

# TischlerBise Fiscal & Economic

## NEWSLETTER

### Cost of Land Use Fiscal Impact Analysis

The City of Lawrence, Kansas, sought to understand the fiscal impact of different types and patterns of development. To do this, the City retained TischlerBise to conduct two separate fiscal impact analyses. The first is a Cost of Land Use Study, which examines the fiscal impact of proto-

#### *What Type of Land Use Pays for Itself?*

typical land uses on a jurisdiction's budget. In other words, it seeks to answer the question, "What type of land use pays for itself?" Since this type of analysis focuses on the fiscal impact of

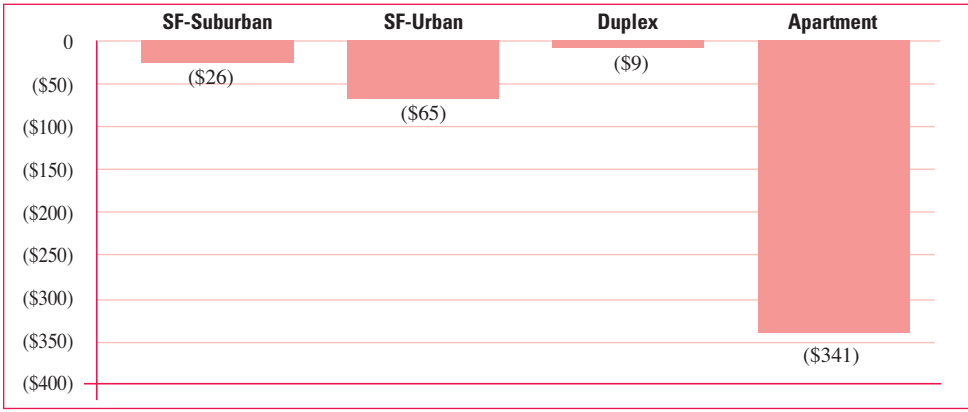
selected land use prototypes without regard to geographic location, it focuses on average costing.

The second type of fiscal impact analysis conducted for the City of Lawrence was a Fiscal Impact Analysis of Development Scenarios. This analysis tests different mixes of land use as well as development patterns and identifies future revenue and costs needed to support growth in the City.

Major results from the Cost of Land Use fiscal analysis for the City of Lawrence are summarized in Figures 1 (below) and 2 (page 4) for both residential and nonresidential land uses.

(See *Land Use*, p. 4)

*Figure 1. Residential Land Use Prototypes*  
**Annual Net Results – Residential Prototypes**  
**City of Lawrence Cost of Land Use Fiscal Analysis (Per Residential Unit)**



### Two Approaches for One Impact Fee

TischlerBise routinely considers all three impact fee methodologies (cost recovery, incremental and plan-based) for most impact fee categories. This is possible even if legislation requires a capital improvement program. In this article we briefly note one example in Lake Wales, Florida, a growing community with a peak population of over 20,000.

To encourage development in the historic area, where the City's main fire station has capacity, a cost recovery approach was used. In the fast

(See *Two Approaches*, p. 2)

### Fiscal Impact Analysis of Development Scenarios

A Fiscal Impact Analysis of Development Scenarios determines whether revenues generated by new growth under different land use assumptions are sufficient to cover the resulting costs. The methodology focuses on the case study-marginal approach.

After understanding how different types of land uses affect the City's fiscal condition (see the above article, "Cost of Land Use Fiscal Impact Analysis," for further detail), the City of Lawrence wanted to understand the overall fis-

(See *Fiscal Impact Analysis*, p. 2)

## IN THIS ISSUE

### Fiscal Impact Approaches

TischlerBise specializes in fiscal impact analysis and impact fees. A fiscal impact analysis considers all relevant revenues, operating expenses and capital costs, while an impact fee reflects only capital facilities related to growth. Total capital facility costs are usually only 10% -20% of a jurisdiction's General Fund. In this issue we focus on the two prevalent types of *fiscal impact studies* and use our work in the City of Lawrence, Kansas, as a case study to illustrate both types.

#### *Different Types of Fiscal Impact Studies Provide Different Perspectives on the Fiscal Impacts of Growth*

*Cost of Land Use Fiscal Impact Analysis.* This first study shows the annual fiscal surplus or deficit from specific types of land uses. This "snapshot" approach helps communities understand how different land uses currently impact them fiscally.

*Fiscal Impact Analysis of Development Scenarios.* This second type of analysis focuses on the case study-marginal approach and examines the revenues and costs generated by a mix of land use types and development patterns under different growth scenario assumptions. It includes capital facility forecasting and can reflect geographic subareas. TischlerBise conducted both types of studies for Lawrence, Kansas, and this issue includes an article on each.

*Impact Fees.* The third article pertains to impact fees and presents one example of how two different impact fee methodologies were used for one infrastructure category (fire) in Lake Wales,

#### *Considering Different Impact Fee Methodologies Can Result in Enhanced Revenues*

Florida. One hallmark of our impact fee work is that we consider all possible impact fee methodologies and discuss the potential tradeoffs with clients. This approach can yield substantial revenue differences to the client.

**Fiscal Impact Analysis of Development Scenarios**  
*(continued from p. 1)*

cal impacts of a mix of land uses for four sub-areas over the next twenty years.

By comparing multiple land use scenarios within a geographic subarea, the City is better able to understand how different land use mixes and forms affect the City’s fiscal bottom line.

**Growth Areas and Scenarios**

Four geographic subareas were evaluated as part of this fiscal impact analysis. Suburban style development versus traditional neighborhood design (TND) was evaluated in two sub-areas; more residential versus industrial in a third subarea and more business park development in a fourth area.

*Traditional Neighborhood Design (TND) Generated More Favorable Fiscal Results Than Suburban Type Residential*

**Average Annual Net Fiscal Impacts**

As shown on this page, average annual net deficits are generated over all time periods for all subareas/scenarios. Net deficits are higher in the last ten years of development for all areas. This is due to the cumulative nature of debt service payments as well as the number of facilities—and associated operating costs—required in the latter half of the analysis period. As shown, revenues generated are insufficient to cover the required costs. Average annual net deficits over the 20-year period range from a low of \$967,000 to a high of over \$4.7 million.

**Cumulative Net Fiscal Impacts**

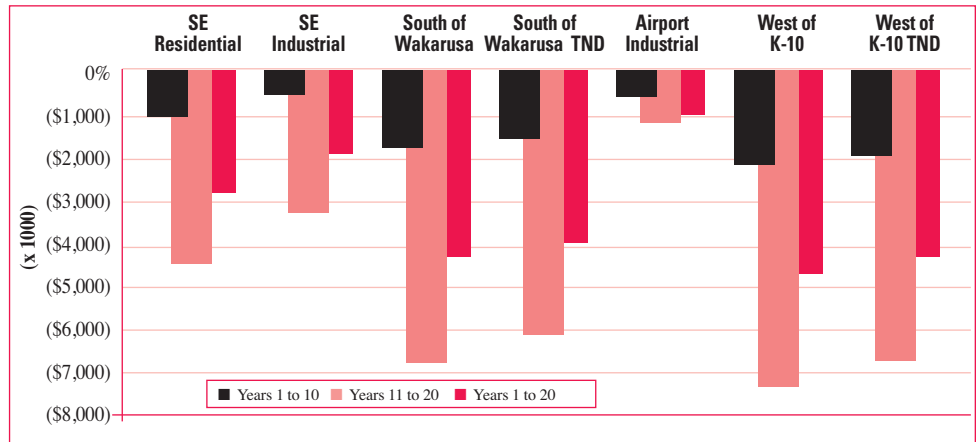
Another way of understanding the fiscal results is to look at the operating versus capital budget. The fiscal system designed by TischlerBise for this assignment forecasted a capital budget that is not fiscally constrained. It shows the capital costs that should be incurred to serve new growth.

*Capital Expenditures Drive the Net Deficits*

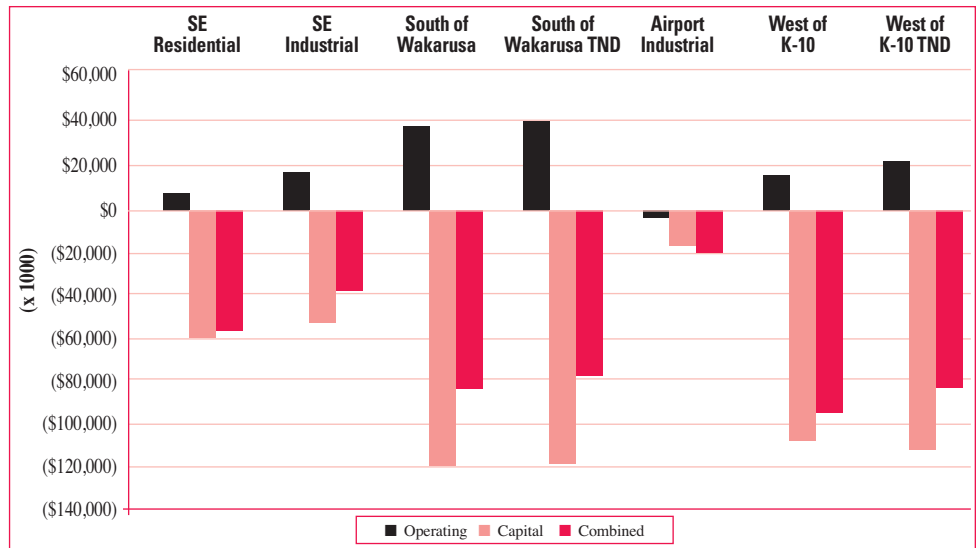
While all subareas/scenarios generate cumulative net combined deficits, the overall net deficits are a result of deficits to the capital funds. In fact, there are net surpluses generated to the operating budgets in all but one subarea/scenario (Airport Industrial).

*(See Fiscal Impact Analysis, p. 4)*

**Average Annual Net Fiscal Impacts – Scenario Comparisons**  
**City of Lawrence Fiscal Impact Analysis**



**Cumulative Net Fiscal Impacts – Operating vs. Capital – Scenario Comparison**  
**City of Lawrence Fiscal Impact Analysis**



**Two Approaches for One Impact Fee**  
*(continued from p. 1)*

growth, northern portion of the City, a new station is needed to serve new development, and a plan-based approach was used. The cost per person is 76% higher in the newly developing area.

The table below summarizes some of the key components used in the residential demand analy-

sis for the two service areas. The cost allocation for residential development was based on actual calls for service. Residential development accounts for approximately 54% of the demand. Nonresidential was also charged a fire impact fee.

*Plan-Based and Cost Recovery Methodologies Were Used*

**Figure 1. Fees by Service Area: Lake Wales, Florida**

	South (Historic Area)	North (Greenfield Area)
Fee Method	Incremental Expansion	Plan-Based
Square Feet of Station	16,300	4,100
Fire Station Cost	1,793,000	651,000
Peak Population	17,066	3,511
Cost Per Person	\$56.39	\$99.50

Listed below are some of our new clients since our last Fiscal & Economic Newsletter.

## Impact Fee and Impact Fee Feasibility Assignments:

Daphne, Alabama  
 Orange Beach, Alabama  
 Baldwin County, Alabama  
 Apache Junction, Arizona  
 Eloy, Arizona  
 Glendale, Arizona  
 Maricopa, Arizona  
 Navajo County, Arizona  
 Springerville, Arizona  
 Surprise, Arizona  
 Siloam Springs, Arkansas  
 Butte County, California  
 El Centro, California  
 Rancho Cucamonga, California  
 Suisun City, California  
 Castle Rock, Colorado  
 Louisville, Colorado  
 Coral Gables, Florida  
 Manatee County, Florida  
 Naples, Florida  
 Punta Gorda, Florida  
 Gordon County, Georgia  
 Henry County, Georgia  
 Ada County, Idaho  
 Post Falls, Idaho  
 Shoshone County Fire District, Idaho  
 Evanston, Illinois

Salisbury, Maryland  
 Snow Hill, Maryland  
 Belgrade, Montana  
 Gallatin County, Montana  
 Manhattan, Montana  
 Missoula, Montana  
 North Las Vegas, Nevada  
 Cabarrus County, North Carolina  
 Orange County, North Carolina  
 Lebanon, Ohio  
 Pickerington, Ohio  
 Aiken County, South Carolina  
 Anderson County, South Carolina  
 Cache County, Utah  
 Sussex County, Virginia

## Fiscal Impact Assignments:

Pasadena, California  
 New Castle County, Delaware  
 Lenexa, Kansas  
 Frederick County, Maryland  
 Great Falls, Montana  
 Englewood, New Jersey  
 Beaufort County, South Carolina  
 Horry County, South Carolina  
 Rock Hill, South Carolina  
 Leesburg, Virginia

## Speaking Engagements

### American Planning Association National Conference

- Carson Bise and Julie Herlands presented on: Voluntary Mitigation Payments. For jurisdictions that lack impact fee authority, this approach may be very appealing. The approach will calculate the new capital costs due to growth.

### Voluntary Mitigation Payments May Be a Good Alternative if Impact Fees Not Allowed

### National Impact Fee Roundtable

- Julie Herlands and Yvonne Dawson presented on: Cash Proffers
- Carson Bise presented on: Economic Impact of Homebuilding and Calculating Long Range Operating and Infrastructure Needs with Fiscal Models
- Paul Tischler presented on: Impact Fees by Housing Type, Size and Bedroom Count

### International City/County Management Association National Conference

- Carson Bise and Paul Tischler presented on: Dealing with the Cost of Growth: From Soup to Nuts

### Arizona City/County Management Association Conference

- Carson Bise and Chris Cullinan presented on: The Cost of Growth: It's Not Just the Capital Costs

**TischlerBise**  
 COST OF GROWTH SERVICES

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#### Please send the following:

- Recent Fiscal & Economic Newsletters
- Reprint "20 Points to Know About Impact Fees"
- Reprint "Impact Fees – Understand Them or Be Sorry"
- Excerpts from: ICMA IQ Report "Introduction to Infrastructure Financing"
- Excerpts from: ICMA Smart Growth Network "Smart Growth & Fiscal Realities"

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#### Information about TischlerBise Consulting Services:

- Fiscal Impact Analyses
- Impact Fees
- Capital Improvement Programs
- Revenue Strategies
- Growth Policy Studies
- Market and Economic Analyses
- Fiscal Software

Name \_\_\_\_\_

Title \_\_\_\_\_ Agency \_\_\_\_\_ Telephone \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**Cost of Land Use Fiscal Impact Analysis**

(continued from p. 1)

**Residential Land Use Prototypes:  
Annual Net Fiscal Results**

• All four residential land use prototypes generate deficits to the City (see Figure 1 on page 1). The single family-detached prototypes differ in revenue generation—due to different taxable values—and operating costs—due to different road frontage assumptions.

**All Residential Prototypes  
Generated Deficits**

• Apartment units generate the largest net deficit at \$341 per unit. Although this prototype generates the lowest costs, it yields the lowest revenue.

**Nonresidential Land Use Prototypes:  
Annual Net Fiscal Results**

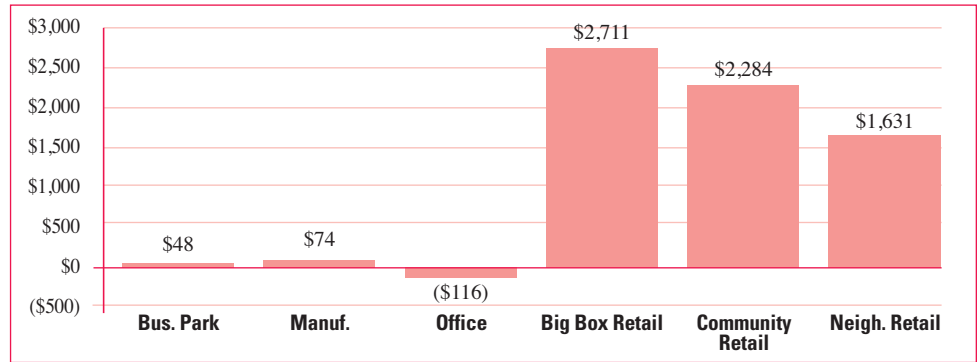
• The three retail land use prototypes generate

net revenues to the City, with Big Box Retail generating net revenues of \$2,711 per 1,000 square feet, due primarily to the amount of local sales tax generated (see Figure 2 on this page). This local sales tax accrues to the City based on “point of sale.”

• Business Park and Manufacturing land uses generate net surpluses, primarily due to lower costs from low employment densities and trip generation rates while the General Office prototype generates a net deficit due to relatively higher costs from a higher employment density.

Figure 2. Nonresidential Land Use Prototypes

Annual Net Results – Nonresidential Prototypes  
City of Lawrence Cost of Land Use Fiscal Analysis (Per 1,000 SF)



**Fiscal Impact Analysis of Development Scenarios**

(continued from p. 2)

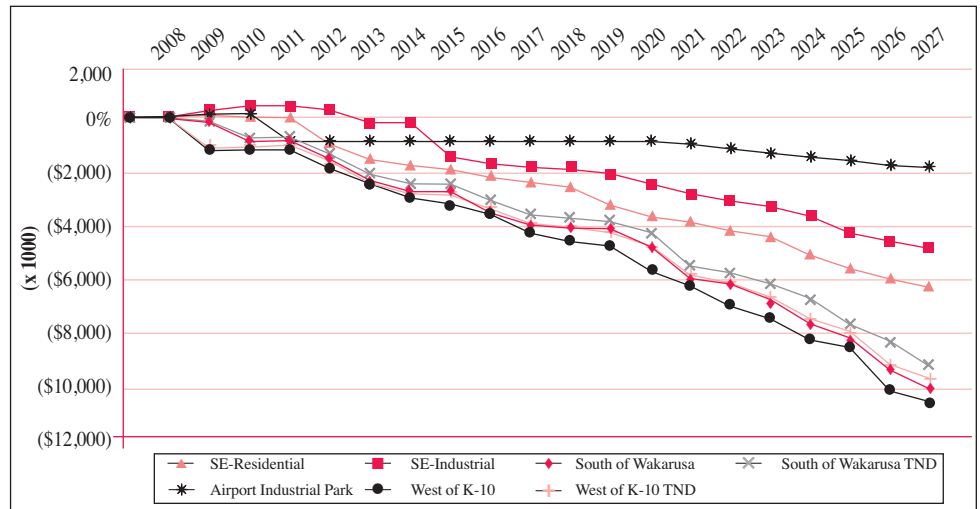
**Annual Net Fiscal Impacts**

As shown on the chart to the right, all sub-areas/scenarios produce annual net deficits to the City throughout most years of the 20-year development period. Some of the subareas/

**What are the Fiscal Impacts Under  
Multiple Development Scenarios?**

scenarios generate fiscal surpluses in the initial year(s). The worst fiscal results for all subareas/scenarios are in Year 20, due to the cumulative nature of debt service payments, primarily for roads.

Annual Net Fiscal Impacts – Scenario Comparisons  
City of Lawrence Fiscal Impact Analysis



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