

Balancing Patterns of Development:

The Importance of Fiscal Impact Analysis in Comprehensive Planning

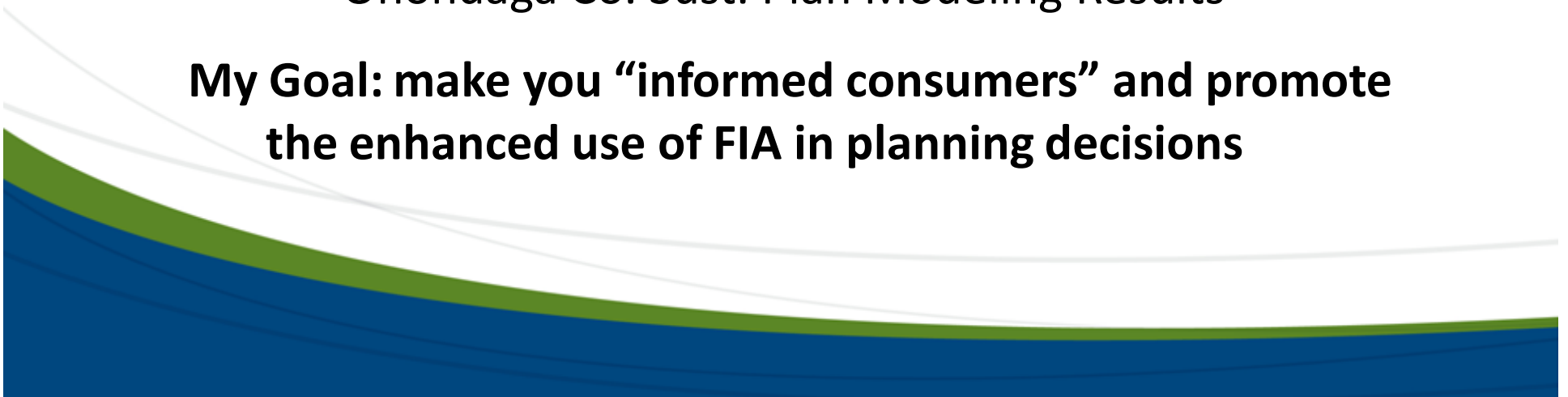
Prepared By:



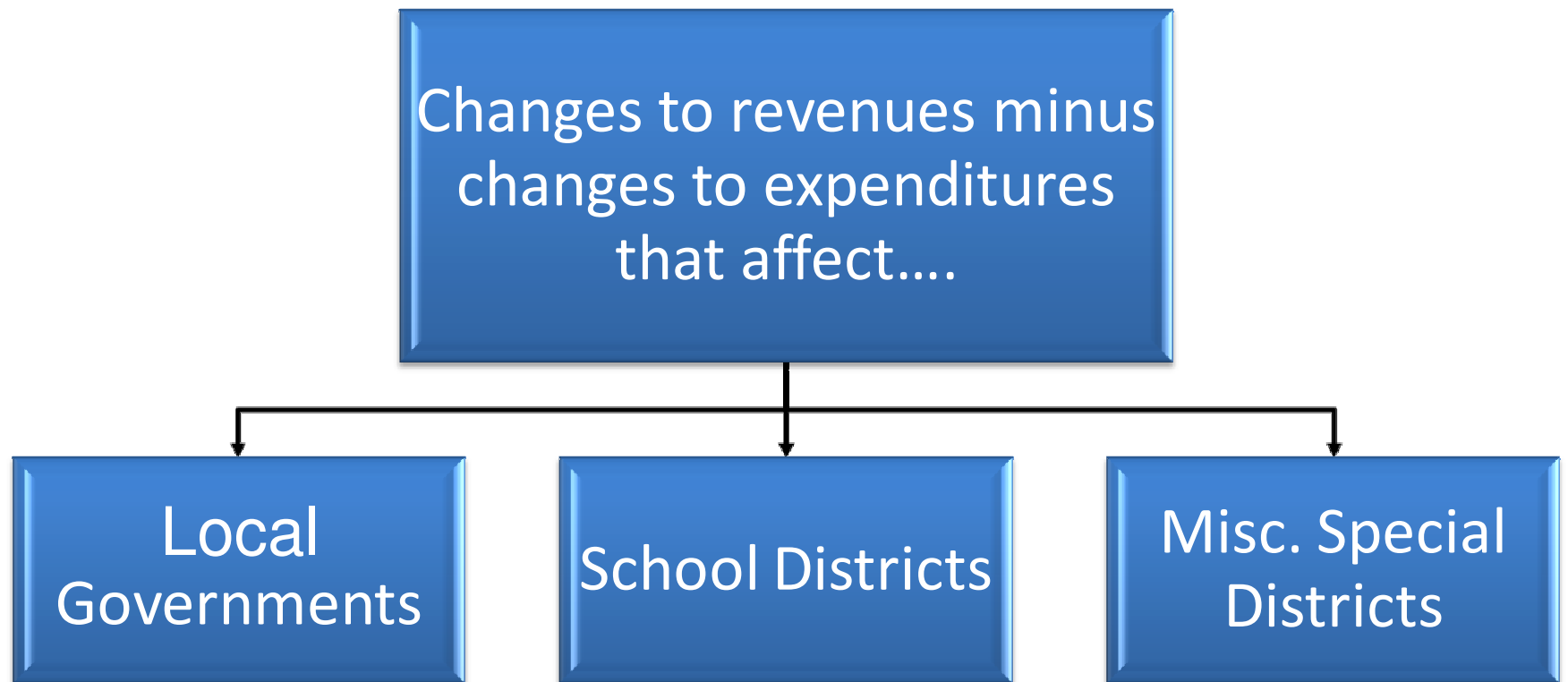
Outline

- Defining fiscal impact analysis
- Why/When/How to use fiscal impact analysis?
- General findings from research
- Four case study examples
- Recap and Conclusions
- Onondaga Co. Sust. Plan Modeling Results

My Goal: make you “informed consumers” and promote the enhanced use of FIA in planning decisions



Defining Fiscal Impact Analysis



Defining Fiscal Impact Analysis

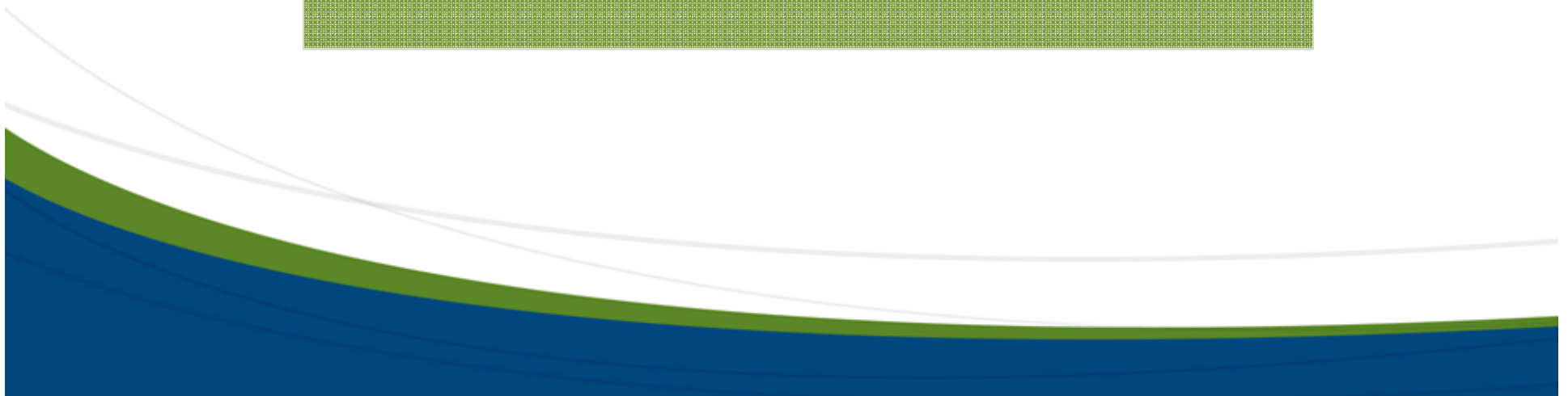
Fiscal Vs. Economic Impact

Economic Impact

Measures direct, indirect and induced affects a project will have on employment, earnings and output (spending)

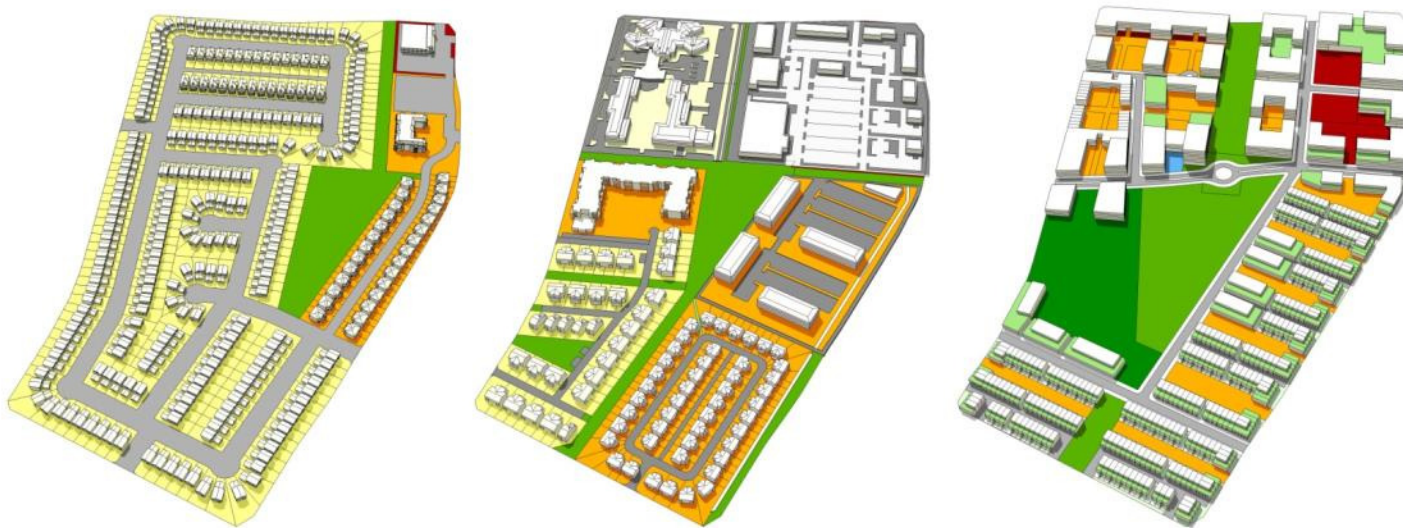
Provides employment and spending data used in Fiscal Impact

Accounts for Multiplier Effect



Defining Fiscal Impact Analysis

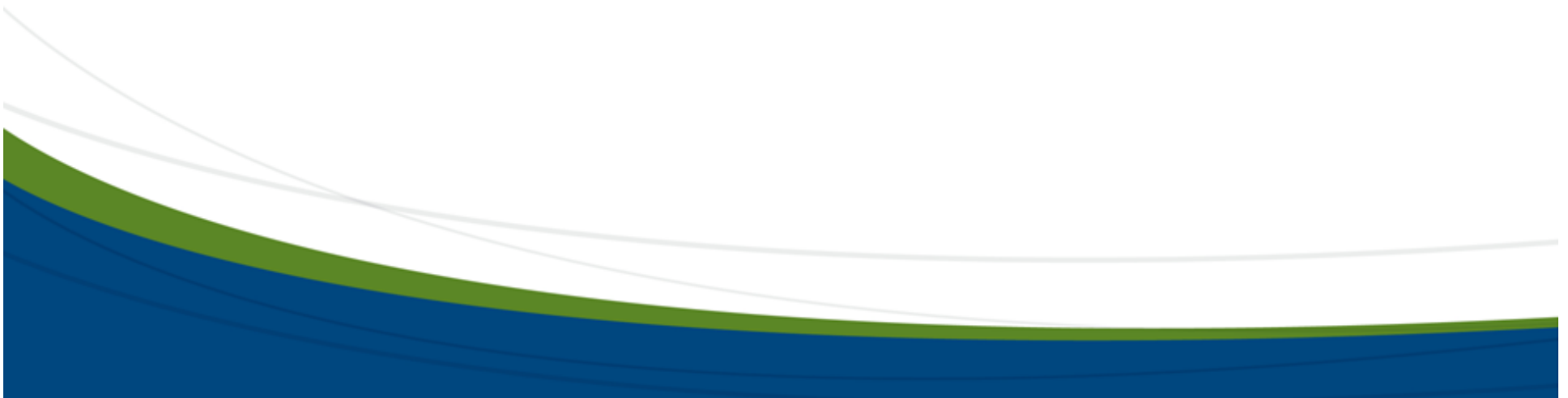
- Projects direct costs and revenues related to development
- Considers demographics
- Measures immediate and long-term costs/revenues
- Can compare impact of different development scenarios



Defining Fiscal Impact Analysis

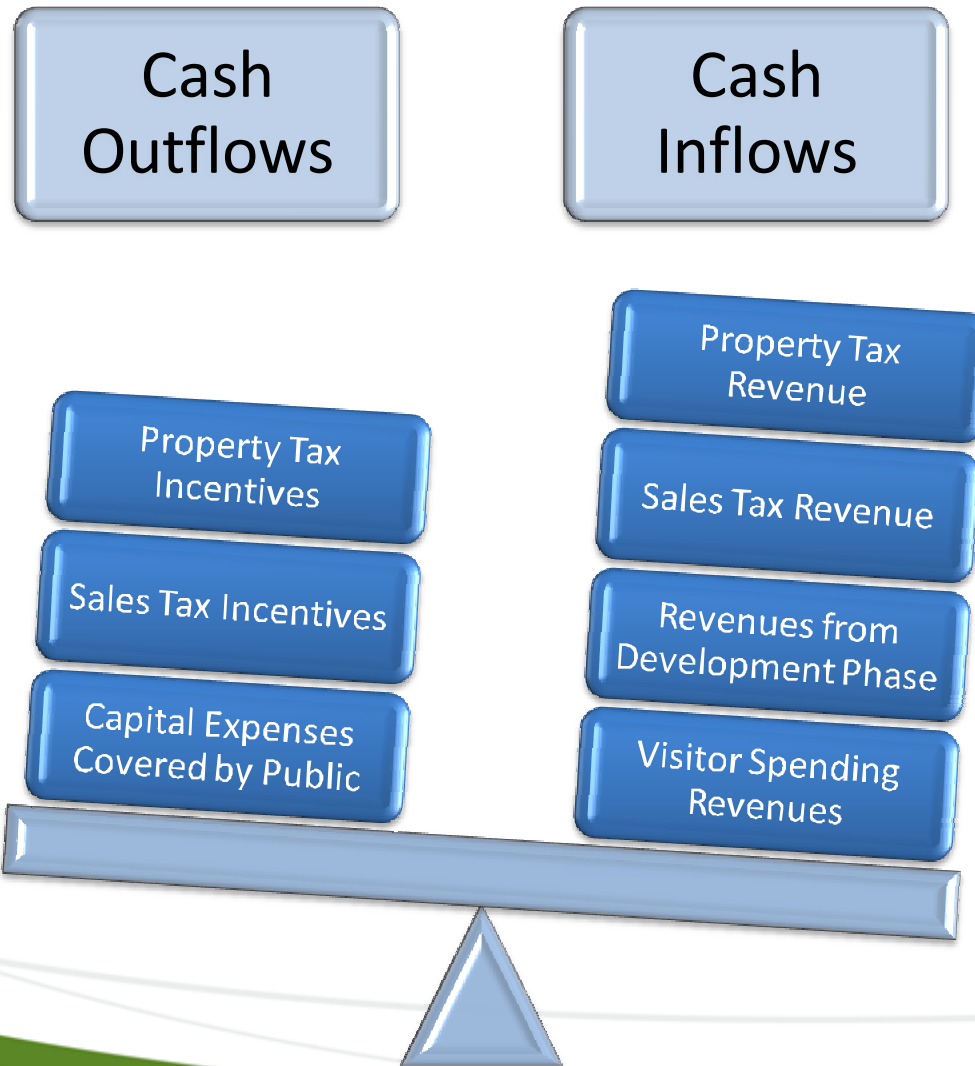
Fiscal Change

- **Net gain** = **Taxes and/or fees** are greater than the **expenditures** needed to effectuate that new cash flow
- **Positive fiscal impact** = Change in economic conditions results in revenue increases over and above new expenditures



FIA Example

Should we build a convention center?



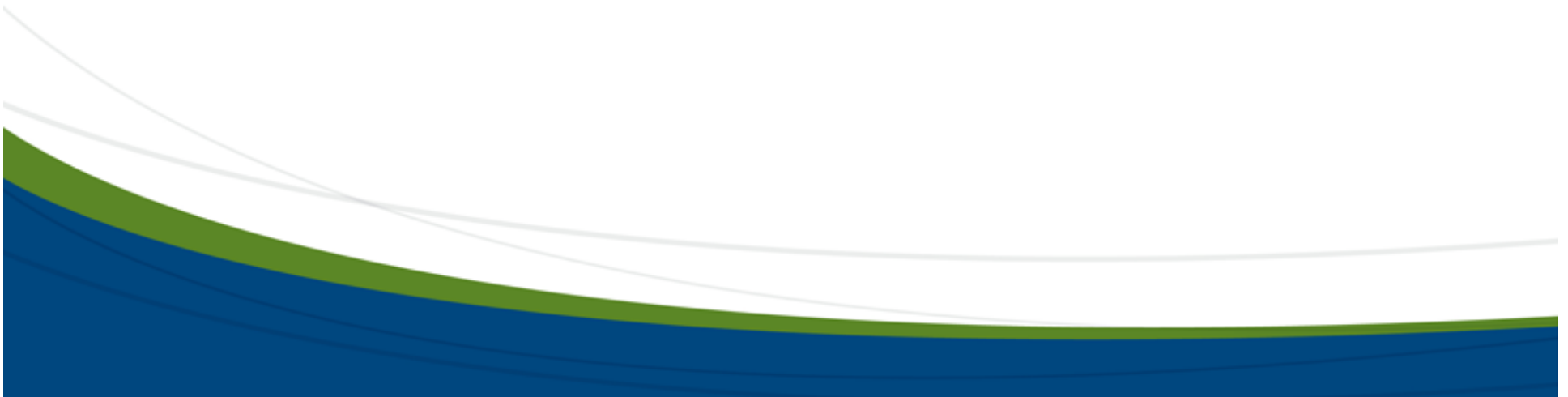
When to Use FIA?

1. Proposed Development Project
2. Change to Permitted Land Use (SEQR Mitigation)
3. Municipal Financial Planning
4. Compare Impact of Multiple Potential Projects



Why Use FIA?

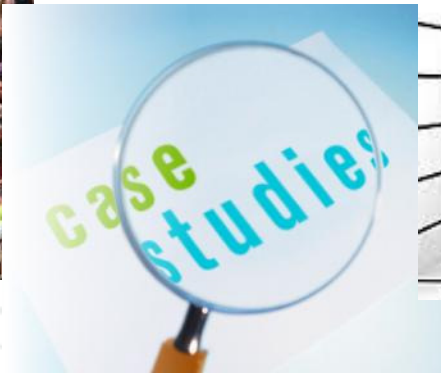
- Predict effects on municipal budgets
- Insight into land uses necessary to maintain/improve the fiscal condition
- Forecast budgetary needs
- Aid in negotiations with developers



How to use FIA?

Four Basic Methodologies

1. Per Capita Projections
2. Case Studies
3. Econometric Studies
4. “Cost of Community Services” approach



How to use FIA?

1. Per Capita Projections

- Land-Use Policies and Zoning
- Economic & Demographic Changes
- Planning for Infrastructure Investment
- Municipal Financial Planning
- Suited for small projects or generic land use changes.
- Fails to capture differential costs of different sorts/levels of development



How to use FIA?

2. Case Studies

- Provide insight into measured costs and benefits
- Look to comparable developments/projects/zoning changes
- Two basic approaches:
 - average costing
 - marginal costing



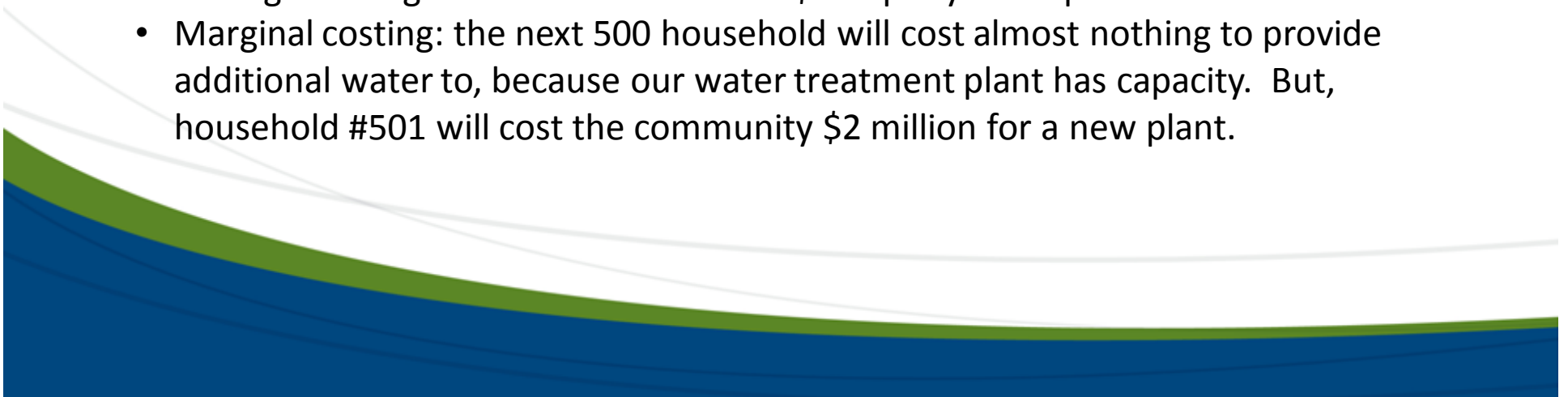
2. Case Studies

Average Costing	Marginal Costing
Attributes costs to new development or growth according to average cost per unit of service	Accounts for excess or deficient capacity

Each method can produce significantly different results

Example: new housing development's impact on water treatment

- Average costing: each new house costs \$375 per year to provide water
- Marginal costing: the next 500 household will cost almost nothing to provide additional water to, because our water treatment plant has capacity. But, household #501 will cost the community \$2 million for a new plant.



How to use FIA?

3. Econometric Studies

Projects costs/revenues from scenario(s) over twenty years or more



How to use FIA?

4. Cost of Community Services Ratio (COCS)

- Compares dollars worth of local government services demanded per dollar collected for each generic land use
- Uses generic assumptions about which land uses require which services, somewhat subjective, may not consider infrastructure/debt service
- Ratio greater than 1.0 suggests that for every dollar of revenue collected from a given category of land, more than one dollar is spent in association

Residential	1.15 - 1.50
Commercial/Industrial	0.35 – 0.65
Open Space	0.30 – 0.50

How to do a FIA?

Results Vary - Each Community Is Unique

- Level of services provided
- Geographic service boundaries
- Capacity of existing capital facilities
- Taxing Structure – income, property or sales tax revenue sources



How to do a FIA?

1. Do It Yourself

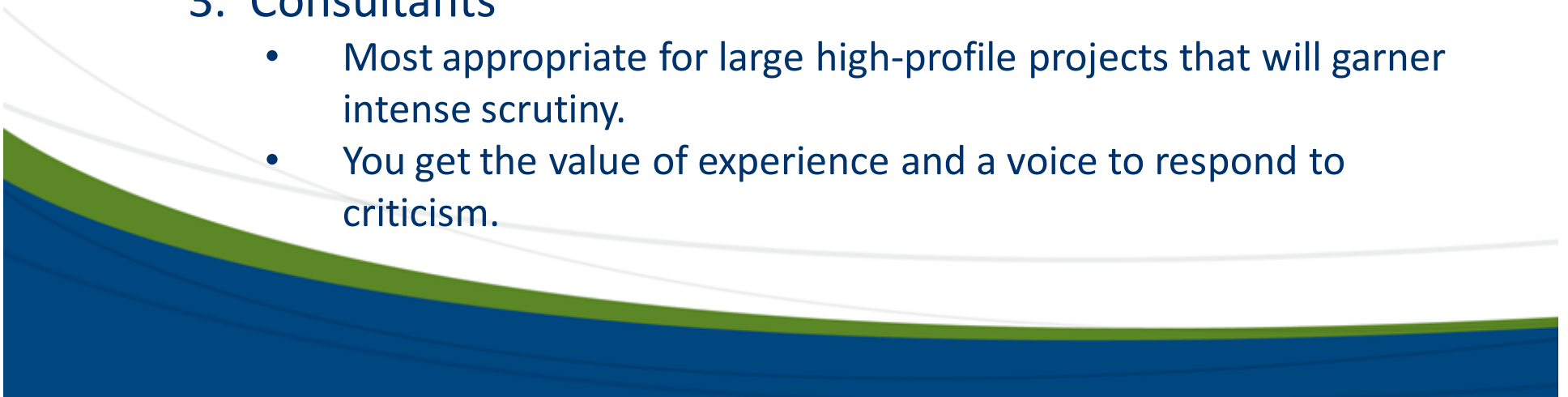
- DIY method requires that you purchase software and/or train staff.
- Suitable for larger communities that can devote resources and who do many analyses each year.

2. Academia

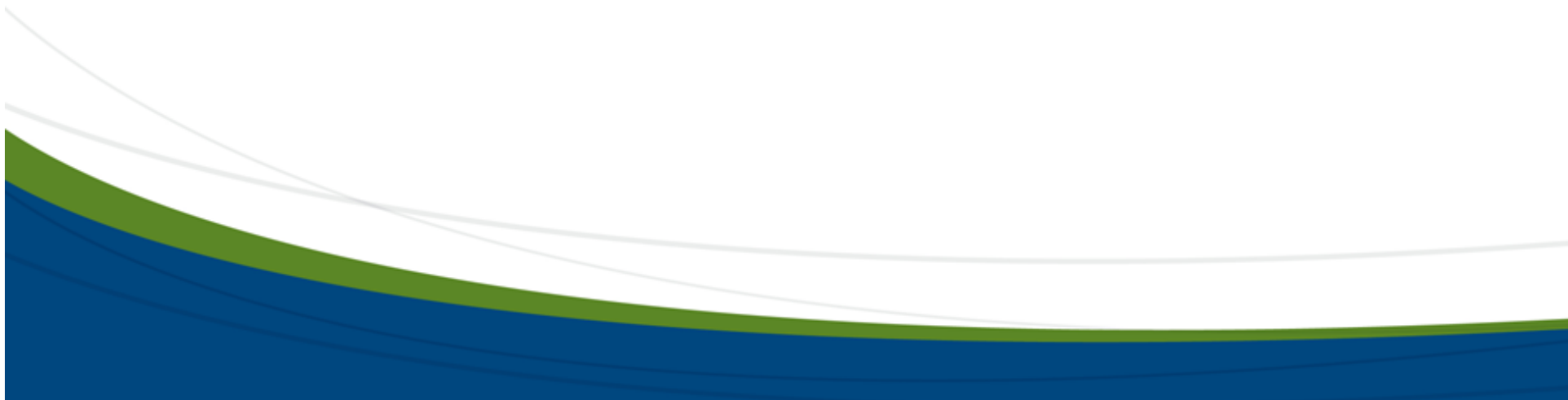
- Some local colleges and universities can help if they have a strong economics department.
- Must be Lucky and Flexible – Know the right people and avoid summer and scholastic holidays or be prepared to wait.

3. Consultants

- Most appropriate for large high-profile projects that will garner intense scrutiny.
- You get the value of experience and a voice to respond to criticism.



General Findings from Research



General Findings: Residential Impact

Negative Impacts	Positive Impacts
Low Property Value	High Property Value
Low Density	High Density
Large Family Size	Small Family Size

Worst Case Scenario:
Inexpensive single family
homes that require major
infrastructure upgrades

Best Case Scenario:
Expensive age-restricted
condos in an urban setting
with vacancies

General Findings: Industrial & Office Impact

- Likely to generate positive net gains
- Demands little in services, produces substantial tax revenue, sometimes subsidize other water/electric users
- Often requires incentives. Sometimes requires major public investments. FIA can evaluate cost vs. benefit



General Findings: Retail Impact

- Tax revenues: property, sales and (in some communities) income taxes.
- Improve attractiveness of community, provided desired amenities
- However, if local labor market is already tight, added jobs may just be a result of immigration, new demands
- May require extra policing, more traffic signals, more roadways, could add to congestion, displace other developments, erode existing businesses



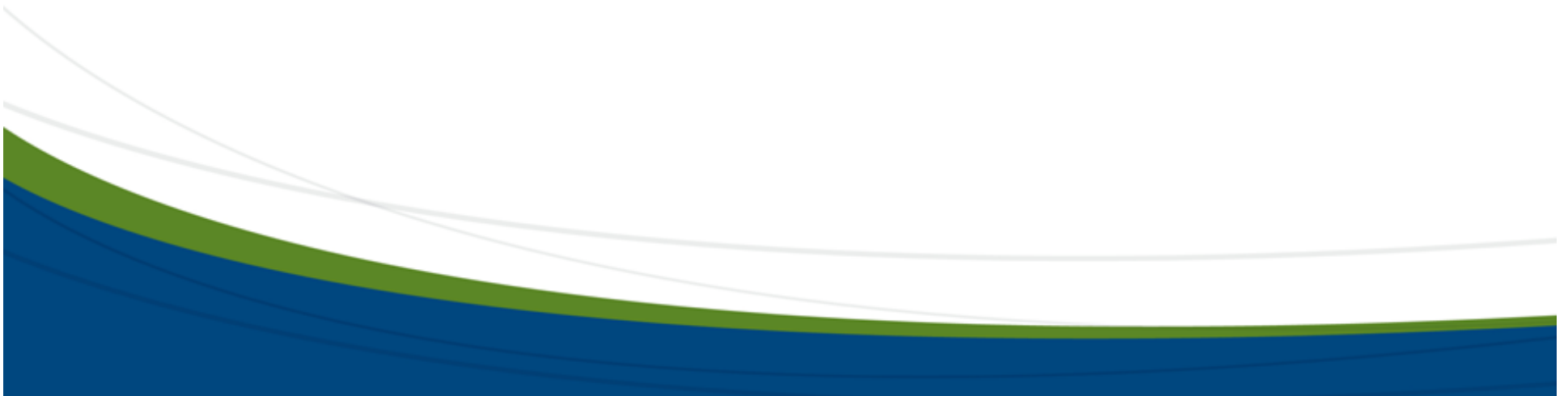
General Findings: Open Space



- Limited demand on public services
- Among the least costly of uses
- Tends to be a positive net impact if taxable
- Provides community amenity
- Can include parks, fields, farmland, water amenities, reservoirs, wild areas, forests (logged and wild), cemeteries, etc.

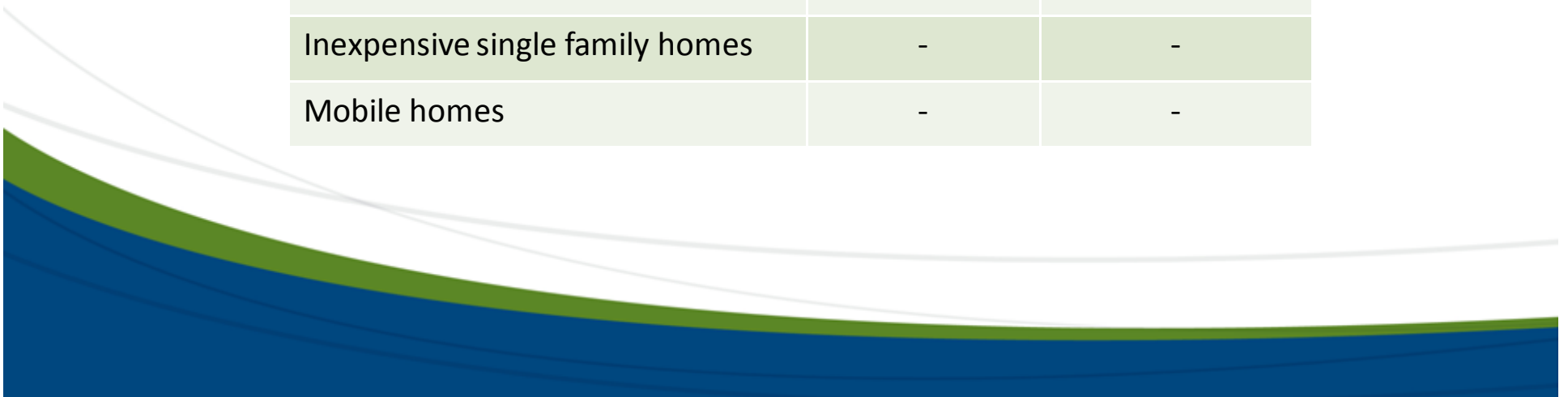
General Findings: Sprawl

- For the same density and dwelling type, *leapfrog* development is more costly than contiguous
- Requires duplicative assets, more infrastructure per-person (or per-acre)
- Can occur in lieu of adaptive reuse
- Often displaces more fiscally positive uses such as open space

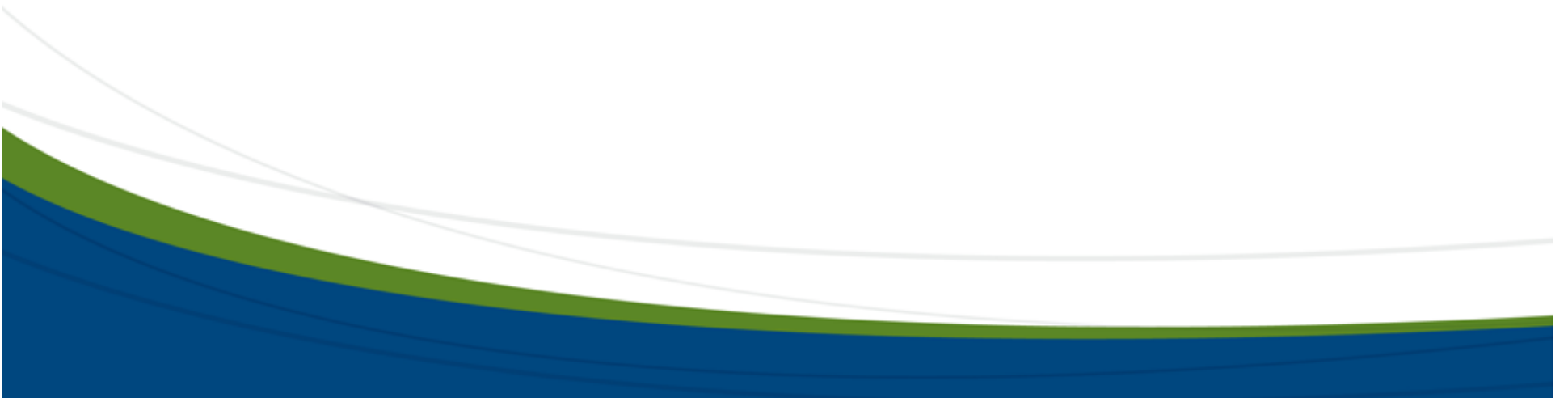


General Findings: Recent Research

Land Use	Impact on Municipality	Impact on School District
Research/Office/Industrial	+	+
High Rise Apts. (studio/one-bdrm)	+	+
Age Restricted Housing	+	+
Garden Condos (1-2 bdrm)	+	+
Open Space	+	+
Retail Facilities	+/-	+
Townhouses (2-3 bdrm)	+	+/-
Expensive single family homes	+/-	+/-
Inexpensive single family homes	-	-
Mobile homes	-	-



Case Studies



Case Study One

Technology & Office Park Development

- Utilized IMPLAN & LOCI models.
- Demographic/economic data, project details, municipal budget information, etc.
- Examined fiscal impact on County, Town and School District

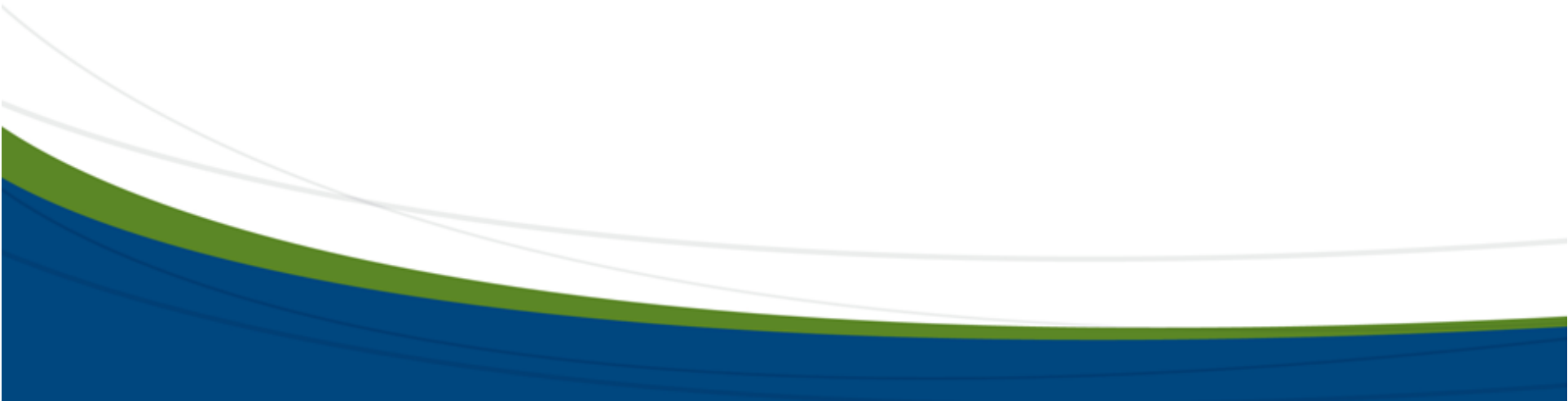
Result:

Highly Positive Gain for all 3 taxing jurisdictions



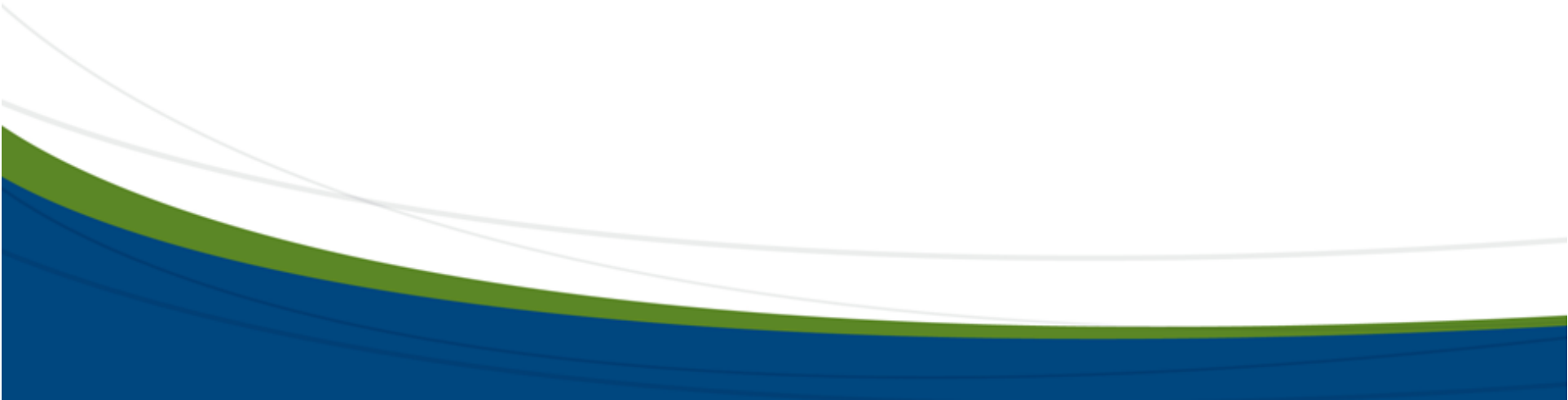
Case Study One

Fiscal Impact on Tech Park Development						
Assumptions	Initial Assumptions	New Assumptions	Initial Net Impact	New Net Impact	Change in Net Impact	Conclusion
% of new jobs held by residents	14%	54%	\$36,781,896	\$19,782,198	(\$16,999,698)	More new families demand more services



Case Study One

Fiscal Impact on Tech Park Development						
Assumptions	Initial Assumptions	New Assumptions	Initial Net Impact	New Net Impact	Change in Net Impact	Conclusion
Up-front local government support	0	\$100,000 annually	\$36,781,896	\$36,244,704	(\$537,192)	Incentives can reduce net benefits



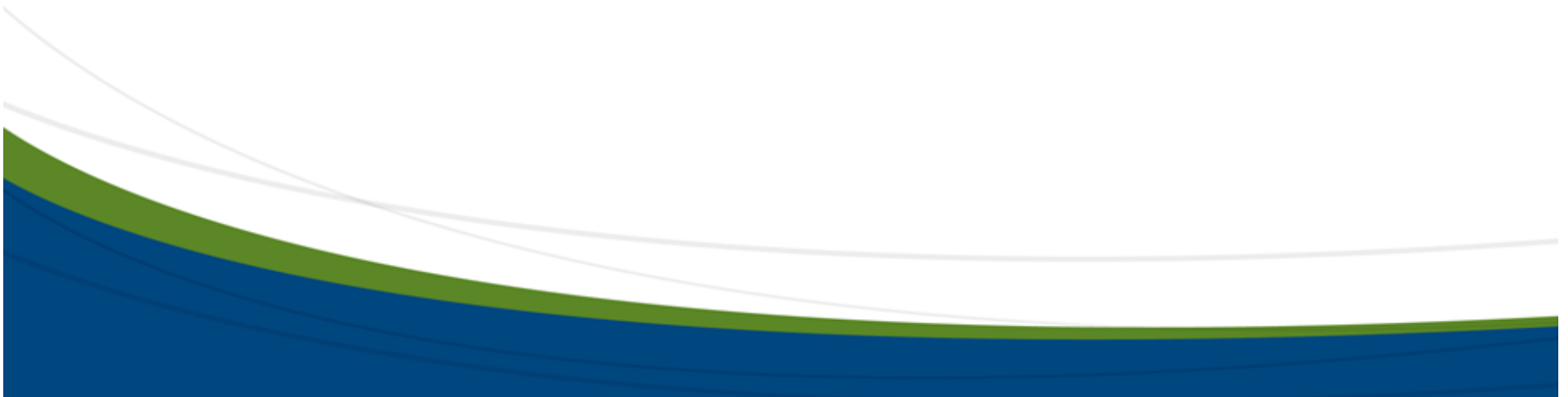
Case Study One

Commercial / Industrial Findings

- Infrastructure – excellent highway access
- Limited other marketable industrial sites
- Zoning – residential vs. commercial

Infrastructure Recommendations

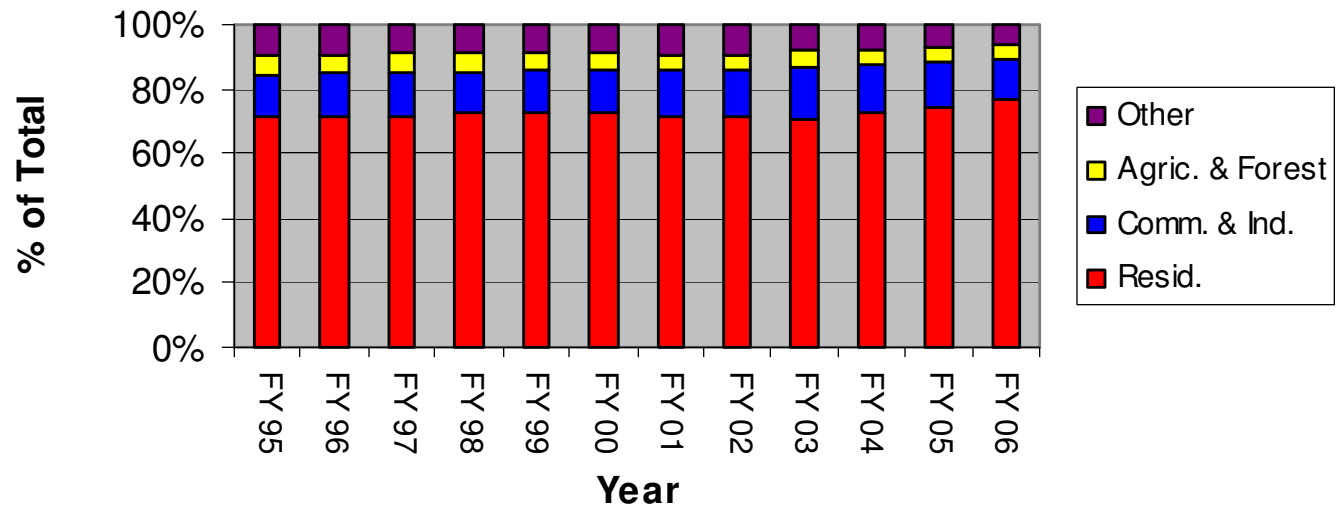
- Costs borne by non-local sources (State & Federal)



Case Study Two

Planning and Land Use – Town of Hamilton

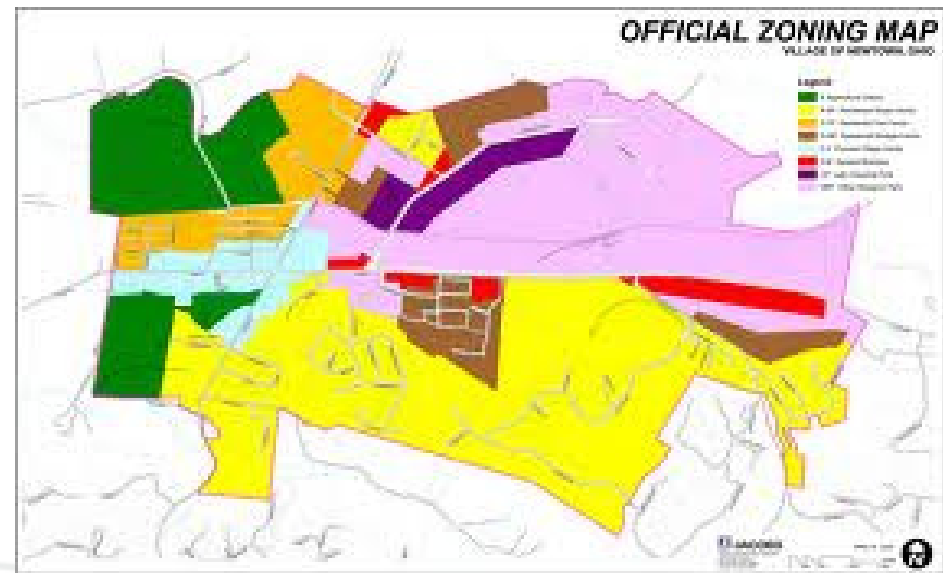
Figure 10.4 - Tax Base by Category



Case Study Two

Town Land Use Plan Recommendations

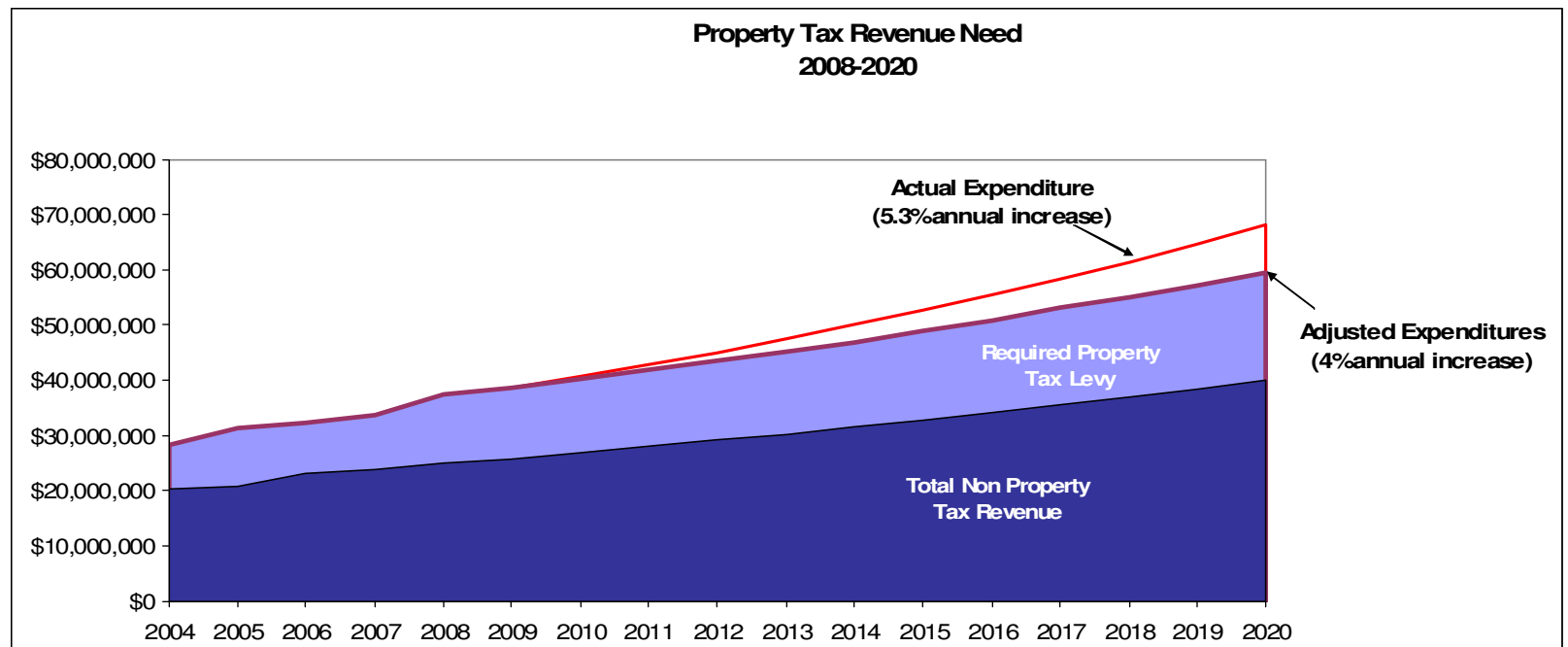
- Need to “rebalance” community
- Identify developable industrial/commercial land
- Implement industrial park strategy



Case Study Three

Town Land Long-Range Fiscal Planning

- Also need to “rebalance” community



Case Study Four

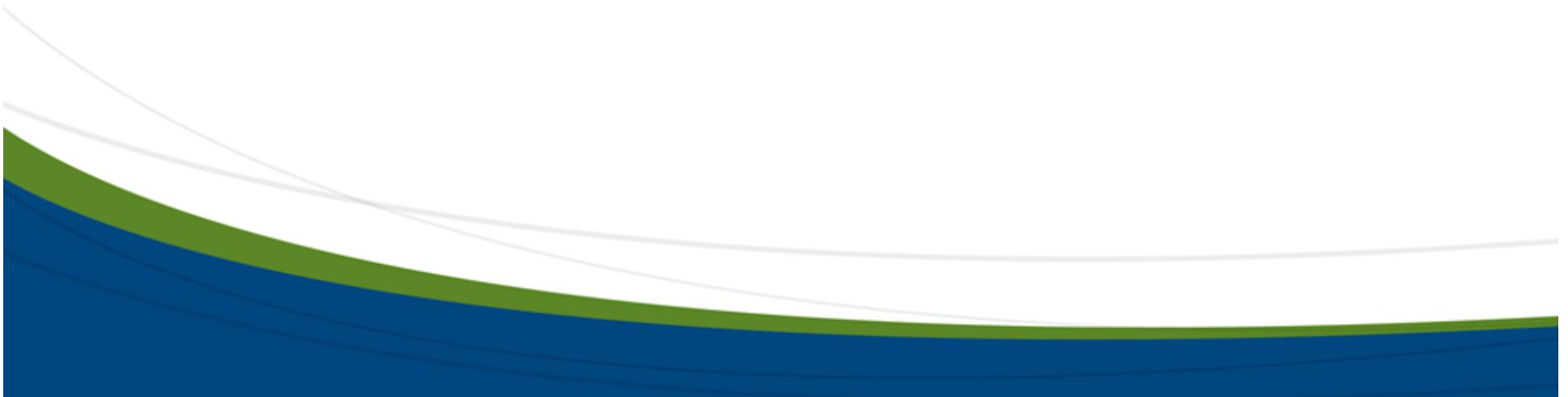
Industrial Site Reuse – Nassau County



- Significant tax breaks required
- Incentive in below-market sale of property
- Key positives: highway access already built, no interruptions to neighbors, big job creation potential
- Required zoning changes and significant variances

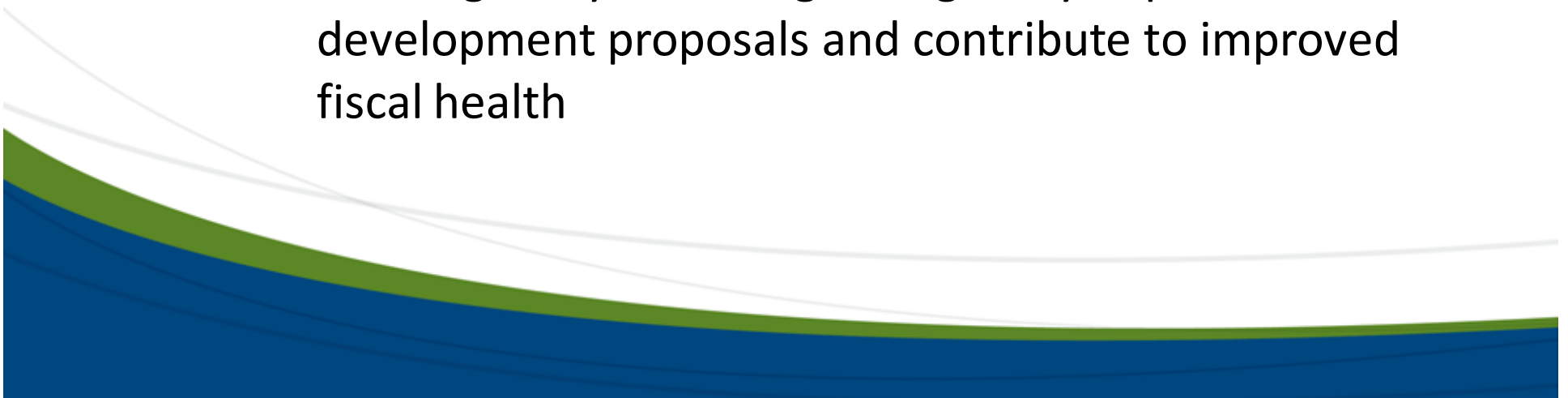
Conclusions

1. Only looking at the economic impacts is too limited in scope
2. There are some rules-of-thumb for how land uses impact fiscal conditions, but outcomes will vary
3. A well performed fiscal impact should be an essential tool in determining the pattern of growth

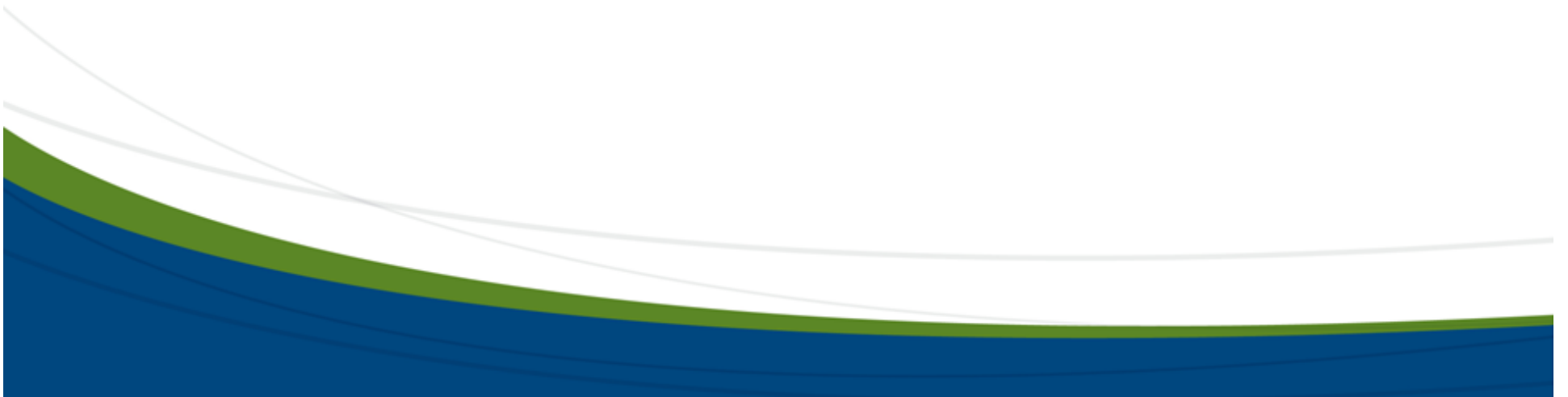


Conclusions

4. Disconnect exists between the permitting jurisdiction and the taxing jurisdictions effected
5. Need to insure balance, many communities in the Northeast out of balance
6. A thorough fiscal impact analysis can be costly, but all or a portion of these costs can be diverted to developers
7. Utilizing analysis findings can greatly impact development proposals and contribute to improved fiscal health



Onondaga County Modeling

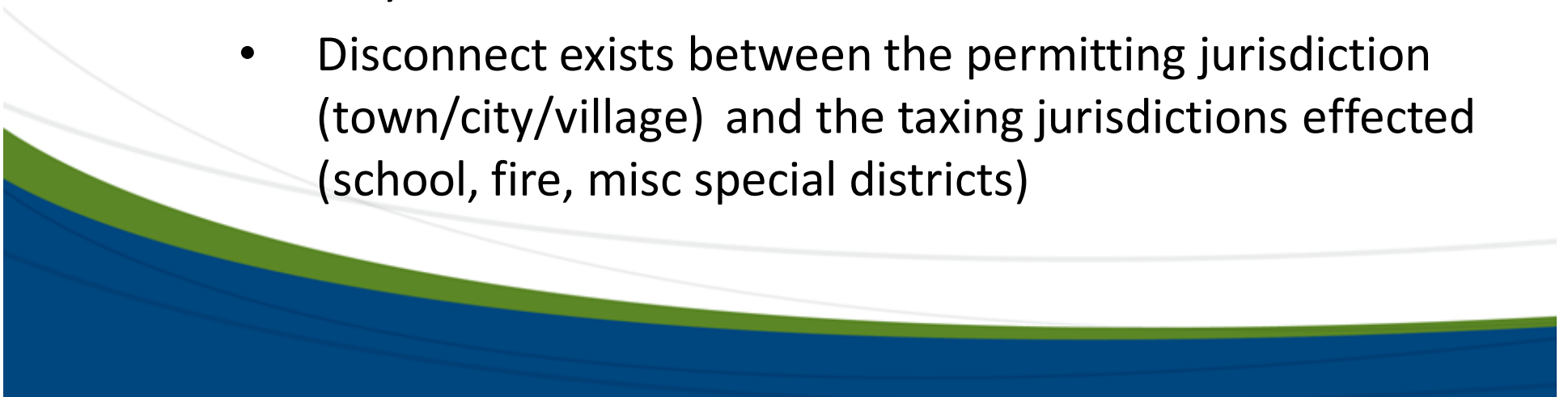


Onondaga County Modeling

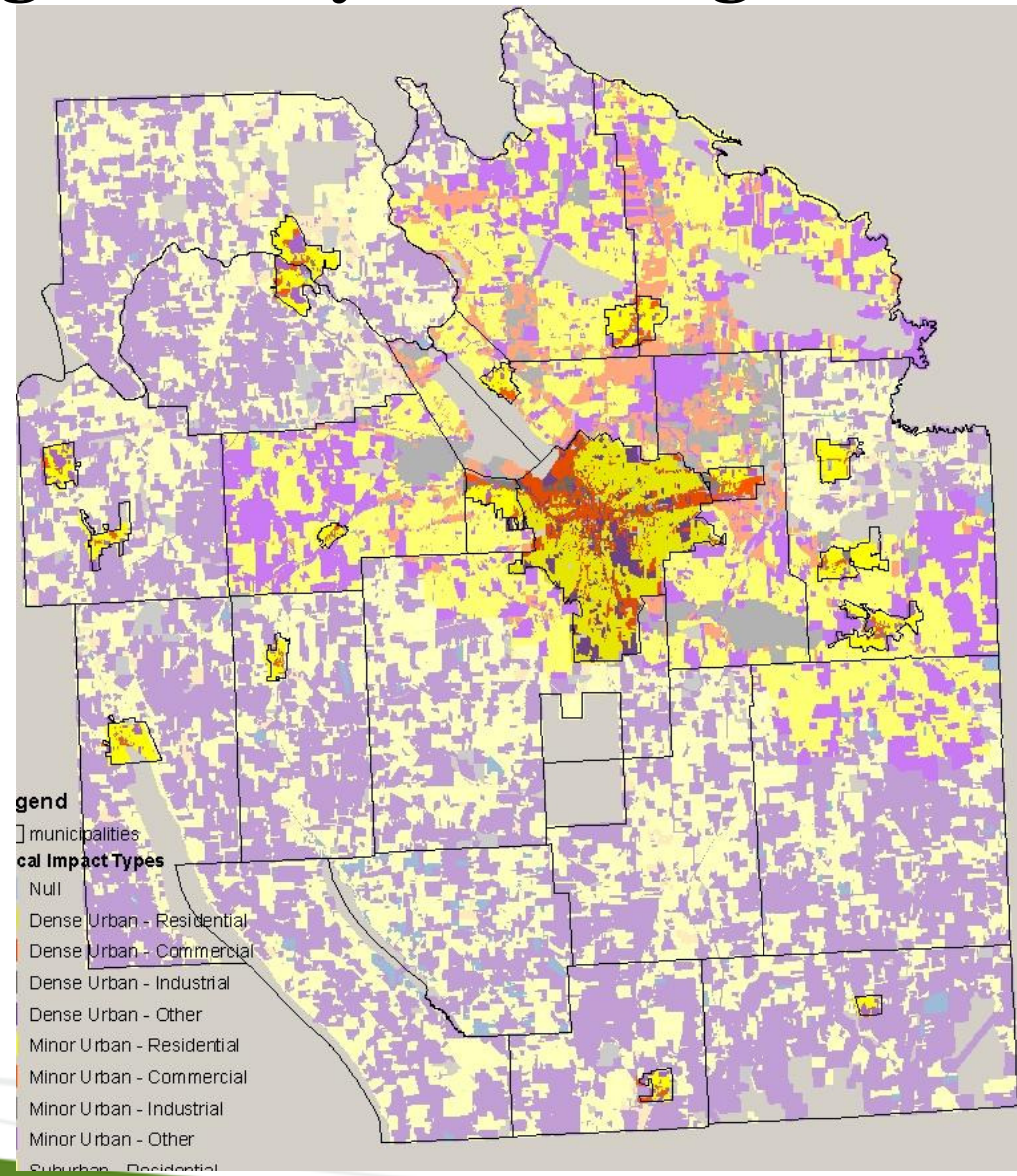
Goal: Understand in a very simplified way how future land use patterns will contribute to or detract from the fiscal health of all County residents/businesses

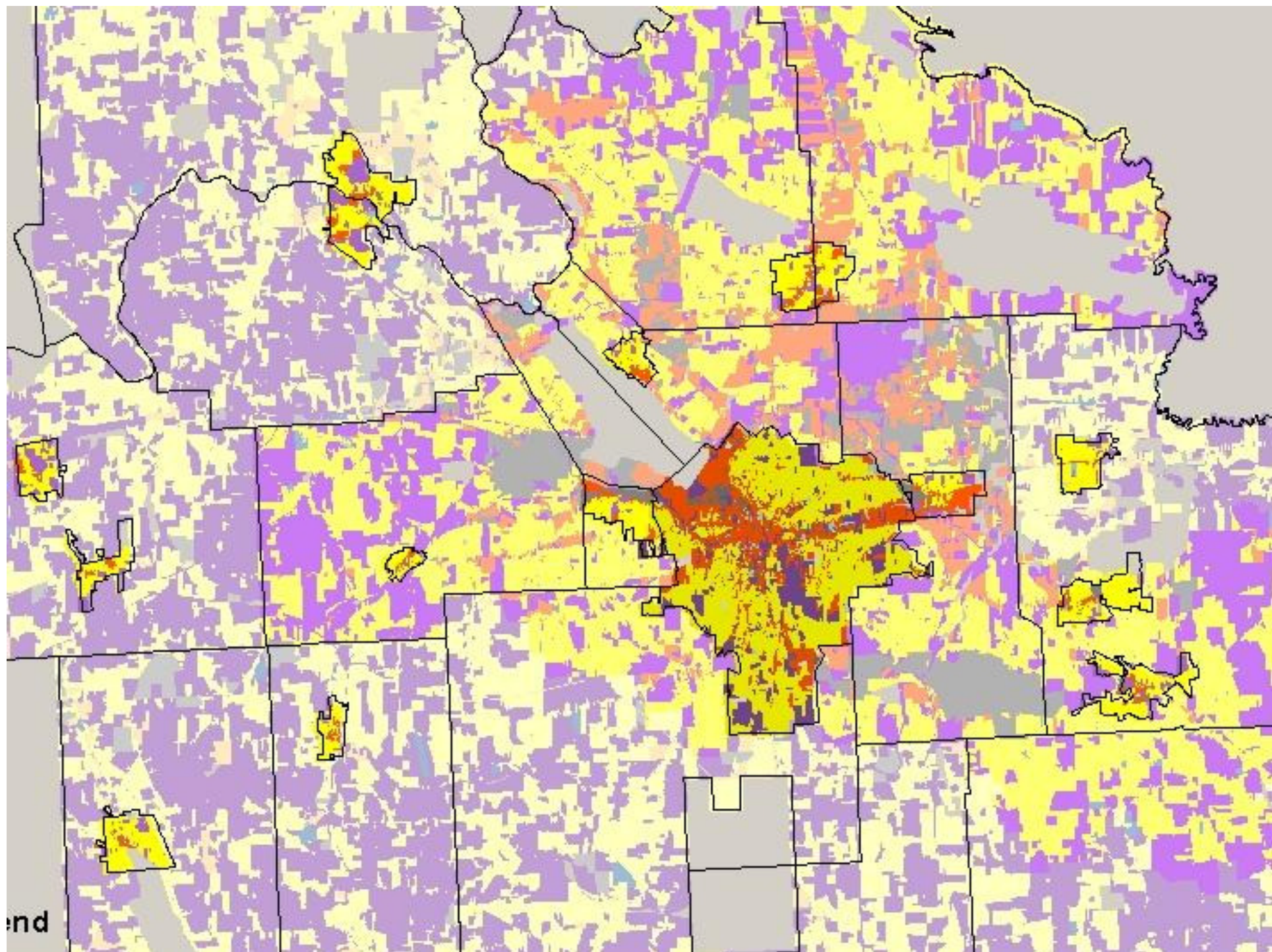
Caveats:

- To model, we had to take averages and make generic assumptions
- Results are blended across the whole County but some may benefit while others suffer
- Disconnect exists between the permitting jurisdiction (town/city/village) and the taxing jurisdictions effected (school, fire, misc special districts)



Onondaga County Modeling

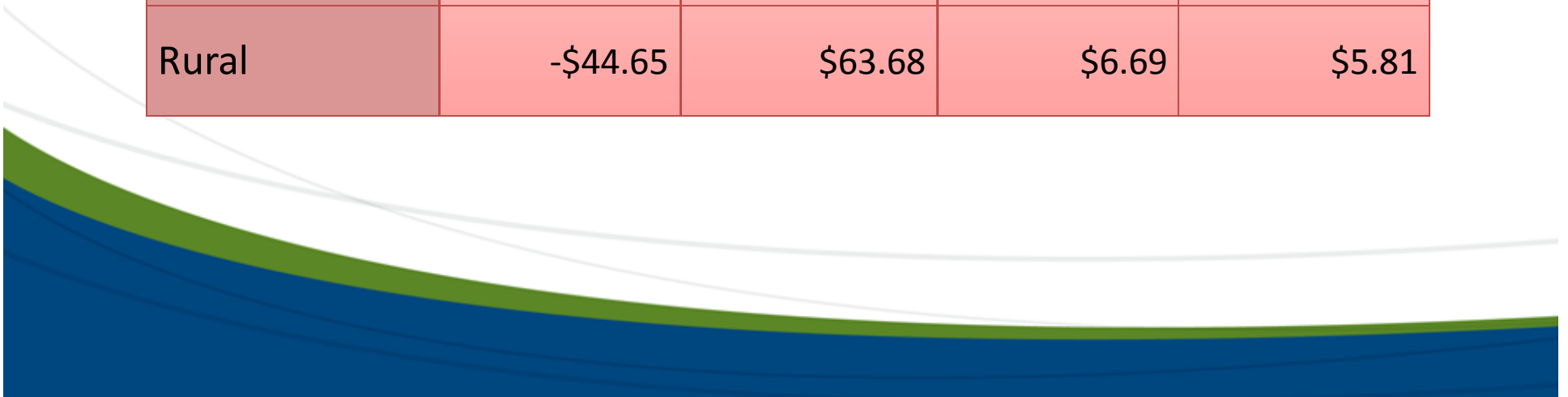




Onondaga County Modeling

Financial Impacts per Cell

Archetypes/LU Categories	Residential	Commercial	Industrial	Other
Dense Urban	-\$737.83	\$1,486.78	\$967.73	\$495.47
Minor Urban	-\$343.18	\$1,384.63	\$204.77	\$666.68
Suburban	-\$734.61	\$240.94	\$97.39	\$385.38
Rural	-\$44.65	\$63.68	\$6.69	\$5.81



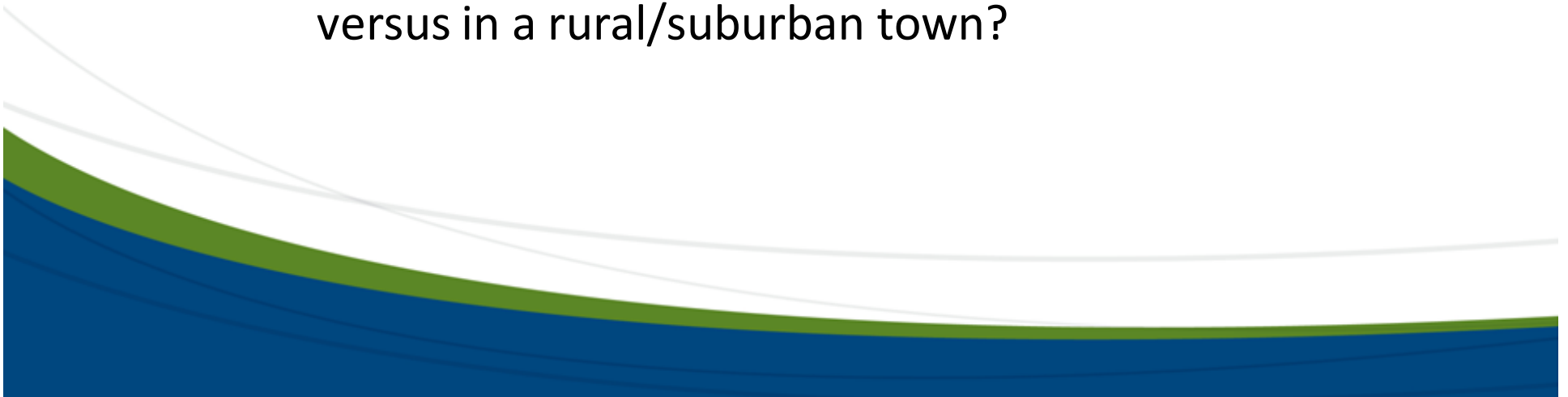
Onondaga County Modeling

Help! Stop talking theory! What does this mean to me?

Two examples:

- 100 units of commercial growth (acres)
- 100 units of residential growth (households)

What happens if I put it in a urban/minor urban area versus in a rural/suburban town?

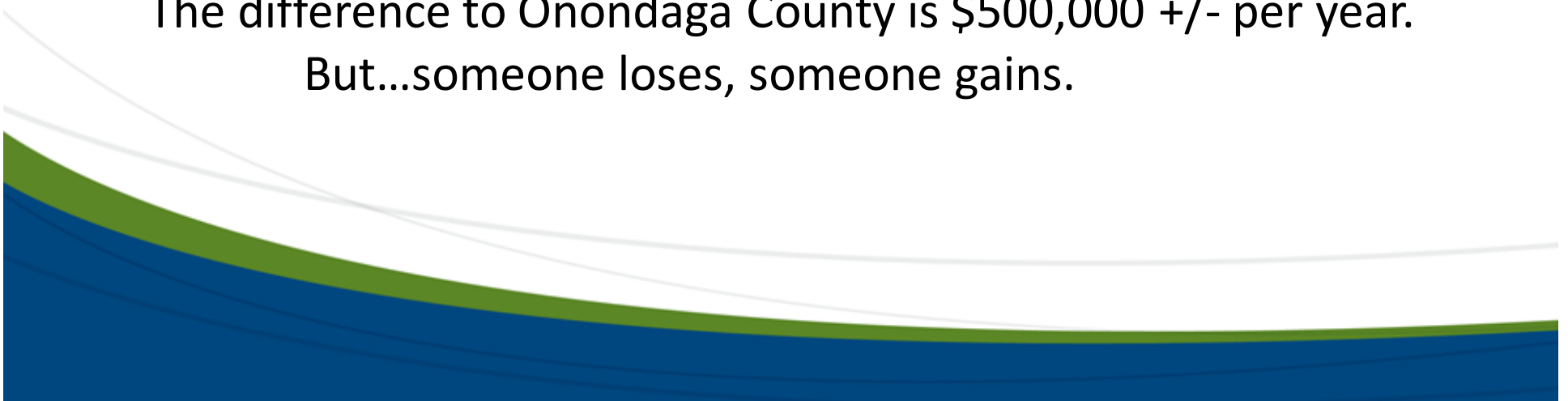


Onondaga County Modeling

Where do we put the next commercial development?

- 100 new commercial acres in a City/Village would provide \$574,281 in net fiscal benefit
- 100 new commercial acres in Suburban/Rural town would provide \$60,922 in net fiscal benefit

The difference to Onondaga County is \$500,000 +/- per year.
But...someone loses, someone gains.

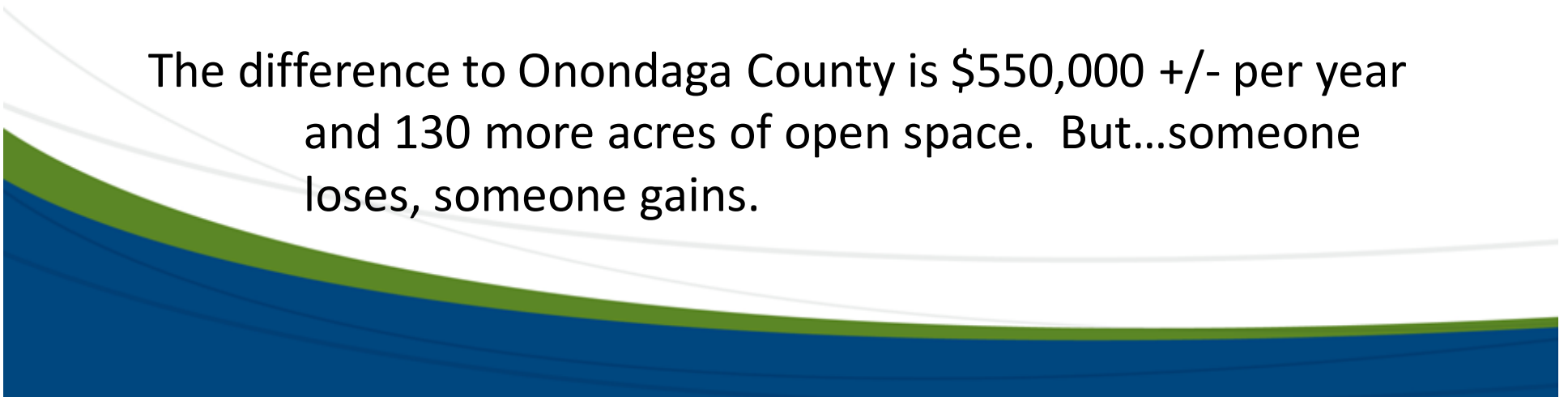


Onondaga County Modeling

Where do we put the next 100-unit residential development?

- In a City/Village, this would typically require about 110 acres. Net fiscal impact is **-\$159,184**
- In a Suburb (or rural area converted to suburb), this would typically require 240 acres. The net fiscal impact would be **-\$704,920**

The difference to Onondaga County is \$550,000 +/- per year and 130 more acres of open space. But...someone loses, someone gains.



Questions?

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