



# ECONOMIC IMPACT OF HONEYBEE DEVELOPMENT

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## EXECUTIVE SUMMARY

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Honeybee is a proposed residential development that would be located in the unincorporated area of St. Tammany Parish (“the Parish”), located in the New Orleans-Metairie-Hammond combined statistical area. The development would include 965 homes, as well as other amenities for residents. Home prices would range from \$200,000 to \$350,000. The developer would manage a Community Development District (CDD) for the development, which would include building and maintaining roads and accompanying drainage. The purpose of this analysis is to project the various economic, tax, and job impacts of the proposed Honeybee development on the St. Tammany Parish.

The analysis is based on estimated value of proposed homes, projected income of new residents, spending patterns of current St. Tammany residences, and multiplier effects associated with new residential construction. The analysis does not include any sales tax impact based on construction, which would likely be significant. This means that the actual economic and tax revenue impact of Honeybee is even higher than the data below suggests.

- The Parish would benefit from at least **\$2,500,000 in new annual residential property tax collections** once the full development is complete.
- The Parish will receive more than **\$2,100,000 in drainage and traffic impact fees** from the Honeybee development.
- The proposed CDD will provide approximately \$178,980 in cost saving to the parish in annual road maintenance.
- New residents would account for over \$79,600,000 in new gross income, which benefit existing businesses and increase local sales tax revenues – based on typical spending patterns, this would translate into \$62,900,000 in annual disposable income.
- Based on regional spending habits and projected disposable income, the development projects to **add \$940,000 in annual new sales tax collection** in the Parish.
- The increase in population and disposable income would generate more than \$22,100,000 in spending in retail and restaurants, which would translate into nearly a million dollars in annual sales tax revenues.
- The Honeybee development would lead to approximately **483 new permanent jobs in the region**.
- Overall, the project projects to **drive increased property and sales taxes by approximately \$3,440,000 in annual new revenues**, in addition to the **\$2,100,000 in impact fees it will generate** for the Parish.

## IMPACT OF HONEYBEE ON ST. TAMMANY

### Property Tax Impact

Direct property tax of the new homeowners is one of the most significant benefits of Honeybee for the Parish. Since the development will feature homes in a wide price range, from \$200,000 to \$350,000, for the sake of this analysis we will use the median price of \$275,000 per home. Based on this median price and the projected median range of 965 new homes, this would add \$265.4 million of residential property to the tax rolls.

However, based on existing housing patterns in the Parish, nearly all of these homes will be owner-occupied, meaning that the \$75,000 homestead exemption will apply. This lowers the total value to be taxed to \$193.0 million<sup>1</sup>. Apply an approximate average rate of 130.0 mills levied by St. Tammany to this value, and the Parish stands to receive \$2,509,000 in annual new property taxes.

Average Price	After Homestead	# of Homes	Average Millage	Annual New Collection
\$275,000	\$200,000	965	0.013	\$2,509,000

This new revenue, coupled with the savings to the Parish from the CDD maintaining much of Honeybee's infrastructure, would be a financial boon to St. Tammany.

### Consumer Spending

Based on an analysis of percentage of gross income spent on housing, as well as local interest and property tax rates, the median household income for someone purchasing a \$275,000 home would be approximately \$82,500. After taking housing costs out, this leaves approximately \$65,175 in disposable income per family. Based on existing spending patterns in St. Tammany the following is a projected breakdown of major areas of spending<sup>2</sup>.

Spending Type	Percentage of Income	New Annual Spending
Transportation	11.6%	\$7,296,400
Healthcare	8.2%	\$5,157,800
Groceries	6.8%	\$4,277,200
Restaurants	4.7%	\$2,956,300
Entertainment & Recreation	4.2%	\$2,641,800
Charity/Non-Profit	3.2%	\$2,012,800
Furniture/Home Goods	2.9%	\$1,824,100
Apparel/Clothes	2.6%	\$1,635,400
Bar/Pub	0.8%	\$7,296,400

To the extent that these expenditures take place within St. Tammany, they not only drastically increase potential spending at local businesses, but also serve to further augment Parish revenues through sales tax.

<sup>1</sup> \$193.0 million in actual value would translate to \$19.3 million in assessed value.

<sup>2</sup> Esri forecast for 2020, based on 2017 and 2018 Consumer Expenditure Surveys, BLS

## Impact Fees

In addition to property tax revenues, the Parish will receive impact fees as a result of the development. In terms of drainage, which has a fee of \$1,114 per lot, the Parish will derive \$1.1 million in upfront impact fees. The development will drive revenue for traffic impact fees as well. Those fees are \$1,077 per lot, which accounts for just over \$1.0 million in revenue. Altogether, these to impact fees account for over \$2.1 million in additional revenues for the Parish.<sup>3</sup>

## Sales Tax Impact

The Honeybee project would add a significant amount of new disposable income to St. Tammany's population, which would increase the purchase of goods in the Parish, leading to a notable increase in sales tax revenues. Based on consumer spending habits<sup>4</sup>, it is possible to predict which industries would see the greatest increase in spending based on the size of the development, as well as how much potential sales tax collections would increase.

Industry Group	Estimated Spending	Potential Sales Tax Revenues
Restaurants	\$3,741,788	\$159,026
Entertainment and Recreation	\$3,343,725	\$142,108
Drinking Establishments	\$636,900	\$27,068
Housekeeping Supplies	\$796,125	\$33,835
Household Furnishings	\$2,308,763	\$98,122
Transportation	\$9,235,050	\$392,490
Apparel/Clothing	\$2,069,925	\$87,972

This analysis indicates that the select industries above would see a \$22.1 million increase in spending due to new consumer spending. Based on the Parish's 4.25% average sales tax, this would translate into \$940,000 in sales tax collections in these industries alone. The industries mentioned above are just a sampling of those which will definitively drive increased sales tax revenues – the development would also increase spending in retail such as grocery stores, as well as service sector jobs like doctors and attorneys, which don't necessarily generate sales taxes.

## Cost-Savings of the Proposed Community Development District

In order to ensure the development has high-quality infrastructure, the developers will create and maintain a Community Development District for the 965 planned homes. The CDDs work will include maintenance that will provide annual cost-savings to St. Tammany. In the state of Louisiana, it costs approximately \$24,285<sup>5</sup> in maintenance dollars per mile of road. Considering the 7.37 miles of road that will be built for the development maintenance will be nearly \$178,980 annually for the CDD. These costs include all drainage costs associated with roadways as well.

## Jobs Impact<sup>6</sup>

A large-scale residential development such as Honeybee would also have a significant impact on job growth in the region beyond the initial construction. According to a study by the National Association of Realtors, based

<sup>3</sup> There will not be impact fees for water or wastewater, as the development will build and maintain its own infrastructure for those utilities.

<sup>4</sup> Esri forecast for 2020, based on 2017 and 2018 Consumer Expenditure Surveys, BLS

<sup>5</sup> Reason Foundation, 2018

<sup>6</sup> This analysis does not include any jobs related to the construction of the development

on the residential real estate multiplier, the sale of two homes annually results in about one job. Each home sale generates about \$60,000 of GDP for a regional economy because of revenues to real estate industries, related industries like furnishings and gardening, and new home construction inducement. In the US, on average, there is about \$113,000 in GDP for each payrolled worker – so for every two homes sold, the GDP created accounts for just over one new payrolled worker. Based on the projected 965 homes in the development, this impact would create about 483 jobs in the St. Tammany area. These induced jobs are all in addition to the construction jobs related to the original development.

## SUMMARY OF IMPACTS

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The Honeybee Development would bring approximately 965 new residential homes to St. Tammany, which would lead to an increase in population, tax revenues, and collective disposable income. The \$2,500,000 in new property tax revenue would have a notable impact on the Parish's budget, as well as the \$178,980 in annual operational and maintenance spending the proposed CDD will save the Parish. The development will also mean more than \$2,100,000 in revenue from drainage and traffic impact fees. In addition, the rise in population with above-average median household income will lead to increased consumer spending, which will not only aid local businesses attempting to recover from a pandemic and hurricane, but will also lead to an increase in sales tax collections of close to a million dollars annually. Overall, the project projects to **drive increased property and sales taxes by approximately \$3,440,000 in annual new revenues**, in addition to the **\$2,100,000 in impact fees it will generate** for the Parish.

### About the Baton Rouge Area Chamber

The Baton Rouge Area Chamber is an economic development organization with a footprint of the nine parishes in Louisiana's Capital Region. The organization's research team regularly engages in economic modeling and impact analyses for businesses in a number of industries, such as manufacturing, technology, healthcare, logistics and transportation, retail, utilities, and others. These findings have been presented to a number of local and state governmental entities throughout Louisiana.