capital costs. The City does not anticipate any outside funding for these projects.
 - Additionally, the Interchange Scenario is anticipated to have further roadway costs associated with the new I-65 interchange. However, those cost have yet to be determined and because of the nature of the project at least a portion is anticipated to be funded by the state or federal government.

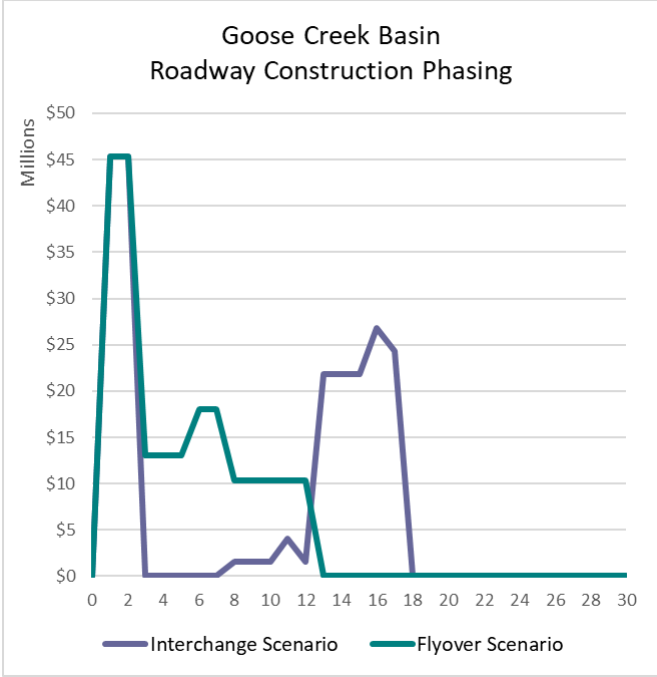
Figure 11. Goose Creek Basin Transportation Needs

30-Year Transportation Needs				
Goose Creek Basin	Interchange Scenario	%	Flyover Scenario	%
Goose Creek Bypass (SR-248) Extension	\$20,000,000	9%	\$20,000,000	9%
Peytonsville Road	\$23,900,000	11%	\$23,900,000	11%
Carothers Parkway	\$9,500,000	4%	\$9,500,000	4%
Long Lane Overpass	\$36,800,000	17%	\$36,800,000	17%
Goose Creek Bypass (SR- 248) Extension	\$9,200,000	4%	\$9,200,000	4%
Pratt Lane Improvements	\$7,800,000	4%	\$7,800,000	4%
I-65 Interchange Connector Road	\$51,700,000	24%	\$51,700,000	24%
Carothers Parkway (South Extension)	\$38,700,000	18%	\$38,700,000	18%
Intersection Improvements	\$20,000,000	9%	\$20,000,000	9%
Grand Total	\$217,600,000	100%	\$217,600,000	100%

Note: The Interchange Scenario is anticipated to have further roadway costs associated with the new I-65 interchange. However, those cost have yet to be determined and because of the nature of the project at least a portion is anticipated to be funded by the state or federal government.

- The phasing of the transportation projects varies between the scenarios though. Illustrated in Figure 12, both scenarios have significant costs in the first several years. Under the Interchange Scenario other significant costs do not occur until Year 13 through Year 17. While all of the transportation capital costs in the Flyover Scenario occur in the first half of the projection period and new roadway construction is completed by Year 12.

Figure 12. Transportation Project Phasing



- **Other Facility Needs**
 - Although no specific capital projects have yet to be identified in the Goose Creek Basin for Parks & Recreation, the City of Franklin may need to provide new facilities to new residents in the two scenarios. As examples of similar projects, Figure 13 lists two park projects adjacent to the Goose Creek Basin area. These park projects can carry significant costs, such as the Southeast Recreation Complex which is estimated to cost \$40 million.

Figure 13. Example of Other Capital Costs

Potential Other Capital Need Examples	
Parks & Recreation Projects Near Goose Creek Basin	Construction Cost Example
Southeast Recreation Complex - Design	\$40,000,000
Robinson Lake Dam & Park - Design	\$8,700,000

- **Utilities**
 - As mentioned, this analysis assumes that all capital costs will be offset by fees, rates, and developer contributions, so a funding gap is not anticipated. With that said, the water provider in the Goose Creek Basin, Milcofton, does anticipate significant infrastructure improvements needed to support the growth scenarios. In both cases, an additional water tank would be necessary along with upsizing the distribution lines throughout the area. Although not detailed for this report, similar sewer infrastructure projects would be necessary as well.

Funding Gap Analysis

The following identifies potential funding gaps for transportation and other infrastructure needs in the Goose Creek Basin.

- **Transportation**
 - By comparing the dedicated revenues (road impact fees) and other capital revenues that would be available for transportation projects (capital-related property tax and sales tax) to the 30-year capital cost for transportation infrastructure in Goose Creek Basin the funding gap is founded. Listed in Figure 14 there is a \$134.8 million transportation funding gap in the Interchange Scenario and a \$143.3 million transportation funding gap in the Flyover Scenario.

Figure 14. Transportation Funding Gap

30-Year Transportation Fiscal Impact		
Goose Creek Basin	Interchange Scenario	Flyover Scenario
Available Capital Revenue	\$82,837,478	\$74,348,306
Transportation Capital Costs	\$217,600,000	\$217,600,000
Net Transportation Fiscal Impact	(\$134,762,522)	(\$143,251,694)

- The next two charts depict capital revenues available for transportation funding, transportation capital costs, and the cumulative funding gap. In both scenarios, the funding gap is the biggest midway through the 30-year projection period. However, the gap gradually gets smaller in the out-years of the projections since construction has been completed and the debt service property tax and dedicated sales tax are annually collected on the new development in the study area.
- As mentioned, after buildout, the Interchange Scenario generates a reoccurring stream from the capital-related property tax and sales tax of \$2.4 million annually while the Flyover Scenario generates \$2.1 million annually. Although these revenues are significant, holding the amounts constant, the funding gap would be closed in 55 years under the Interchange Scenario and 65 years under the Flyover Scenarios.

Figure 15. Cumulative Transportation Funding Gap – Interchange Scenario

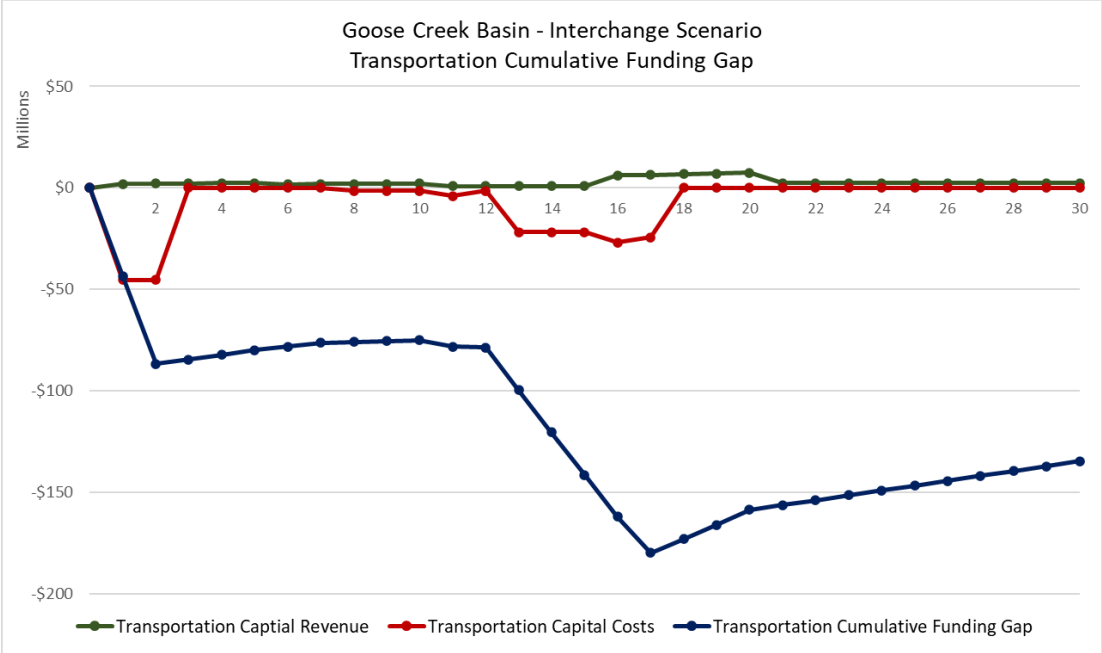
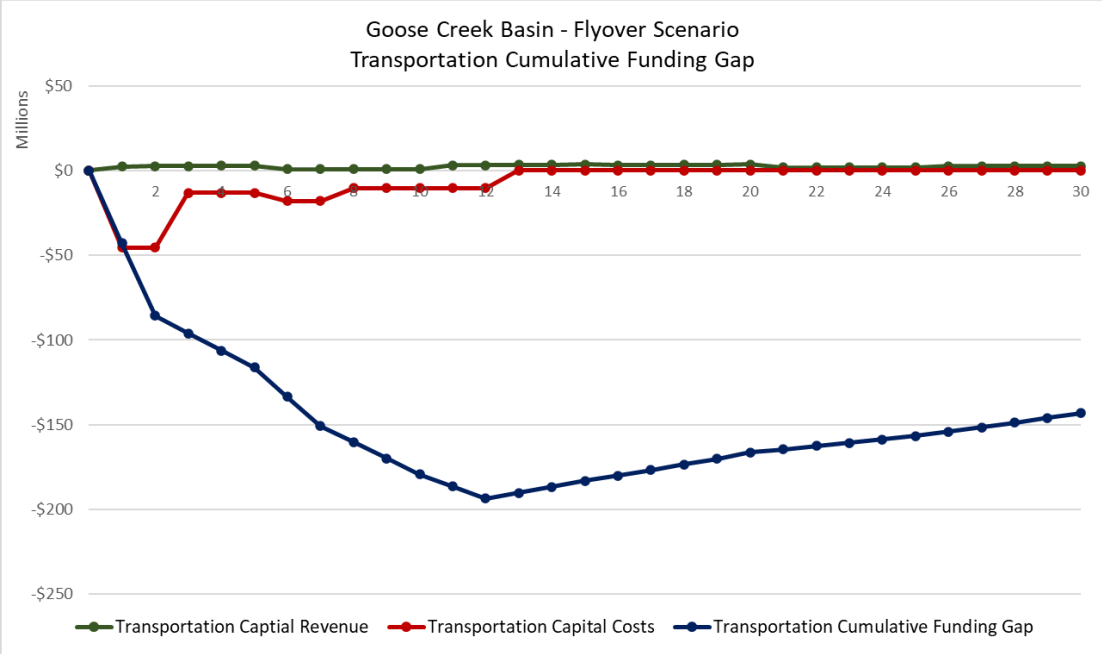


Figure 16. Cumulative Transportation Funding Gap – Flyover Scenario



- **Other Facility Needs**
 - Based on the 13,277 new residents and jobs projected in the Interchange Scenario and 11,378 new residents and jobs projected in the Flyover Scenario, the City of Franklin should anticipate additional non-transportation capital infrastructure needs in the Goose

Creek Basin area. Although these needs have yet to be identified, recent examples are the \$40 million estimate for the Southeast Recreation Complex. The park impact fees generate \$33.8 million and \$25.8 million, so TischlerBise anticipates the funding gap for new Parks & Recreation facilities to be significantly less compared to the transportation analysis. Furthermore, the City Facility Tax could potentially bridge that Parks & Recreation gap or provide funding for other public safety facilities.

- **Utilities**

- As mentioned, this analysis assumes that all capital costs will be offset by fees, rates, and developer contributions, so a funding gap is not anticipated. However, to fund the needed water and wastewater improvements adjustments to fees and rates may be necessary along with significant contributions from the development community stakeholders.

Potential Revenue Sources/Funding Strategies

This section of the report provides potential revenue sources and strategies available to the City to address infrastructure needs and revenue gaps. It should be noted that this is not a legal analysis, which should be conducted prior to pursuit of the sources discussed below. Also, this discussion is focused on additional local revenue sources. Other sources of funding may be available from the state/federal government or grants. This is especially the case for the construction costs associated with roadway expansion for the flyover or interchange project at Interstate-65. Sources and strategies identified are:

- **Increase Existing Taxes and Dedicate the Proceeds**
 - This strategy is currently being deployed by the City under the debt service property tax, dedicated sales tax, and City Facilities Tax. With significant capital improvement needs to accommodate growth including the Goose Creek Basin development, the use of a broad-based revenue source such as the property tax rate is a desirable strategy and should be a priority for further exploration. Furthermore, property tax revenue typically is a more stable revenue than sales tax, providing more confidence in future capital planning.

- **Growth-Related Revenues**
 - The current transportation impact fee was updated five years ago which is the recommended timeframe for updating a fee study. The update would reevaluate assumptions, methodologies, and costs, thus TischlerBise recommends that the City of Franklin begin pursuing necessary resources for a study update. In addition, this would allow the City to address specific needs in the Goose Creek Basin service area and multimodal infrastructure.
 - The current parkland and park improvement impact fee studies was last updated in 2019. Although more recent than the transportation impact fees, the City's Comprehensive Park and Recreation Master Plan was adopted in 2015. TischlerBise recommends that Franklin prepares to begin the updating process of both documents.
 - Similarly, the City Facilities Tax was last updated in 2015 and right-sizing the rates to match growth-related costs would benefit the City of Franklin and the overall tax base. For example, especially recently, construction costs have escalated to a level where communities are seeing construction projects triple in costs over just a few years.
 - Additionally, TischlerBise recommends that the City adopt an inflationary factor in its impact fee ordinance. This element would allow the impact fees to be adjusted annually based on the approved index (i.e., ENR's construction cost index or the CPI). Although in some cases local costs accelerate faster than national averages, such policies would help mitigate revenue gaps during the interim years between the comprehensive study updates.

- As mentioned, under the existing policies Franklin is collecting impact fees for transportation, park, water, and sewer infrastructure. Additionally, the City Facilities Tax aims to offset growth-related costs for police, fire, sanitation services. However, an impact fee for public safety facilities may better capture the needed revenues compared to the City Facilities Tax and establish a nexus between one-time infrastructure needs and one-time revenues. Thus, TischlerBise recommends Franklin explore expanding the infrastructure categories that are included in the impact fee program.

- **Expand Densities in Goose Creek Basin**
 - Based on interviews with City staff and the consultant team, many of the infrastructure projects identified are necessary to support a range of growth in the Goose Creek Basin area. In other words, the transportation and utilities expansions identified have additional capacity even after the full buildout of the two scenarios. Thus, it can be assumed that the long-term infrastructure costs are rather inelastic and have the ability to absorb greater demand and densities than presently planned. If capital costs are considered fixed in most areawide development scenarios, more growth will generate more capital revenues for the City, bridging some of the funding gap found in this analysis. Thus, TischlerBise recommends exploring the potential for expanding land uses with higher density housing styles. Conversely, there may be a scenario where growth is drastically reduced and many of the infrastructure needs are not necessary.

- **Tax Increment Financing**
 - Tax increment financing (TIF) in general uses increases in property or sales tax revenue from new development or redevelopment within a geographic subarea of a jurisdiction to help pay for improvements that serve that area. The incremental increase in revenue is earmarked for infrastructure improvements needed in that same geographic subarea. Throughout the lifetime of the TIF district, the tax contributions from the properties in the district remain at the original “baseline” amounts. Meanwhile, the increases in tax revenue due to the increment increase in value of the “baseline” tax assessments is deposited in the TIF fund, which pays for the necessary infrastructure improvements.
 - The City of Franklin established a TIF district for the Cool Springs area which has been able to provide consistent revenue to further infrastructure improvements in the area. Such strategy can result in a snowball effect, where the new infrastructure spur further development generating further revenue for additional improvements. In FY2024, the Cool Springs TIF is anticipated to sunset and begin contributing to citywide revenue. Conservatively, the annual revenue is estimated to be \$2.5 million in property tax that will be available for citywide operations and capital projects. Given the success of the Cool Springs TIF, this approach may be supported in the Goose Creek Basin area.

- **Special Assessment/Benefit Districts**

- Similar to tax increment financing, special assessment/benefit districts are subareas of the jurisdiction created by a local government to provide one or several specific public services or improvements. These districts are generally created to link costs and benefits resulting from new or upgraded infrastructure. Infrastructure improvements may be bond financed and paid back over time by the benefiting property owners, usually through special assessments and/or fees. Generally, special benefit districts are easier to implement in areas where relatively few property owners control large tracts of land.
- As an example, the City of Fargo, ND has a long history of successful special assessments (also known as “specials”). There are four general stages of specials in Fargo. First, the development is proposed with an infrastructure plan included. If accepted, the City determines which infrastructure costs are directly benefitting the new residents of the development and which costs are benefitting citywide demand. The special assessment district is established along with the locally benefitting projects being constructed and funded through a city-secured bond. Lastly, the bond is paid back by the future homeowner’s annual property assessments. Ultimately, the City of Fargo absorbs the risk since the infrastructure costs are fronted by the City when bonds are issued. However, more homes are able to be constructed by local developers and the City has been strategically financing the accrued debt and able to mitigate some of the risk with revenue from interest rate margins.