

# Tax Policies and Land Use in Next Long-Range Comprehensive Plan

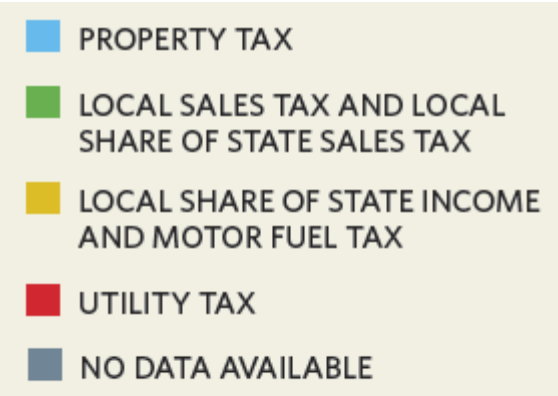
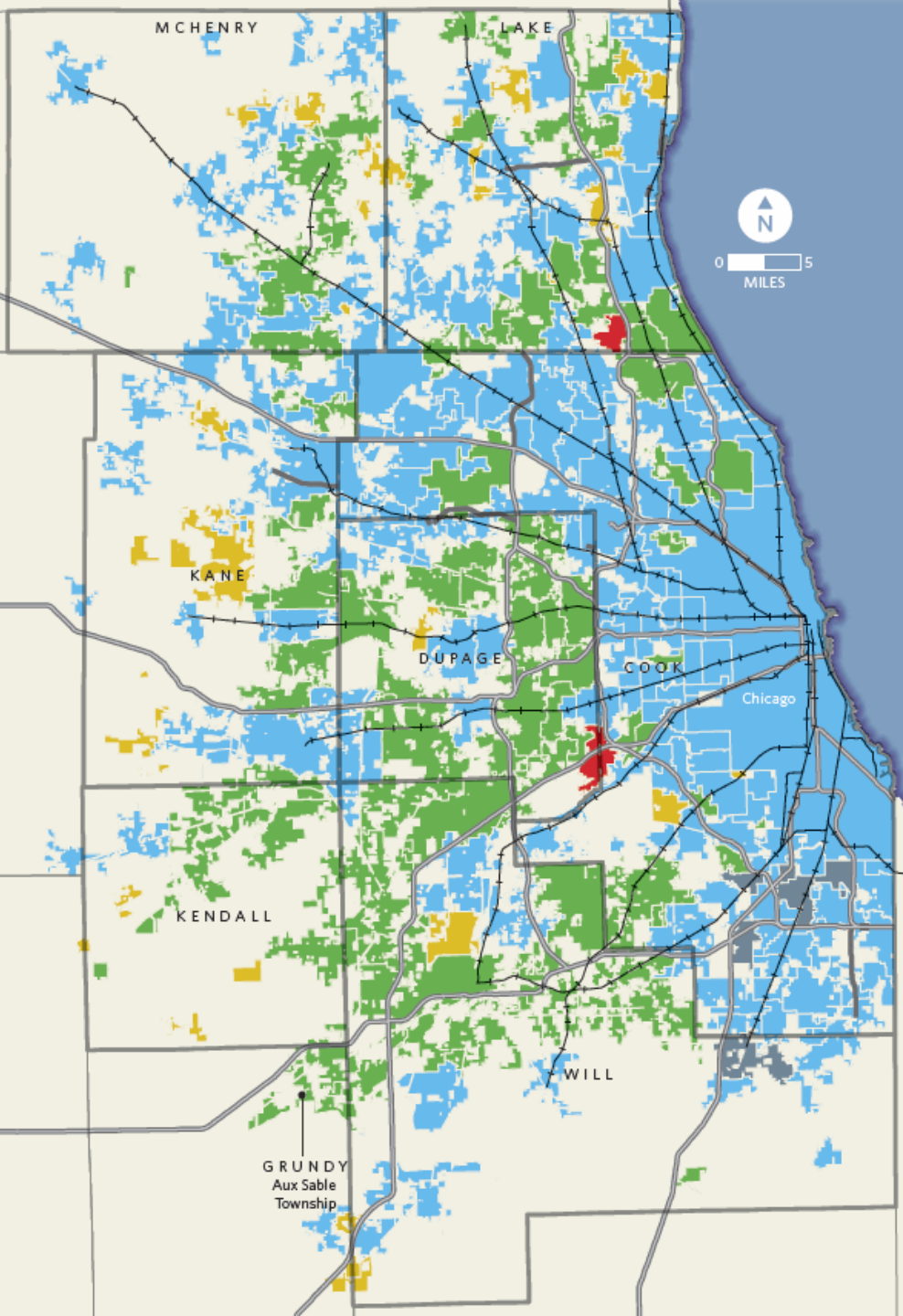
CMAP Economic Development Committee

March 28, 2016



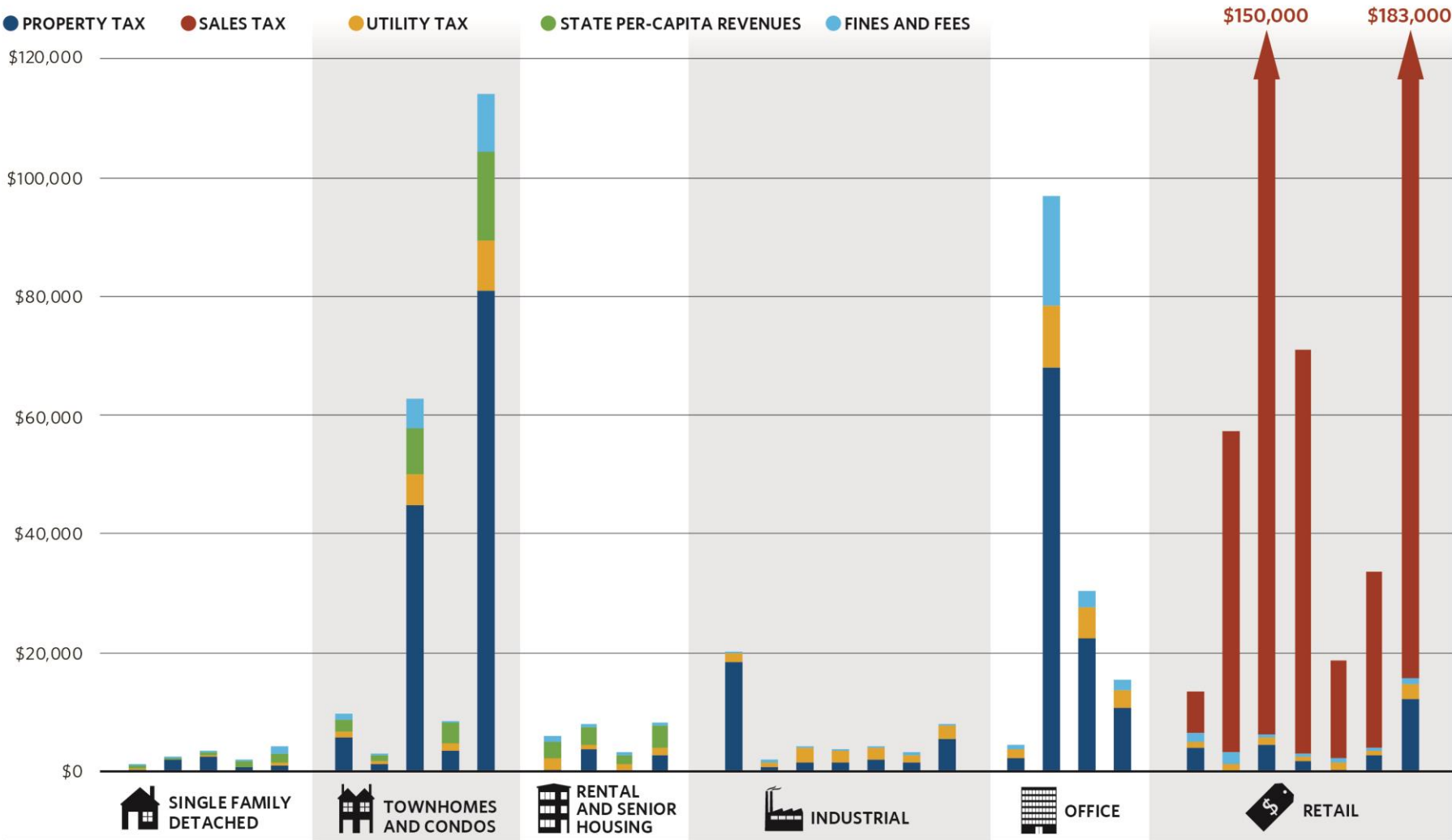
# A mix of revenue sources fund municipalities in the region

## Largest revenue source among four major sources, by municipality, 2014



# Different revenues accrue for different land uses

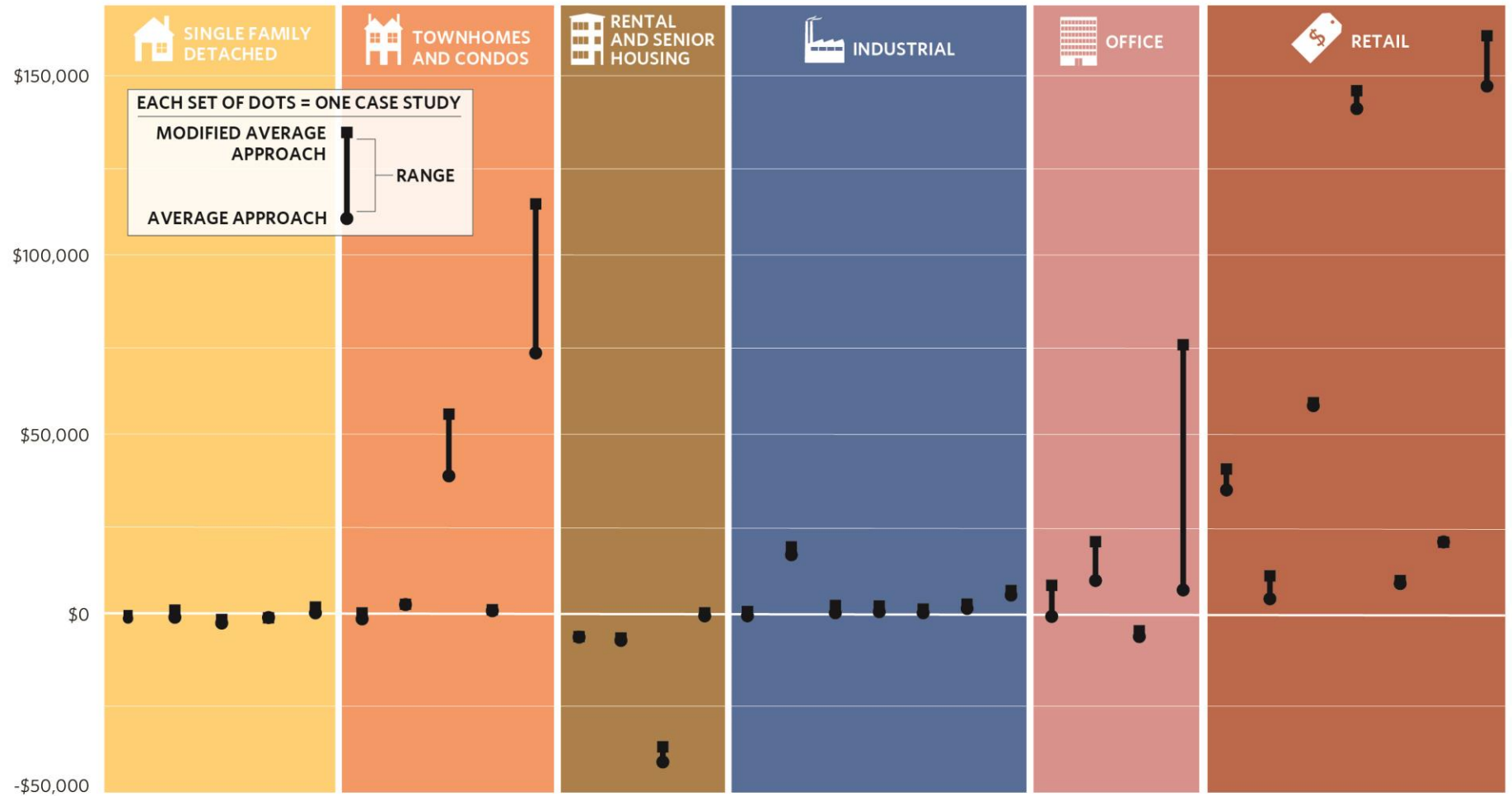
Project revenues per acre by case study and major land use



Source: Chicago Metropolitan Agency for Planning analysis of SB Friedman data

# Not all developments accrue sufficient revenue to cover services and infrastructure

Municipal net fiscal impact per acre by project and land use



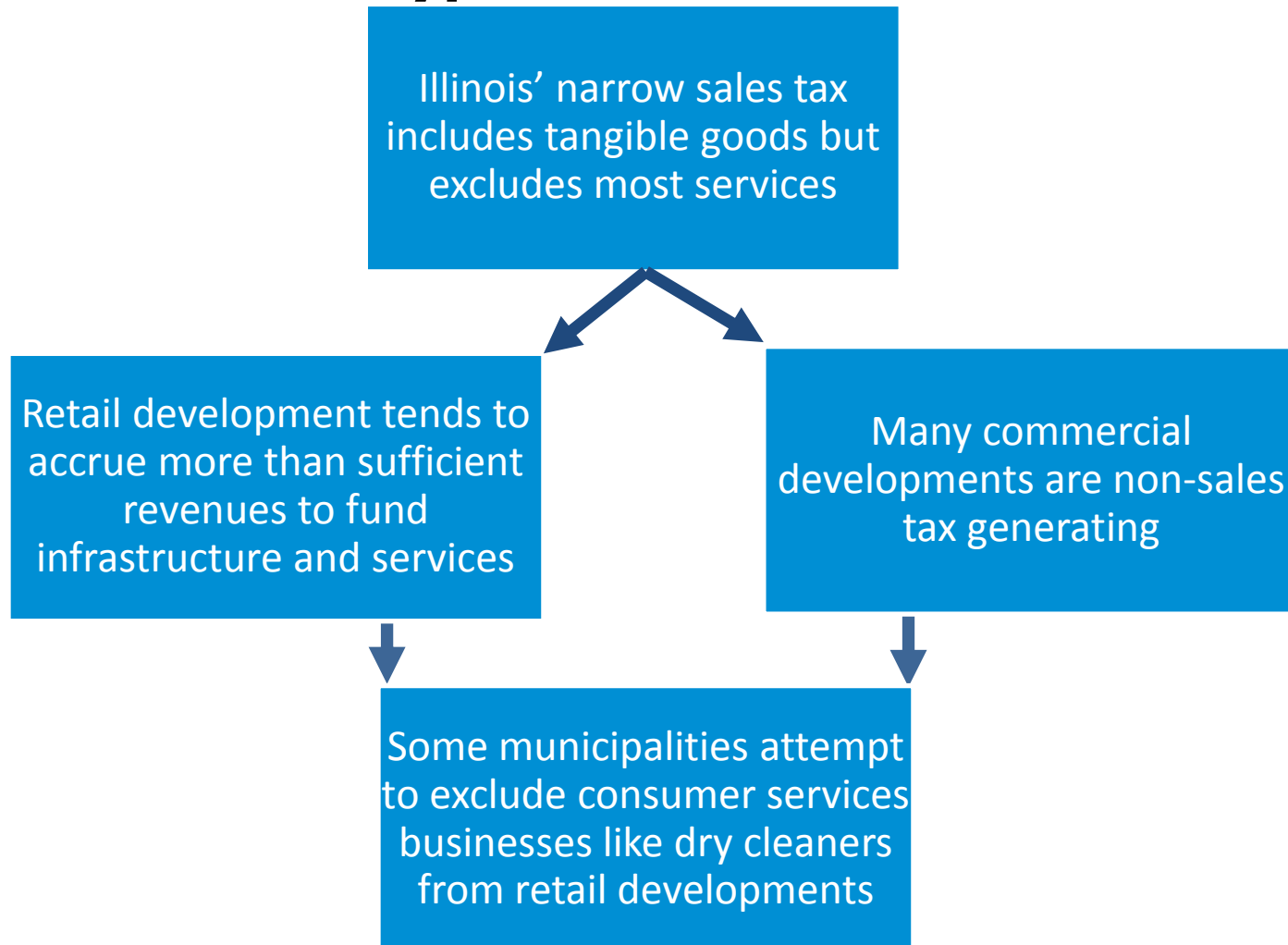
Bottom of range represents the average cost approach, top of range represents the modified average cost approach.  
 Source: Chicago Metropolitan Agency for Planning analysis of SB Friedman data

# CMAP will research the extent that the tax structure supports a wide array of land uses

- What revenues do Illinois municipalities receive for various land use types and are they sufficient to cover long and short term services and infrastructure?
  - Retail and other commercial
  - Office
  - Industrial
  - Residential
- For land uses in Illinois that lack sufficient municipal revenues to support the cost of services, what strategies could be developed?



# Municipalities often receive sufficient revenues for occupied retail development, which may lead to emphasis on these types of businesses



# In states with local income taxes, municipalities may focus development efforts on office properties

Ohio municipalities impose income taxes



Many Ohio municipalities rely heavily on local income tax revenue



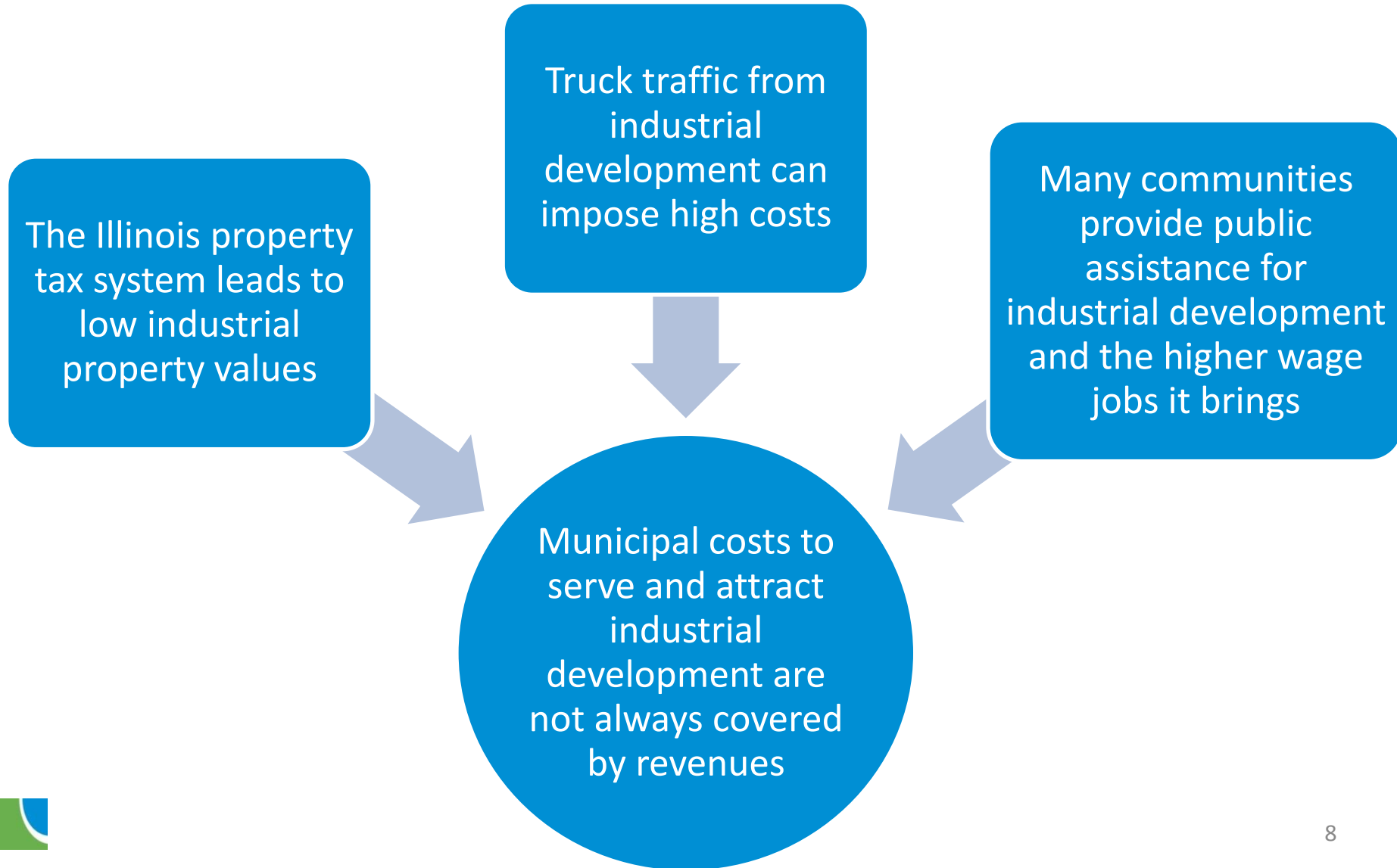
Planning is often focused on developing office properties



Incentives are often utilized to encourage high wage job creation



# Some Illinois communities struggle to maintain the infrastructure necessary for industrial development





# Romeoville relies on businesses and developers to fund infrastructure

- ❑ Romeoville has fifth largest amount of industrial area in the region
- ❑ Village ensures that developers cover the cost of infrastructure through recapture agreements
- ❑ Services and maintenance are covered by state and local MFT
- ❑ Fee schedule reflects full cost of development approvals
- ❑ Village also utilizes TIF



# Strategies to fund industrial-related infrastructure are often specific to a particular development

Maintenance agreements

Recapture agreements

TIF Districts

Special service areas

Development-specific

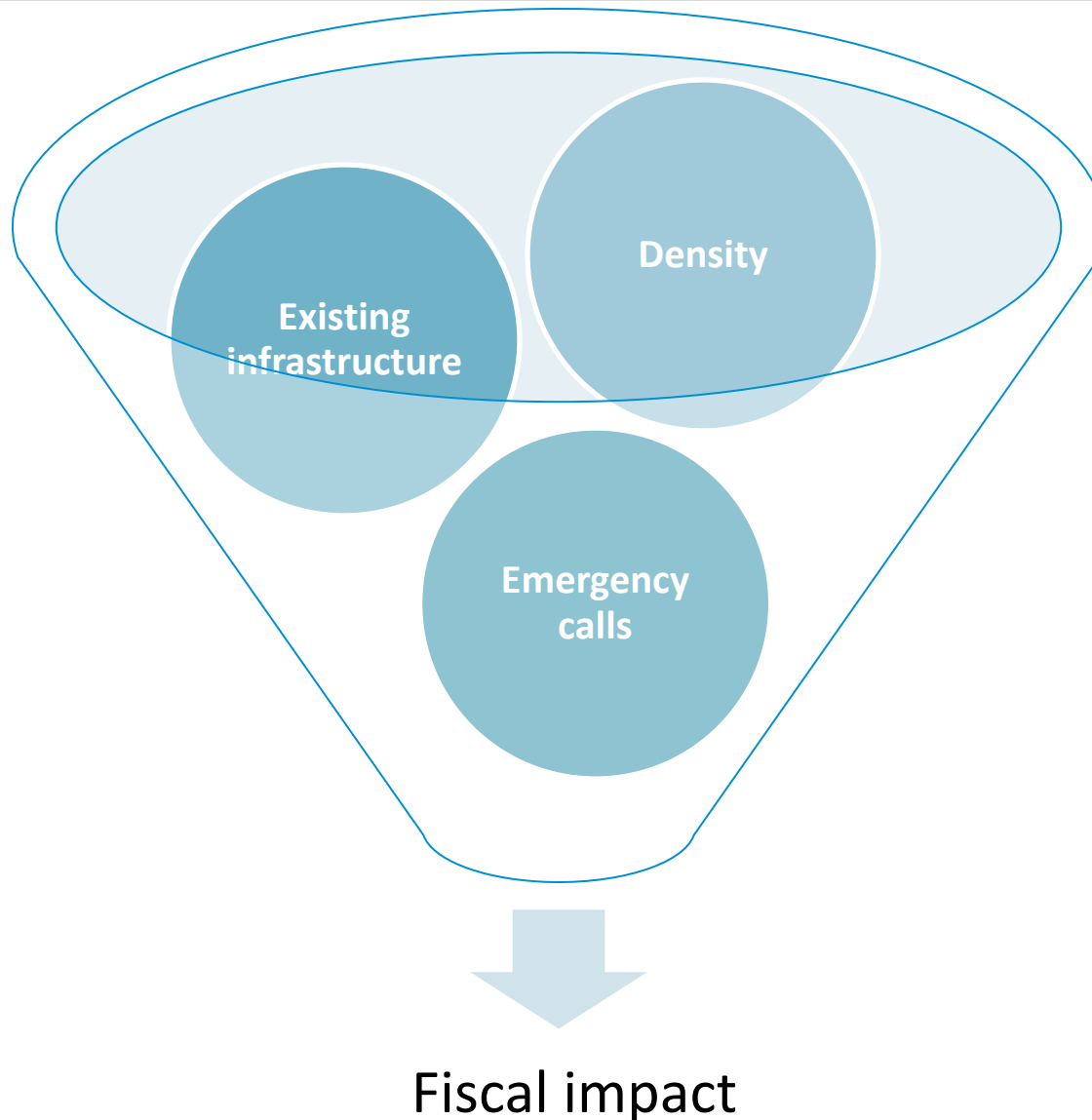
Broad

*Potential new mechanisms:*

- *Change state revenue disbursements*
- *Incremental use tax revenue*
- *Local MFTs*



# Residential development's ability to generate sufficient revenue depends on several factors



# Due to insufficient revenues, Long Grove considered privatizing residential-serving roads

- Building permits and sales tax revenues were sufficient to cover road maintenance costs
- A \$2 million gap occurred due to recession and the completion of planned build out
- Voters did not approve the Village's first property tax levy
  - The Village scrapped an ordinance intended privatize any residential roads not served by SSAs
  - Following additional economic development, village revenues increased 40%



# Discussion

1. What experts and stakeholders should CMAP staff reach out to?  
Do you have suggested case studies?
2. What is the right mix of development-specific and broad-based revenue sources to support commercial, industrial, or residential development?
3. What policy changes might be helpful for communities that lack the resources to provide services and infrastructure to commercial, industrial, or residential development?



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