

Growth Impact Study

Purpose: Growth Impact Study

- Discuss with the Council the Scope of a **Growth Impact Study** included in the budget FY 2019 budget
 - Type of Study (can include elements of more than one)
 - Fiscal Impact Analysis
 - Growth Alternatives Analysis
 - Fiscal Equity Analysis (who subsidizes who)
 - Impact Fee Study
 - Method of Procurement
 - Request for Proposals
 - Request for Qualifications
 - Deliverables – Actions
 - What questions do you want answered? Data?
 - Citizen participation

Background

- Council included \$75,000 to be used for a Growth Impact Study in Council's FY 2019 budget
- The impacts of growth on the city's finances is a public concern:
 - Does new development pay for the costs it generates?
 - where "development" means new construction of buildings and infrastructure
- Parts of the Mayor's Infrastructure Task Force report
- Individual departments/divisions have done rate studies and cost of service studies

Illustrative example: Study Intro

The City of _____ seeks a qualified consultant to prepare a growth impact study that describes the financial costs and financial benefits of recent and projected growth (in population, infrastructure, and territory), and analyzes who pays and who benefits from said growth. The study will be used by the City Council in a comprehensive review of development policies, fees, and charges and will include recommended actions. Ultimately the City desires a system that allocates the costs of development fairly and in proportion to the impacts of development on existing and future infrastructure.

Drivers of the costs of development

- Increase in the population and households increases the demand for services
- Growth in infrastructure enlarges the asset inventory and the obligation for future maintenance and replacement
- Enlargement of the city “footprint” affects service delivery performance – more territory and distance to cover
 - Completeness of networks: e.g., street network affects efficiency of delivery of services that rely on transportation *routes*
- New and existing residents also affect costs by demanding new or improved services
 - Aging and obsolete infrastructure

Revenues from development

One-time:

- Payroll taxes (non-local) generated by construction activity
- Permit-related charges (including connection charges and exactions)

Recurring:

- Sales taxes (short-term construction-related spending + long-term household/employee/visitor spending)
- Property taxes
- Gross receipts taxes
- Fees for services

Assets from development

- Site-specific infrastructure placed in service
 - New streets, sidewalks
 - Water mains, hydrants
 - Wastewater collection
 - Stormwater conveyance, treatment, and detention
 - Electric transmission/distribution; streetlights
- Future maintenance is by City (or other utility/service provider when applicable)
 - Circular relationship: Balance future maintenance costs against service delivery benefits
- Parks, fire station, school sites usually acquired; sometimes donated

Analyzing Fiscal Impacts

- Traditional Fiscal Impact Analysis
 - All or selected areas within a city
 - Costs and revenues attributable to different land uses
- Return on Capital Investments
 - Capital cost of infrastructure compared to the benefits received, including direct and indirect costs and revenues (What is the city buying with its infrastructure dollar? Value added? Intangibles?)
 - How financed? Pay as you go, or debt? (the latter paid with larger tax base)
- Simulation/Scenario Models
 - Comparative costs of different forms of development, e.g., greenfield, infill, regional center

Limitations of fiscal impact analysis

- Attribution of cash flows to land use categories is misleading; disregards interdependent relationships
- Short-term focus
- Change in tax structure will change results: e.g., a shift from sales taxes to property taxes
- Does not model wider economic impacts that can be important for the long-term viability of the city