It All Adds Up: How Planning Decisions Affect the Bottom Line

Presented By: L. Carson Bise, AICP

Sponsored by COMPASS

April 2, 2018
Overview of Presentation

• Overview
• Fiscal Impact Analysis (FIA) Defined
• Influencing Factors
• Use of FIA in Planning and Budgeting
• Beware of Advocacy Passed off as Analysis
• Funding the Gap
• Issues Discussion/Q&A
TischlerBise

- 40-year national practice
- Fiscal Impact Analysis (800+)
- Impact Fees/Cash Proffers (900+)
- Economic Impact Analysis
- Real Estate and Market Feasibility
- Revenue Enhancement Options
Idaho Experience

- Hailey
- Hayden
- Nampa
- Post Falls
- Sandpoint
- Shoshone Fire District
- Southeast Idaho Council of Governments
- Treasure Valley Partnership
- Twin Falls
- Victor
Fiscal Impact Analysis Defined
What is Fiscal Impact Analysis?

- Cash flow to the public sector
  - Are the revenues generated by new growth enough to cover service and facility demands?
- Reflects operating expenses and capital costs
- All Revenues
- Revenues \textit{minus} Costs = Net \textbf{Surplus} or \textbf{Deficit}
How is FIA Different than Economic Impact Analysis?

- Reflects overall economy of the community
- Residential impacts
  - Primary factors are construction and consumer spending
- Nonresidential impacts
  - Primary factors are job creation and disposable income
- Doesn’t follow jurisdictional lines; data limitations
  - Large portion of economic output flows out of jurisdiction, region, and possibly State
- Resident spending for mortgages, car payments, insurance are not typical sources of sales tax for local governments
Municipal budgeting is primarily “revenue driven”
  - Revenue forecast is used to establish spending target
Fiscal impact analysis is not revenue constrained
  - Forecast expenses needed to maintain current LOS
  - Revenues and expenditures are projected separately
Market Analysis

- Measures support/demand for a real estate product
  - Differs from Feasibility Analysis
- “Highest and best” use questions
- Is there unmet demand for project?
  - Quantity and/or quality?
- Who are competitors (supply)?
- How quickly will project be sold/leased (absorption assumptions)?
What Questions Can be Answered?

- What is the relationship between development densities and infrastructure costs?
- What is the relationship between property tax and densities?
- What is the return on government investment at various densities?
- What is the optimum mix of land uses?
- What is the relationship between the geographic location of new development and the cost?
- Are we living off of tomorrow’s growth?
Incorporating Market Analysis

- Lends sense of “reality” to analysis
  - Capacity of the land versus demand for the land use
- Without market study, analysis of multiple scenarios is imperative
  - Fiscal model can be invaluable in this effort
  - Seeing an increasing trend of requiring market analysis as part of submittals
  - Particularly for TIF
Provides Context to Fiscal Analysis

- What are the region’s competitive advantages?
- Where will employment growth likely locate?
- Is there a transitioning of the area’s economy
  - E.g., transition from manufacturing focus to office/services
- Are jobs shifting from urban areas to suburbs or vice versa?
- What impact will changing demographics and lifestyle choices have on the jurisdiction’s economy and government services?
Why Should We Care?

- As we transition from the slow economic recovery to normalized growth there will be demands on localities to:
  - Understand fiscal impact of projects—What does it mean to the locality’s bottom line?
  - Understand the economic impacts of projects and how that filters through the community
  - Determine if re-zonings, annexations, incentives are *worth it* and if not, how to mitigate the impacts
  - Relationship to Idaho property tax limitations
Fiscal Impact Analysis in Practice

- Most local governments do not know:
  - The true cost of development decisions
  - If the current land use plan is fiscally sustainable
- Rarely required but gaining in popularity after Recession
- Lack of formal standards
- Considerable variation in methodologies employed
- Cumulative impacts are not tracked
  - Project-level analyses are typically reviewed in a vacuum
- Costs can change over time
- Does not address infrastructure replacement
- Seldom reflects geographic differences
Factors Influencing an Analysis
Common Perceptions

• Residential development doesn’t pay for itself
• Nonresidential development generates surpluses
Overview

• Revenue structure
  • Sources
  • Distribution formulas
• Levels of service
• Infrastructure lifecycle
  • Existing capacities
• Characteristics of Development
  • Demographic
  • Socioeconomic
Fiscal Hierarchy: Always the Case?

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Land Use</th>
<th>School District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Gain</td>
<td>Research Office Parks</td>
<td>School District Gain</td>
</tr>
<tr>
<td></td>
<td>Office Parks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industrial Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High Rise/Garden Apts (Studio / 1 BR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Age-Restricted Housing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Garden Condominiums (1-2 BR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Open Space</td>
<td></td>
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<tr>
<td>Municipal Break Even</td>
<td>Retail Facilities</td>
<td>School District Gain</td>
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<tr>
<td></td>
<td>Townhouses (2-3 BR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expensive Single Family Homes (4+ BR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Townhouses (3-4 BR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inexpensive Single Family Homes (4+ BR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Garden Apartments (3+ BR)</td>
<td></td>
</tr>
<tr>
<td>Municipal Loss</td>
<td>Mobile Homes</td>
<td>School District Loss</td>
</tr>
</tbody>
</table>

Source: Burchell and Listokin, 1978
Revenue Structure

Gross Receipts Tax

General Fund Net Revenues - Per 1,000 Square Feet
City of Scottsdale

<table>
<thead>
<tr>
<th>Type</th>
<th>General Fund Net Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resort</td>
<td>$887</td>
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<tr>
<td>Retail</td>
<td>$2,083</td>
</tr>
<tr>
<td>Office</td>
<td>$75</td>
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<tr>
<td>Industrial</td>
<td>$14</td>
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</table>
Revenue Structure

Income Tax by Place of Employment

Annual Net Fiscal Results
City of Dublin Cost of Land Uses Fiscal Analysis
(Per Unit for Residential/Per 1,000 SF for Nonresidential)

<table>
<thead>
<tr>
<th>Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFD</td>
<td>$(1,713)</td>
</tr>
<tr>
<td>Townhome</td>
<td>$(866)</td>
</tr>
<tr>
<td>Duplex</td>
<td>$(845)</td>
</tr>
<tr>
<td>Multifamily Rental</td>
<td>$(803)</td>
</tr>
<tr>
<td>Multifamily Condo</td>
<td>$(1,000)</td>
</tr>
<tr>
<td>Retail</td>
<td>$(1,869)</td>
</tr>
<tr>
<td>Office</td>
<td>$2,666</td>
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<tr>
<td>Industrial</td>
<td>$452</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>$2,940</td>
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</table>
Although principles of fiscal impact analysis are the same, some specific conditions in Idaho are different.
• Property tax is limited
  • Limited to 3% increase with estimated new construction and annexation
  • Up to 50% of home value can be exempted
• Sales tax
  • Part of state shared revenue
  • Not based on point of sale
• Charges for services
  • Recreation fees, licenses and permits
• Other fees
  • Fees (user, regulatory, impact, franchise)
Demographic Characteristics

Influence of Single Family Characteristics

Annual Net Fiscal Results - Residential Prototypes
Sarasota County Economic and Fiscal Impact Analysis
(Per Housing Unit)

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>School District</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Bel-Air Estates</td>
<td>$230</td>
<td>$1,494</td>
<td>$1,724</td>
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<tr>
<td>Greenfield</td>
<td>$178</td>
<td>($1,030)</td>
<td>($1,208)</td>
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<tr>
<td>Summerwood</td>
<td>($1,929)</td>
<td>($2,106)</td>
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<tr>
<td>Summit Heron Apts.</td>
<td>($279)</td>
<td></td>
<td></td>
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<tr>
<td>Lazy River MHP</td>
<td>$483</td>
<td>$229</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- General Fund
- School District
- Total
Overlapping Government Entities

Service Providers: Town vs. School District

Annual Net Impact-Residential Land Uses
Hempstead, New York

- Village
- School District

- SFDU: $275, ($187)
- Condo: $407, ($82)
- Apt: $164, ($1,768)

TischlerBise
FISCAL | ECONOMIC | PLANNING
Cumulative Net Fiscal Impacts - Operating vs. Capital
Scenario Comparisons
City of Lenexa Fiscal Impact Analysis

<table>
<thead>
<tr>
<th>Trend Growth</th>
<th>Faster Growth</th>
<th>Slower Growth</th>
<th>Different Land Use</th>
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<tbody>
<tr>
<td>$235,363</td>
<td>$275,049</td>
<td>$190,619</td>
<td>$230,941</td>
</tr>
<tr>
<td>($109,997)</td>
<td>($137,973)</td>
<td>($97,492)</td>
<td>($109,870)</td>
</tr>
</tbody>
</table>

Operating | Capital | Combined
Cumulative Net Fiscal Impacts - Operating vs. Capital Scenario Comparisons
City of Lawrence Fiscal Impact Analysis

<table>
<thead>
<tr>
<th>Area</th>
<th>Operating</th>
<th>Capital</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE - Residential</td>
<td>$5,926</td>
<td>($55,093)</td>
<td>($61,019)</td>
</tr>
<tr>
<td>SE - Industrial</td>
<td>$15,565</td>
<td>($36,926)</td>
<td>($52,490)</td>
</tr>
<tr>
<td>South of Wakarusa</td>
<td>$34,187</td>
<td>$39,825</td>
<td>$74,012</td>
</tr>
<tr>
<td>South of Wakarusa TND</td>
<td>($84,978)</td>
<td>($77,167)</td>
<td>($162,145)</td>
</tr>
<tr>
<td>Airport Industrial Park</td>
<td>($109,169)</td>
<td>($108,750)</td>
<td>($217,919)</td>
</tr>
<tr>
<td>West of K-10</td>
<td>$14,767</td>
<td>$23,403</td>
<td>$38,170</td>
</tr>
<tr>
<td>West of K-10 TND</td>
<td>($94,402)</td>
<td>($85,347)</td>
<td>($179,749)</td>
</tr>
</tbody>
</table>
Use of Fiscal Impact Analysis in Planning and Budget/Finance
Types of Fiscal Impact Analysis

• Cost of Land Use
  • Single family
  • Multifamily
  • Retail
  • Office
  • Industrial

• Project Analysis
  • Return on Investment
  • PUD and DRIs

• Growth Scenarios
  • Citywide
  • Area plans
  • Annexation
  • Redevelopment
Cost of Land Uses

- Analyzes fiscal impact of *discrete* land uses
- Characteristics of various residential (SF, town house, apartment) and nonresidential (retail, industrial, office) prototypes
  - Factors: Persons per household, equivalent dwelling units, road frontage, employment per 1,000 sq. ft., vehicle trips, assessed value etc.
- Generalized impacts
- Warning!!!
  - Can lead to fiscal zoning
## Cost of Land Uses Examples

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>200</td>
<td>Single Family Detached (SFD) [6]</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>SFD High Value</td>
<td>$122,000</td>
<td>$350,000</td>
<td>2.62</td>
<td>250</td>
<td>4.79</td>
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<tr>
<td>200</td>
<td>SFD Medium Value, 2.5 acre lot [7]</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>SFD Medium Value, 1 acre lot</td>
<td>$76,000</td>
<td>$217,000</td>
<td>2.62</td>
<td>200</td>
<td>4.79</td>
</tr>
<tr>
<td></td>
<td>SFD Medium Value, 5000 sf lot</td>
<td>$76,000</td>
<td>$217,000</td>
<td>2.62</td>
<td>125</td>
<td>4.79</td>
</tr>
<tr>
<td>200</td>
<td>SFD Low Value</td>
<td>$45,000</td>
<td>$130,000</td>
<td>2.62</td>
<td>125</td>
<td>4.79</td>
</tr>
<tr>
<td>220</td>
<td>Mobile/Manufd Home (Real Property) [6]</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$49,000</td>
<td>$140,000</td>
<td>2.72</td>
<td>50</td>
<td>4.79</td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td>Condo (owner-occupied) [8]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$33,000</td>
<td>$95,000</td>
<td>2.03</td>
<td>20</td>
<td>2.91</td>
<td></td>
</tr>
<tr>
<td>300,310,320,340</td>
<td>Multifamily Units[9]</td>
<td>$22,000</td>
<td>$64,000</td>
<td>1.24</td>
<td>20</td>
<td>3.33</td>
</tr>
</tbody>
</table>

[1] Lincoln County Assessor Database
[2] Calculated based on assessed value of 35% of market value
[3] U.S. Census
[4] Lincoln County
[8] Anticipated new type of development in Lincoln County; proxy prototype from Mesquite, NV.
[9] All construction years included; includes only structures with number of units specified; reappraisal years 2004-09.
Project Analysis

- Most common type of fiscal impact analysis
- 1 or multiple proposed development programs in a limited geographic area over specified period of time
- Analyzes the fiscal impact of combination of proposed uses
- Usually prepared in conjunction with development proposal, so incremental (does not evaluate impact of development in rest of jurisdiction)
Example: West Windsor, NJ, TOD Project

- Redevelopment project with three properties
- Included multi-disciplinary project team with several noted national experts
- $3 million entitlement budget
- Included seven-day charrette

<table>
<thead>
<tr>
<th>Residential Housing Units</th>
<th>Buildout # of Units</th>
<th>Buildout Population#</th>
<th>Buildout Students**</th>
<th>Mkt Val. Per DU (1)</th>
<th>Assessed Val. Per DU (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rate Condominiums</td>
<td>702</td>
<td>1,495</td>
<td>197</td>
<td>$450,000</td>
<td>$437,850</td>
</tr>
<tr>
<td>COAH Units-For Sale</td>
<td>18</td>
<td>38</td>
<td>5</td>
<td>$107,884</td>
<td>$104,971</td>
</tr>
<tr>
<td>COAH Units-For Rent</td>
<td>80</td>
<td>170</td>
<td>22</td>
<td>$87,504</td>
<td>$85,141</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>800</strong></td>
<td><strong>1,704</strong></td>
<td><strong>224</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonresidential</th>
<th>Buildout Sq. Ft.</th>
<th>Buildout Jobs</th>
<th>Mkt Val. Per SF (1)</th>
<th>Assessed Val. Per SF (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>100,000</td>
<td>250</td>
<td>$300</td>
<td>$292</td>
</tr>
</tbody>
</table>

(1) InterCap Holdings, LLC
(2) Assessed value is 97.3% of market value
# U.S. Census Bureau 2.13 pph for multifamily units
** Assumes 0.28 students
West Windsor, NJ, TOD Project

- Total assessed value of $345.3 million at buildout

**REVENUES**
- $1.27 million *annual* property taxes to Township
- $5.2 million *annual* property taxes to School District

**EXPENDITURES**
- $819,252 annually for Township
- $628,983 annually for School District
• Township would benefit from over $2.8 million in offsite infrastructure provided by the developer

• Township and School District can absorb additional development without substantial outlays for infrastructure and operating costs
  • Sufficient classroom capacity is available based on the School District’s projected decline in system-wide enrollment

• Development proposal was denied
Area-wide Analysis

- Can be applied to a neighborhood, several contiguous neighborhoods, entire city, county, or region
- Usually 10-20 year timeframe
- Common to evaluate multiple development scenarios with various land use mixes/patterns, paces of growth, or economic activity
## SCENARIO 2: INNER CORE FOCUS TOTALS
### NW URBAN AREA SCENARIO TOTALS

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<tbody>
<tr>
<td>Rural Single Family</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>120</td>
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<tr>
<td>Duplex</td>
<td>22</td>
<td>22</td>
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<td>22</td>
<td>22</td>
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<td>15</td>
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<tr>
<td>Single Family</td>
<td>214</td>
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<td>214</td>
<td>214</td>
<td>214</td>
<td>159</td>
<td>159</td>
<td>159</td>
<td>159</td>
<td>159</td>
<td>170</td>
</tr>
<tr>
<td>Total Units</td>
<td>475</td>
<td>475</td>
<td>475</td>
<td>475</td>
<td>475</td>
<td>354</td>
<td>354</td>
<td>354</td>
<td>354</td>
<td>354</td>
<td>645</td>
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</table>

<table>
<thead>
<tr>
<th>Nonresidential Land Uses</th>
<th></th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Retail</td>
<td>54,886</td>
<td>54,886</td>
<td>54,886</td>
<td>54,886</td>
<td>54,886</td>
<td>84,942</td>
<td>84,942</td>
<td>84,942</td>
<td>84,942</td>
<td>84,942</td>
<td>699,140</td>
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<tr>
<td>Industrial</td>
<td>188,179</td>
<td>188,179</td>
<td>188,179</td>
<td>188,179</td>
<td>188,179</td>
<td>139,392</td>
<td>139,392</td>
<td>139,392</td>
<td>139,392</td>
<td>139,392</td>
<td>1,637,855</td>
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<tr>
<td>Office</td>
<td>5,227</td>
<td>5,227</td>
<td>5,227</td>
<td>5,227</td>
<td>5,227</td>
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<td>0</td>
<td>0</td>
<td>26,135</td>
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<tr>
<td>Total Square Footage</td>
<td>310,147</td>
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<td>310,147</td>
<td>310,147</td>
<td>270,508</td>
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<td>270,508</td>
<td>270,508</td>
<td>2,903,275</td>
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Source: TischlerBise, City of Oklahoma City and BWR
Area-wide Analysis Examples

Hillsborough County
Hillsborough County

Annual Net Fiscal Impacts (x$1,000)
Current Growth Trend Scenario, 2003 to 2025
Hillsborough County Fiscal Impact Analysis

- Hillsborough County
- School Board
- Combined
Planning Applications

- Evaluating Fiscal Sustainability
  - Comprehensive Plan validation
  - Is growth really paying for itself?
  - Comprehensive rezonings
  - Is annexation fiscally beneficial?
  - Did the Recession reveal revenue structure issues?
- Should development be incentivized? If so, what types and how much?
- Evaluating development projects and individual re-zoning applications
Budget and Finance Applications

- Long-term financial planning
- Capital improvement programming
  - Infrastructure replacement
- Revenue forecasting
- Addressing increased funding responsibilities due to decreased state and federal funding
- Level of service changes
- Demographic shifts
Annual Results
75% of Developer's Projections-20-Year Absorption
Demographic Shifts

Average Annual Net Results-General Fund (millions)
Scenario Comparisons
Howard County Fiscal Analysis-Phase II

- Aging in Place
  - Yrs. 1-10: ($19.5)
  - Yrs. 11-21: ($11.4)
  - Yrs. 1-21: ($4.0)

- High Mobility
  - Yrs. 1-10: ($20.0)
  - Yrs. 11-21: ($21.1)
  - Yrs. 1-21: ($26.5)

- Yrs. 1-10: ($21.1)
- Yrs. 11-21: ($31.4)
- Yrs. 1-21: ($35.0)
Demographic Shifts

Average Annual Net Results-General Fund (millions)
Scenario Comparisons w/Enhanced Infrastructure Replacement
Howard County Fiscal Analysis-Phase II

- **Aging in Place**
  - Yrs. 1-10: $(23.4)$
  - Yrs. 11-21: $(18.1)$
  - Yrs. 1-21: $(20.6)$

- **High Mobility**
  - Yrs. 1-10: $(45.4)$
  - Yrs. 11-21: $(35.7)$
  - Yrs. 1-21: $(25.0)$
Land Use Planning Scenarios
Champaign, IL: Citywide Results

Annual Net Fiscal Impacts from New Growth Scenario Comparisons
Champaign Fiscal Impact Analysis

Source: TischlerBise
Cumulative Net Fiscal Impacts from New Growth - Operating v. Capital Scenario Comparisons Champaign Fiscal Impact Analysis

- Growth Within the Service Area:
  - Operating: $83,548
  - Capital: $32,815
  - Combined: ($50,733)

- Growth Beyond the Service Area:
  - Operating: $82,204
  - Capital: ($19,632)
  - Combined: ($101,836)
Champaign, IL: Subarea Analysis

Cumulative Net Fiscal Impacts from New Growth
FAZ Comparisons
Champaign Fiscal Impact Analysis

Scenario One: Growth Within Service Area
Scenario Two: Growth Beyond The Service Area
Champaign, IL: Findings

• The difference in fiscal impact results of the two scenarios is driven mainly by much higher capital costs—$52.3 million higher—for the Growth Beyond the Service Area scenario
  • Acreage available for development is more than double that of the Growth Within the Service Area scenario
  • Larger area available leads to a more scattered and leapfrog approach to development which requires the expansion of fire service areas as well as the road network
  • The results show this is an inefficient development pattern
Sahuarita, AZ, Rancho Sahuarita Town Center Development

- Fifteen-year old Town outside Tucson
- Most development is single family residential
- Developer proposing mixed-use Rancho Sahuarita Town Center project
- Asking for sales tax rebate of 50% for infrastructure projects
- *Does this incentive make financial sense?*
Incentive Analysis

Average Annual Net Fiscal Impacts
Rancho Sahuarita, Arizona

Source: TischlerBise
Incentive Analysis Findings

- Rancho Sahuarita Town Center project generates net surpluses to the General Fund
  - Due to the amount of nonresidential development assumed
  - More importantly, approximately 75 percent of this nonresidential development is retail
- Analysis based on current levels of service
  - Community is changing—likely demand for a higher level of service, which will increase cost assumptions
Incentive Analysis Findings

• Market analysis confirmed **major retailers** will be coming **regardless of incentives** developer can pass through in lease savings

• New **sales tax revenue** is needed to **support residential development**
  - Town does not currently have a significant sales tax base
  - Analysis didn’t include 7,000 housing units from Phase I that already exist—and the Town gets virtually no revenue from residential development
  - Town is likely to have to improve levels of service to meet community demands
Orangeburg County, SC

- Fiscal impact analysis of combined direct and indirect employment impacts on the County
- Conducted as part of the County’s Sustainability Plan
- Industries studied are identified as County Targeted Industries
- Questions to be answered by the study:
  - What type of growth pays for itself?
  - What nonresidential land uses provided best economic and fiscal return? And therefore should be considered for incentives?
  - What are direct and indirect economic effects of those industries?
  - Are we losing jobs to neighboring counties?
Total and Direct and Spinoff Jobs within the County per 1,000 Square Feet of Nonresidential Prototype
## Direct and Spinoff Fiscal Results

### Direct Jobs

<table>
<thead>
<tr>
<th>Nonresidential Prototype</th>
<th>Revenue</th>
<th>Expenditures</th>
<th>Net Fiscal Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakeries and Tortilla Manufacturing</td>
<td>$643</td>
<td>$311</td>
<td>$332</td>
</tr>
<tr>
<td>Beverage Manufacturing</td>
<td>$596</td>
<td>$184</td>
<td>$412</td>
</tr>
<tr>
<td>Chemical Manufacturing</td>
<td>$712</td>
<td>$508</td>
<td>$204</td>
</tr>
<tr>
<td>Fabricated Metal Product Manufacturing</td>
<td>$586</td>
<td>$149</td>
<td>$437</td>
</tr>
<tr>
<td>Machinery Manufacturing</td>
<td>$599</td>
<td>$188</td>
<td>$412</td>
</tr>
<tr>
<td>Warehousing and Storage</td>
<td>$333</td>
<td>$89</td>
<td>$243</td>
</tr>
<tr>
<td>Truck Transportation</td>
<td>$543</td>
<td>$220</td>
<td>$322</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>$779</td>
<td>$742</td>
<td>$36</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>$780</td>
<td>$849</td>
<td>($70)</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>$954</td>
<td>$657</td>
<td>$298</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$3,685</td>
<td>$921</td>
<td>$2,764</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$350</td>
<td>$162</td>
<td>$187</td>
</tr>
</tbody>
</table>

### Spinoff Jobs

<table>
<thead>
<tr>
<th>Nonresidential Prototype</th>
<th>Revenue</th>
<th>Expenditures</th>
<th>Net Fiscal Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakeries and Tortilla Manufacturing</td>
<td>$550</td>
<td>$187</td>
<td>$363</td>
</tr>
<tr>
<td>Beverage Manufacturing</td>
<td>$597</td>
<td>$174</td>
<td>$422</td>
</tr>
<tr>
<td>Chemical Manufacturing</td>
<td>$9,684</td>
<td>$3,017</td>
<td>$6,668</td>
</tr>
<tr>
<td>Fabricated Metal Product Manufacturing</td>
<td>$210</td>
<td>$73</td>
<td>$137</td>
</tr>
<tr>
<td>Machinery Manufacturing</td>
<td>$280</td>
<td>$84</td>
<td>$196</td>
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<tr>
<td>Warehousing and Storage</td>
<td>$73</td>
<td>$23</td>
<td>$50</td>
</tr>
<tr>
<td>Truck Transportation</td>
<td>$204</td>
<td>$72</td>
<td>$132</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>$801</td>
<td>$264</td>
<td>$537</td>
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<tr>
<td>Health Care and Social Assistance</td>
<td>$913</td>
<td>$279</td>
<td>$634</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>$751</td>
<td>$250</td>
<td>$501</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$191</td>
<td>$59</td>
<td>$132</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$144</td>
<td>$48</td>
<td>$96</td>
</tr>
</tbody>
</table>
## Combined Fiscal Results

<table>
<thead>
<tr>
<th>Nonresidential Prototype</th>
<th>Revenue</th>
<th>Expenditures</th>
<th>Net Fiscal Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakeries and Tortilla Manufacturing</td>
<td>$1,193</td>
<td>$498</td>
<td>$695</td>
</tr>
<tr>
<td>Beverage Manufacturing</td>
<td>$1,192</td>
<td>$358</td>
<td>$834</td>
</tr>
<tr>
<td>Chemical Manufacturing</td>
<td>$10,396</td>
<td>$3,524</td>
<td>$6,872</td>
</tr>
<tr>
<td>Fabricated Metal Product Manufacturing</td>
<td>$796</td>
<td>$222</td>
<td>$574</td>
</tr>
<tr>
<td>Machinery Manufacturing</td>
<td>$880</td>
<td>$272</td>
<td>$608</td>
</tr>
<tr>
<td>Warehousing and Storage</td>
<td>$405</td>
<td>$112</td>
<td>$293</td>
</tr>
<tr>
<td>Truck Transportation</td>
<td>$746</td>
<td>$292</td>
<td>$454</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>$1,580</td>
<td>$1,007</td>
<td>$574</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>$1,692</td>
<td>$1,129</td>
<td>$564</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>$1,705</td>
<td>$907</td>
<td>$798</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$3,876</td>
<td>$979</td>
<td>$2,896</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$493</td>
<td>$211</td>
<td>$282</td>
</tr>
</tbody>
</table>
Takeaways from Incentive Analysis

• Must understand the market conditions and necessary public sector interventions
• Must put the fiscal results within context of economic, social, and other benefits and cost of doing nothing
• Marginal costing is critical
  • Average costing leads to generalizations
  • Must measure the cost of intervention strategies
  • Results can indicate the opposite of reality (e.g., advocacy)
• Understand the question being asked—and answered
Beware of Advocacy Passed off as Analysis
How Does “Smart Growth” Affect Fiscal Outcomes?

Building Better Budgets
A National Examination of the Fiscal Benefits of Smart Growth Development
3 Conclusions from Surveys on Smart Growth

Cost of Infrastructure
• 38% Savings

Cost of Services
• 10% Savings (higher in rural areas)

Tax Revenue Per Acre
→ 10x more
Caution: Revenue Per Acre Approaches

Asheville Wal-Mark

large $ / large # of acres
[$20 million property value +
retail sales taxes / 34 acres] $ 50,800
Total Taxes/Acre to City

Downtown

lower $ / very low # of acres
[$11 million property value /
.19 acres] $414,000
Total Taxes/Acre to City

Source: Urban3; TischlerBise
Problems with Revenue per Acre Approach

- Simplistic Analysis
  - Often used to indicate that one development strategy is better than the other
- Ignores market realities
- No real or credible analysis of costs
- Initially ignored sales tax
- Ignores the cost of parking
Fiscal Impacts per Acre

Asheville Suburban Wal-Mart vs. Downtown Mixed Use Building

Source: Tax Revenues from Urban3, “How We Measure the City”; Cost estimates from TischlerBise
Fiscal Impacts per Building

Asheville Suburban Wal-Mart vs. Downtown Mixed Use Building

$4.66 in taxes for every $1 in costs

$2.48 in taxes for every $1 in costs

Source: Tax Revenues from Urban3, “How We Measure the City”; Cost estimates from TischlerBise
## Total External Capital Public Facility Costs

(Per Single Family Dwelling Unit)

<table>
<thead>
<tr>
<th>Rank</th>
<th>DSA</th>
<th>Urban Form</th>
<th>Unit Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Downtown</td>
<td>Compact</td>
<td>$9,251</td>
</tr>
<tr>
<td>2</td>
<td>Southpoint</td>
<td>Contiguous</td>
<td>$9,767</td>
</tr>
<tr>
<td>3</td>
<td>Countryside</td>
<td>Contiguous</td>
<td>$12,693</td>
</tr>
<tr>
<td>4</td>
<td>Cantonment</td>
<td>Scattered</td>
<td>$15,316</td>
</tr>
<tr>
<td>5</td>
<td>Tampa Palms</td>
<td>Satellite</td>
<td>$15,447</td>
</tr>
<tr>
<td>6</td>
<td>University</td>
<td>Linear</td>
<td>$16,260</td>
</tr>
<tr>
<td>7</td>
<td>Kendall</td>
<td>Linear</td>
<td>$16,514</td>
</tr>
<tr>
<td>8</td>
<td>Wellington</td>
<td>Scattered</td>
<td>$23,960</td>
</tr>
<tr>
<td></td>
<td>AVERAGE</td>
<td></td>
<td>$14,901</td>
</tr>
</tbody>
</table>

Source: Urban3, “How We Measure the City”
Higher Density May **Increase** Costs: City in California: Police Service

Source: Economics Research Associates (ERA)
Higher Density May **Increase** Costs: City in California: Fire Service

Source: Economics Research Associates (ERA)
Downtown Las Vegas, Nevada

- Lack of existing investment implies the need to incentivize growth in the future
- Affordability and lack of diversity are issues
  - Vacancy rates are 300% more than that of Clark County
- Land assemblage issues
  - City has a policy of not using eminent domain
  - Prevailing wage requirements for City money
- Only 375 housing starts in Downtown since 2008
- Safety is an issue
- Expensive relative to competing product
Downtown Las Vegas Market Demand

**Preferred Scenario: Super Aggressive**

<table>
<thead>
<tr>
<th>Development Projections</th>
<th>Total GSF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong> 52 M GSF (+)</td>
<td></td>
</tr>
<tr>
<td><strong>Conservative</strong> 55.7 M GSF (+)</td>
<td></td>
</tr>
<tr>
<td><strong>Moderate</strong> 58.8 M GSF (+)</td>
<td></td>
</tr>
<tr>
<td><strong>Aggressive</strong> 61.4 M GSF (+)</td>
<td></td>
</tr>
<tr>
<td><strong>Super Aggressive</strong> 63.7 M GSF (+)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong> 11.7 M SF</td>
<td></td>
</tr>
</tbody>
</table>

- **Residential**: 6.8 M SF (6,400 Units *)
- **Retail & Related**: 739 K SF
- **Hotel & Gaming**: 515 K SF
- **Office**: 2.1 M SF
- **Institutional**: 1.2 M SF
- **Industrial / Flex**: 339 K SF

*Assume the average size of one housing unit ranges from 800 sq. ft. to 1,200 sq. ft. based on the specific housing types.
Improvements to the Public Realm

**Environmental Benefits**

**Public Realm Improvement**

- **Parks and Plazas**
  - Existing: 24 AC
  - Proposed: 48 AC
  - Increase: 200%

  Parks and open spaces are essential to urban life. They provide a place for recreation, cool the ambient temperature, and provide a meaningful respite from the city. The Masterplan envisions a diversified complement of open spaces that promote a higher quality of life for residents, workers, and visitors to DTLV.

- **Bike Network**
  - Existing: 7 Linear Miles
  - Proposed: 48 Linear Miles
  - Increase: 685%

  The ability to get around by bicycle expands the reach of the transportation network, providing much needed alternatives to the automobile for short trips within downtown, as well as recreational biking trails to regional open spaces.

- **Urban Trails**
  - Existing: 15 Linear Miles
  - Proposed: 45 Linear Miles
  - Increase: 300%

  Pedestrian areas are also greatly expanded from new and expanded sidewalks within urban areas to walking and running trails along the train right of way and beyond.

- **Tree Canopy**
  - Existing: 15 AC
  - Proposed: 245 AC
  - Increase: 1600%

  Trees are a real need in DTLV. The “Urban heat island” is most affected by the lack of tree canopy within the CBD, where tall buildings and reflective materials are most prevalent. The Masterplan calls for a significant increase of drought tolerant trees lining most major streets. The cumulative effect of these plantings can significantly reduce ambient temperature, helping reduce energy.
Downtown Las Vegas Intervention

- Implement an aggressive Downtown housing strategy
- Residential housing incentives
- Establish a Local Entrepreneurship Program
- Establish an Economic Development Capital Fund
- City assemblage of property
- Buying down the cost of land
# Key Development Assumptions

## Union Square

<table>
<thead>
<tr>
<th>Residential</th>
<th>Assessed Value*</th>
<th>Persons Per HU**</th>
<th>Pupils Per HU***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>2,049 Persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Units</td>
<td>867 Units</td>
<td>$190,000 Per Unit</td>
<td>1.89</td>
</tr>
<tr>
<td>Affordable Units</td>
<td>217 Units</td>
<td>$91,200 Per Unit</td>
<td>1.89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonresidential</th>
<th>Jobs/1,000 SF#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>4,829 Jobs</td>
</tr>
<tr>
<td>Retail</td>
<td>166,455 Sq. Ft.</td>
</tr>
<tr>
<td>Creative Enterprise</td>
<td>103,864 Sq. Ft.</td>
</tr>
<tr>
<td>Office</td>
<td>1,118,617 Sq. Ft.</td>
</tr>
<tr>
<td>Hotel Rooms</td>
<td>175 Rooms</td>
</tr>
</tbody>
</table>

*Provided by the City of Somerville. Hotel assumes a full service hotel.

**US Census Bureau ACS data

***US Census Bureau Public Use Microsample data

---

## Boynton Yards

<table>
<thead>
<tr>
<th>Residential</th>
<th>Assessed Value*</th>
<th>Persons Per HU**</th>
<th>Pupils Per HU***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>3,330 Persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Units</td>
<td>1,410 Units</td>
<td>$190,000 Per Unit</td>
<td>1.89</td>
</tr>
<tr>
<td>Affordable Units</td>
<td>352 Units</td>
<td>$91,200 Per Unit</td>
<td>1.89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonresidential</th>
<th>Jobs/1,000 SF#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>8,274 Jobs</td>
</tr>
<tr>
<td>Retail</td>
<td>193,080 Sq. Ft.</td>
</tr>
<tr>
<td>Creative Enterprise</td>
<td>181,134 Sq. Ft.</td>
</tr>
<tr>
<td>Office</td>
<td>2,005,252 Sq. Ft.</td>
</tr>
</tbody>
</table>

*Provided by the City of Somerville

**US Census Bureau ACS data

***US Census Bureau Public Use Microsample data

#Based on information from the Institute of Transportation Engineers
Union Square – Major Cost Assumptions

- Road/Streetscape upgrades: $25 million for Union Square
- Road/Streetscape upgrades: $18.8 million for Boynton Yards
- Utility upgrades: $35 million for Union Square
- Utility upgrades: $21.2 million for Boynton Yards
- New Fire Station: $21 million
Cautions

- Fiscal impact analysis is both a science and an art
- A “one size fits all” approach leads to generalizations
  - Each jurisdiction is unique
  - Results can indicate the opposite of reality
- Fiscal impacts are only one part of the equation
- Goal should be to educate
Cautions

• Garbage in, garbage out
  • Analysis must include a clearly written rationale explaining methodology and assumptions

• Focusing on the fiscal impacts at the expense of other impacts
  • Environmental, social, economic, transportation
  • Fiscal zoning

• Overlap of government entities
  • What about School District?

• Beware of advocacy disguised as analysis!!!!
Funding the Gap
Funding the Gap

- Impact fees
- Stormwater & transportation utilities
- Special purpose sales taxes
- Special authorities/taxing districts
- Excise/development taxes
- Insurance premium tax
- Jurisdictional revenue sharing
Criteria for Evaluation Options

- Revenue yield
- Administrative ease
- Legality
- Proportionality
- Public acceptance

Infrastructure Financing Funding Criteria

<table>
<thead>
<tr>
<th></th>
<th>Revenue Potential</th>
<th>Technical Ease</th>
<th>Proportionate to Demand</th>
<th>Public Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>positive</td>
<td>negative</td>
<td>negative</td>
<td>negative</td>
</tr>
<tr>
<td>Special Districts</td>
<td>negative</td>
<td>negative</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Developer Exactions</td>
<td>negative</td>
<td>neutral</td>
<td>negative</td>
<td>positive</td>
</tr>
<tr>
<td>Impact Fees</td>
<td>positive</td>
<td>negative</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Excise Taxes</td>
<td>positive</td>
<td>neutral</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Property Tax</td>
<td>positive</td>
<td>positive</td>
<td>negative</td>
<td>positive</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>positive</td>
<td>positive</td>
<td>negative</td>
<td>negative</td>
</tr>
<tr>
<td>Transfer Tax</td>
<td>positive</td>
<td>positive</td>
<td>negative</td>
<td>neutral</td>
</tr>
<tr>
<td>User Charges</td>
<td>positive</td>
<td>positive</td>
<td>negative</td>
<td>negative</td>
</tr>
</tbody>
</table>
Analysis of mixed-use developments in six regions of the United States found an average 29% reduction in trip generation as a function of seven “D” variables.

**Land Use Characteristics**
- Density
- Diversity (horizontal and vertical mixed use)
- Development Scale

**People/Household Characteristics**
- Demographics (college students, young professionals and aging boomers)

**Transportation and Land Use Characteristics**
- Design (place making and complete streets)
- Destination Accessibility (connectivity, urban grid, small blocks)
- Distance to Transit

Example of Service Area Results

- On average, urban residential has fewer vehicles available and persons per unit, thus lowering vehicular trip generation rates.
- Urban settings provide options for walking, biking, and transit travel, thus lowering the vehicular mode share.
- Mixed land use, more compact development, and better jobs-housing balance reduces average trip length.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Urban</th>
<th>Suburban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles Available per Housing Unit</td>
<td>1.05</td>
<td>1.70</td>
</tr>
<tr>
<td>Persons per Housing Unit</td>
<td>1.98</td>
<td>2.32</td>
</tr>
<tr>
<td>Single Units</td>
<td>40%</td>
<td>76%</td>
</tr>
<tr>
<td>2+ Units per Structure</td>
<td>60%</td>
<td>24%</td>
</tr>
<tr>
<td>Average Weekday Vehicle Trip Ends per Single Unit</td>
<td>7.02</td>
<td>8.44</td>
</tr>
<tr>
<td>Average Weekday Vehicle Trip Ends per 2+ Unit</td>
<td>4.51</td>
<td>5.70</td>
</tr>
<tr>
<td>Autos to Work</td>
<td>74%</td>
<td>90%</td>
</tr>
<tr>
<td>Walk/Bike/Bus to Work</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>Average Vehicle Trip Miles</td>
<td>3.93</td>
<td>5.40</td>
</tr>
</tbody>
</table>
Sandpoint, Idaho

• Included a progressive fee structure for residential units that varied the fee by size of housing unit
• The fee schedule promotes downtown development with a reduced fee to account for existing infrastructure capacity
• Fees structure includes multi-use pathways to support the City’s planning and mobility objectives
• Extensive coordination with County
Bozeman, Montana

- Included a progressive fee structure for residential units that varied the fee by size of housing unit
- The fee schedule promotes downtown development with a reduced fee to account for existing infrastructure capacity
- Fees structure includes multi-use pathways to support the City’s planning and mobility objectives

Fig. 4. Scatterplot of predicted versus observed external vehicle counts
Issue Discussion and Q&A
L. Carson Bise, AICP, President

[Email and social media links]

[Website]

[Phone number]

Note on sources: Unless otherwise noted or sourced, all figures herein are from TischlerBise.