



MEMORANDUM

To: CMAP Land Use Committee

From: CMAP Staff

Date: November 13, 2013

Re: Fiscal and Economic Impact of Development Decisions Project Update

As a follow-up to the work of the Regional Tax Policy Task Force, the CMAP Board requested a detailed study of the fiscal and economic impacts of development decisions, with an approach that was regional in scale and included specific information and cooperation from local municipalities. It is important for the CMAP region to have the best possible information about how fiscal policies drive land use decisions as well as the resulting impacts on the regional economy, jobs, transportation infrastructure and principles of livability as addressed in GO TO 2040.

Progress to Date

CMAP staff and its consultant SB Friedman have utilized a case study approach to analyze the fiscal and economic impacts of 30 existing projects in 10 communities. All analysis has been completed, and CMAP staff is currently drafting a report on the fiscal and economic impact case studies as well as broader tax capacity and fiscal impact assessment practice issues in the region. The report summarizes the findings of the fiscal impact data collection and analysis, analysis of the sales tax impacts of residential households and phone interviews of 20 communities regarding their use of fiscal impact analyses and fiscal considerations when reviewing potential developments are complete. Additionally, it discusses the employment and wage impacts of the case studies as well as long-term development trends and market capacity by major land use. A Technical Advisory Group (TAG) comprised of local municipal and county staff, advocacy organization representatives, an academic and a local school district staff member has provided input on the analysis throughout the project.

Initial Findings

Initial analysis findings indicate that local fiscal impacts are driven both by state statute and local decisions about tax and fee structures within those state authorizations. Municipalities in the region depend to varying degrees upon sales taxes, property taxes, utility taxes, and state income tax sharing, all of which can be impacted by land use change. With regard to fiscal practice, communities consider fiscal impacts when making land use decisions, but it is one of many factors. Municipalities also appear to focus on recovering near-term capital costs and impacts, with less consideration of the long-term infrastructure repair and replacement costs generated by new developments.

In the case study analysis, retail establishments generally provided the most fiscal benefit, but were more limited in terms of wage and job impacts when compared to other non-residential land uses. High-density residential development within infill areas also generated higher positive fiscal impacts. Overall, fiscal impacts for most case studies except retail were sensitive to local property tax values and tax rates.

Next Steps

Staff would like feedback from the Committee on key findings of the project. The final report will be completed in December 2013.