

**THE ECONOMIC AND FISCAL BENEFITS OF
BALANCED DEVELOPMENT IN THE CITY OF OAK
POINT, TEXAS**

Prepared for the City of Oak Point by

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I. Introduction: An overview of the City of Oak Point

Oak Point (Texas), located in southeast Denton County, was incorporated in 1976 and currently encompasses a land area of 5.7 square miles. As a Type A General Law City, Oak Point’s extra territorial jurisdiction (ETJ) extends one-half mile beyond the city limits. In 2000, according to the U.S. Bureau of the Census, Oak Point’s population was 1,747. However, more recent estimates by the North Central Texas Council of Governments (COG) put the city’s current population at 2,050. Located on the northern perimeter of the nation’s fastest-growing large metropolitan area, Oak Point is projected by the COG to reach a population of 5,689 residents in 2020 and 10,438 in 2030.

With a median age of 35.6, Oak Point boasts a well-educated and affluent population. About 92 percent of all residents have graduated from high school, and nearly 40 percent possess bachelor’s degrees or higher. In 1999, median household income for Oak Point residents was \$79,180, well above the regional, state, and national medians (see Table 1).

Table 1
Median Household Income (1999)

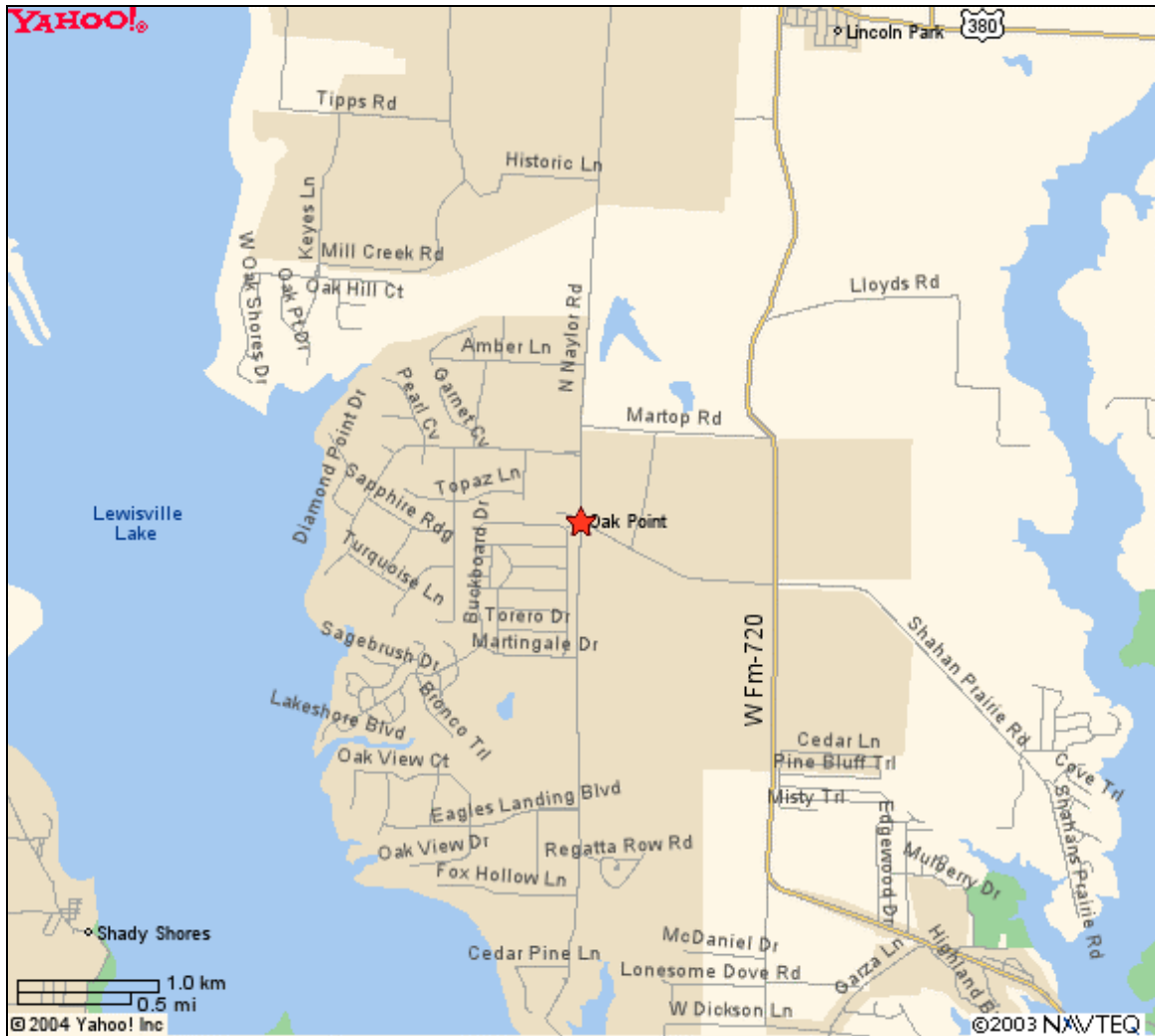
Area	Median Household Income
City of Oak Point	\$ 79,180
Denton County	58,216
State of Texas	39,927
United States	41,994

Source: U.S. Bureau of the Census

Despite rapid population growth in recent years, Oak Point maintains its rural character. The built-up part of the city is located west of Naylor Road in neighborhoods characterized by ranch-style homes on fairly large lots (see Figure 1). A number of residential properties also front on Lake Lewisville and have water access. East of

Naylor Road, Oak Point is dotted with farms, ranches, and plats for future residential development. At present, Oak Point includes no commercial, retail, or industrial structures. City government buildings, parks, and churches are the only other current land uses.

Figure 1



Source: maps.yahoo.com

Because of a lack of commercial and industrial activity, virtually all of the city's own source revenue comes from the residential property tax, which is currently 0.599 per \$100 of valuation. This is one of the highest tax rates among cities in Denton County

(see Table 2). Oak Point also collects a small amount of sales tax revenue from home-based businesses and local telecom providers.

Table 2
Property Tax Rates for Selected Denton County Municipalities

Municipality	Tax Rate Per \$100 Valuation
Little Elm	0.3575
Roanoke	0.3751
Argyle	0.4097
Justin	0.4297
Trophy Club	0.4305
Flower Mound	0.4497
Pilot Point	0.4633
Hackberry	0.5060
Highland Village	0.5696
Sanger	0.5926
Oak Point	0.5990
Lake Dallas	0.6319
The Colony	0.7200

Source: Denton County Appraisal District

Against this backdrop, the leadership and citizens of Oak Point have expressed a desire to encourage some commercial development in the city. For example, in a recently completed citizens’ survey conducted by the University of North Texas Survey Research Center, respondents indicated a strong interest in bringing a supermarket to Oak Point so they don’t have to drive long distances for food shopping. While providing convenience to Oak Point residents, a supermarket (and other retail establishments) would also bring new property and sales tax revenues to the city and help to hold down the residential tax burden.

In what follows, we identify the businesses that make the most sense for Oak Point and also calculate the economic, employment, and fiscal benefits that would attend

business development in the city. But first, we look at the experience of other Metroplex cities that have witnessed rapid growth over the past decade.

II. How other small cities have developed in recent years across the Metroplex

Since 1990, Dallas-Fort Worth has been the fastest-growing major metropolitan area in the nation, adding about 1.4 million residents and 600,000 jobs. Most of this growth has occurred in the northern suburbs of the Metroplex, and projections by the Texas State Data Center and the COG indicate growth will continue along its northern vector for the foreseeable future.

A brief summary of the development paths of several of the fast-growing suburbs follows:

A. Little Elm

Little Elm was incorporated in 1966 by a vote of 37 to 34. The following year, a “disincorporation” vote was held, but the measure failed by 28 votes. Today, Little Elm’s population is about 14,000, up 25 percent from a year ago. In response to rapid population gains and accommodating zoning, commercial and retail development have accelerated in recent years. Retail and commercial development have taken off in Little Elm with low-rise office, food stores, gas stations, and fast food outlets. This explosion of non-residential development helps explain why Little Elm’s property tax rate is only .3575, nearly 40 percent lower than that of Oak Point.

B. Lake Dallas

The City of Lake Dallas was incorporated in 1965 after a nine-year battle among local residents. At the time, the city's population was about the same as Oak Point's today. By 1980, Lake Dallas' population had jumped to 3,177, and today the city records about 6,600 residents.

At present, Lake Dallas has seen limited retail or other commercial development. But the planned toll bridge that will connect Lake Dallas with Little Elm, and the expected growth in traffic, is already stimulating retail investment. In particular, Lake Dallas is planning for 16,000 square feet of new retail space as part of its downtown Market Square project. The city hopes to reduce its current tax rate of .63185 once the Market Square development is completed.

C. The Colony

The Colony is a young city, having been incorporated in 1977. Its population has tripled since 1980 and now exceeds 35,000. The city's geographic size, at 13.7 square miles, is about twice that of Oak Point. Until recently, The Colony was almost exclusively a bedroom community. Most of the dwellings are "starter homes" with low valuations. Thus the city property tax rate is relatively high, at .72 per \$100. However, over the past several years the city has aggressively courted commercial development, especially along SH 121.

Today, food stores, restaurants, fast food outlets, Home Depot, Wal-Mart, and liquor stores are found in The Colony. Though the property tax rate has not yet been reduced, these new retail establishments are generating substantial sales tax revenues for the city that should eventually lead to a lowering of the property tax rate.

D. Argyle

The City of Argyle is a rural community very much like Oak Point. But because of strict growth limits, including large minimum lot requirements, the city's population has increased only modestly—from 1,575 in 1990 to 2,750 today. Like Oak Point, Argyle residents have a high median household income (\$91,161) and most live in large dwelling units located on substantial acreage.

Argyle residents have indicated they don't want any significant commercial development. Little revenue is collected from retail sales. But because the homes are so large and valuations so high, the city manages to get by with a tax rate of .40966.

E. Sachse

Sachse is a small but fast-growing city in northeast Dallas County. From a population of 5,345 in 1990, the city's population has jumped to 14,450 today. Four years ago only six percent of Sachse's certified tax roll was commercial, and consequently, the tax rate was quite high at .63 per \$100. But over the past few years Sachse has aggressively pursued commercial development along SH 78 (Lavon Rd), adding a number of retail establishments including a Kroger supermarket. Since 2001, sales tax receipts have more than doubled, and Sachse has been able to reduce its property tax rate to .558.

These examples clearly indicate that small and fast-growing suburbs and exurbs in the Metroplex have been well served by broadening their tax bases to include commercial development—especially retail. As the property tax burden is spread across

new ratables, and the cities pull in new sales tax revenues, ad valorem tax rates invariably fall.

III. Targeting opportunities for business development in Oak Point

At present, the City of Oak Point has no commercial tax base and collects only a small amount in sales taxes. This also means that virtually all of the spending by Oak Point residents occurs outside the city, helping to support jobs and pay the taxes in other communities.

Because it is a young city with plenty of developable land, Oak Point has a unique opportunity to create a commercial district. The logical location would be along FM 720 on the east side of town. FM 720 is the primary north-south artery connecting the City of Denton and US 380 with Little Elm, Frisco, and other fast-growing communities in Denton and Collin Counties. Traffic along this artery will increase dramatically once the bridge is completed across Lake Lewisville that will tie FM 720 to Interstate 35E.

To ascertain the best business prospects for the FM 720 corridor, a two-step analysis was undertaken. First, we consulted the IMPLAN Input-Output model for Cooke County developed by the Minnesota IMPLAN Group to ascertain those industries where local demand was much greater than local supply. Though Oak Point is not located in Cooke County, its population and rural market characteristics are more like those of Cooke than Denton County. The data in this model are derived from national business surveys and estimation models prepared by the U.S. Department of Commerce and adjusted for local (county) economic characteristics. The model also allows us to estimate the economic value and employment associated with a given level of industry

activity. The IMPLAN model is widely used in academic and professional settings for economic impact modeling.

We then refined the list of candidate businesses based upon the recently conducted survey of Oak Point residents. The following types of businesses appear to be both feasible and desirable for the City of Oak Point:

- General merchandise stores
- Food and beverage stores
- Gasoline stations
- Food services and drinking establishments
- Real estate
- Finance and insurance
- Arts, entertainment and recreation
- Professional, scientific and technical services

Each of these types of businesses could be easily located along FM 720 in either strip centers or free-standing pad sites.

IV. Economic and fiscal impacts from commercial development in Oak Point

In what follows, we look at the employment, payroll, and tax impacts for the City of Oak Point that would attend establishment of one business in each of the eight categories listed above somewhere along FM 720. We rely on the IMPLAN Input-Output model for Cooke County to ascertain the probable size of each establishment and the Bureau of Labor Statistics to estimate average expected earnings. The results are summarized in Table 3.

Table 3
Potential Employment and Payroll along FM 720 in Oak Point

	Average Number of Employees per Establishment	Average Payroll per Employee	Total Payroll
General merchandise stores	75	\$20,870	\$1,565,250
Food and beverage stores	19	22,060	419,140
Gasoline stations	7	19,120	133,840
Food services and drinking establishments	18	17,950	323,100
Real estate	5	34,100	170,500
Finance and insurance	7	46,790	327,530
Arts, entertainment and recreation	5	27,000	135,000
Professional, scientific and technical services	4	56,390	225,560
<i>Total</i>	<i>140</i>		<i>\$3,299,920</i>

Source: IMPLAN and Bureau of Labor Statistics. Earnings are in 2003 dollars.

Assuming that only eight businesses locate along FM 720, we estimate 140 full-time-equivalent jobs would be created. Employment at this level would generate about \$3.3 million in annual payroll and represent almost \$7.4 million in annual economic activity. Based on land use models created by the Center for Economic Development and Research, this level of activity would require about 93,500 square feet of retail, commercial, and office space. We estimate this development would have a taxable property value of almost \$11.6 million including land, improvements, and business personal property (see Table 4). Total taxable retail sales are estimated to be \$21.8 million per year. These establishments would produce about \$69,000 of annual property tax revenue and perhaps \$200,000 in new sales tax collections for the City of Oak Point at current tax rates.

Table 4
Economic and Fiscal Impacts of Potential New Businesses

Description	Impact
Commercial, retail, office space	93,500 square feet
Total direct economic activity	\$ 7,392,000
Total taxable property value*	\$ 11,593,000
Total taxable sales	\$ 21,836,000
New property tax revenue	\$ 69,442
New sales tax revenue	\$ 170,000 - \$ 218,000**

Source: Authors' estimates.

**Includes land, improvements and business personal property.*

***Depending upon the mix of taxable and non-taxable sales.*

V. Conclusion

Oak Point is at a crossroads. Located in the path of the region's strongest growth vector, the city's population is bound to grow. According to a recent survey, most Oak Point residents want to maintain the rural character of the community as it grows in the years ahead. But they also indicate a desire for more convenient shopping options in order to avoid the long commutes currently required to make everyday purchases. They would also like to see a restaurant or two in the community that can sell alcoholic beverages.

FM 720 is a logical location for some modest commercial development within the city limits of Oak Point. In addition to providing shopping and dining convenience to local residents, commercial development can expand the city's tax base and create job opportunities for area residents. It can also help keep local dollars circulating in the community instead of flowing entirely to businesses in other cities.