

# **Fiscal Impact Analysis (F I A)– And How it Is Being Abused**

**Robert W. Burchell, Ph.D. Rutgers University (Emeritus)**

**Carson Bise, MA- TischlerBise-Economics (Principal)**

**James Nicholas, Ph.D. University of Florida (Emeritus)**

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## Before We Start – Givens

- 1. Studies show that housing is negative to a city**
- 2. Non-residential (retail and office) is positive**
- 3. Housing makes your taxes go up – retail & office makes your taxes go down (many caveats apply)**
- 4. Fiscal impact analysis tells you that**



## To Be Covered

- 1. Burchell – will talk about F I A – What it is? What techniques are being done right/wrong?**
- 2. Bise – will talk about – Where this is happening?**
- 3. Nicholas – will talk about – What the impact is on the field?**



## To Begin – Fiscal Impact Analysis Is:

1. Revenues (fm. taxes) minus costs (fm. services)
2. To the municipality/school district
3. Housing is arriving – Municipality is slightly negative; school district is significantly negative; overall, very negative (SFD home, 4 b.r., \$450K)

FISCAL IMPACT ANALYSIS



## Fiscal Impact Analysis – Has Methods

1. Per Capita –(arith.); Case Study (interviews)
2. Revenues – are value X property tax rate
3. Costs are (people/children) X cost/unit
4. Results – are revenues minus costs = + or -

### Fiscal Impacts of Land Development



## What Does Fiscal Impact Do?

- 1. Looks at direct revenues/costs – incurred by municipality and school district**
- 2. Impact on the municipality, affects tax rate**
- 3. This is a direct comparison in the jurisdiction – not outside – don't go outside**



## What is Done to Incorrectly Change the Analysis

1. Normally – you determine money brought-in; and the costs of people to the jurisdiction
2. Added wrong – is retailing/office revenues; possibly from a different jurisdiction
3. This allows SFD houses to be positive



## Who are the Sources Putting this Out?

1. Builders – NAHB; Smart Growth America, Lincoln Institute, American Farmland Trust, and others
2. They are done by conservative/progressives
3. Brought by developers/housing advocates





## How Do Analysts Change Data?

1. NAHB – lower people/children in housing
2. Smart Grth. Am. – jobs are added from outside
3. Linc. Inst. – the Per Capita is made not valid
4. AFT – Do not count the house and the barn



**WRONG!**

## What is the Outcome?

1. This shows that residential breaks even/better
2. This would show that the tax rate is positive from single-family development
3. This is not right!



## Correct Assumptions (South Jersey)

### Municipality

Revenues	.00800(tx)	\$ 450,000(val)	\$ 3,600
Costs	4(people)	\$1,000(cst)	\$ 4,000

### School District

Revenues	.01700 (tx)	\$ 450,000(val)	\$ 7,650
Costs	1.1(children)	\$ 13,000(cst)	\$ 14,300

People and school children are rounded for this example

**(tax rate/people)      (value/costs)      (result)**

## This is the Right Result – Neg. Imps.

Jurisdiction	Revenues (+)	Costs (-)	Fiscal Impact
Municipal	(\$3,600)	(\$4,000)	(\$400)
S. D.	(\$7,650)	(\$14,300)	(\$6,650)
<b>Total</b>	<b>(\$11,250)</b>	<b>(\$18,300)</b>	<b>(\$7,050)</b>
	(dollars) (money)	(dollars) (people)	(result/neg)

**Single-family homes are negative – both jurisdictions – due to just residential units**

## This is the Incorrect Assumps. –Pos.Imps.

Jurisdiction	Revenues	(-) Costs	Fiscal Impact
Municipal	(+) \$ 6,750	(+) \$ 4,300	(+) \$2,450
S. D.	(+) \$ 0	(+) \$ 0	(+) \$ 0
Total	(+) \$ 6,750	(+) \$ 4,300	(+) \$ 2,450
	(dollars)	(dollars)	(result/pos)
	(people)	(money)	

Jobs are added in Mun.; no people in S.D.

**Single-family homes are positive – both jurisdictions – due to additional jobs**

## How Do You Make Residential More Positive

1. SFD – less B.R.– 3 or less B. R.s – less people
2. SFA – condominium vs. apartment – more value
3. Retail – more value; no school children
4. Office – more value; no school children

make  
positive



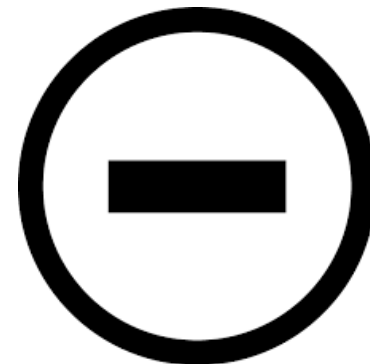
## How Do You Make Non-residential More Negative

1. At about 50,000 pop. – costs actually increase
2. Multiple shopping centers/cannibalize others
3. The Internet reduces structures – less value (ret)
4. Working at home reduces space – less value (ofc)



## Why Is it Import. Not to Change Results?

1. Showing an outcome as wrong – confuses/field
2. This would require the tax rate to be zero/pos.
3. Mun./S.D. are not better-off with housing; they are impacted negative versus positive





## Pre-Conclusion

1. When housing arrives (at the end)
2. Municipality gets a little (negative)
3. School district gets a lot (negative)
4. Overall, they are negative



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## Caveats

1. Very expensive housing could be positive
2. Age-restricted housing is positive (S.D.)
3. Lot of employees in non-residential could be less positive (offices are smaller)
4. A Gross Receipts Tax versus a Property Tax, may reduce the cost of housing

**do it right.**



## Conclusions

1. Some analysts use the wrong method
2. Most use the right way
3. If SFD development arrives, it is negative
4. It should not be shown as positive
5. Others should not be coerced to do it wrong

**do it right.**

