Fiscal Impact Analysis

Why Do Fiscal Impact Analysis?

- Increasing desire to understand fiscal costs/benefits of development
- Residential development typically represents a net fiscal loss
  - Costs more in services than it generates in property taxes
  - Burden for school systems in particular
- Suburban development not always considered desirable
  - Featureless
  - Not walkable
  - Wasteful of infrastructure (i.e., expensive)
- Therefore, a push is on to quantify fiscal costs of development

Fiscal Impact Analysis

What Fiscal Impact Analysis Involves

- A model (an algorithm or system of mathematical equations) approximating how the real fiscal world works
- Assumptions on how the real fiscal world works (which may or may not be correct)
- A variety of fiscal impact methodologies exist
  - Some will be more relevant to your community’s situation than others
  - Some will deliberately skew the results to fit a particular viewpoint
- Adopt a method that your community is comfortable with in knowing that it represents a realistic approximation of your fiscal situation

Fiscal Impact Analysis

Now That You Have A Fiscal Impact Methodology, What Do You Do With It?

- Establish criteria for when a fiscal study is required
- Require the study for all projects meeting the criteria
- Report results to the plan commission
- Plan commission incorporates results with other considerations into its decision-making process
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It's Not That Simple: Plan Commission

- What's an acceptable result?
  - Net neutral result
  - Net negative result
  - Barely negative or positive result
  - Negative components within a net positive result

- How much weight to you give the results?
  - Compared to comp. plan recommendations
  - Compared to traffic and drainage studies
  - Compared to any other factor the PC considers important

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It's Not That Simple: Remonstrators

- Lose site of big picture: use technical quibbles with methodology to oppose projects

- Fiscal effect on schools
  - Sole variable evaluated
  - Oppose or approve projects solely on fiscal performance

- No-growth strategy may result by default

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It's Not That Simple: Developers

- Develop to the fiscal study

- Manipulate development variables to get acceptable results
  - Mixed use proposals don't pan out
  - Housing cost points not enforceable
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Unintended Consequences

- Residential development
  - Not necessarily supposed to pay its own way
  - Moderately priced housing may lose out
- Over-emphasis on fiscal costs exclude other characteristics of residential development
  - Mixed use proposals don’t pan out
  - Housing cost points not enforceable
- Community’s fiscal health becomes one-dimensional
- Use of fiscal studies to stop development
- Emphasis on housing price points
- Developing to the fiscal study

Fiscal Impact Analysis

Solving The Problems Fiscal Studies Reveal: Limiting The Costs

- Direct solution
  - Limit building permits
  - Building moratorium
  - Discourage low-cost housing
- Indirect solution: phasing growth
  - Urban service areas
  - Adequate public facilities ordinances (concurrency)

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Solving The Problems Fiscal Studies Reveal: Paying The Costs

- Impact fees