

January 21, 2015



REPORT

To: Town of Southbury
From: Glenn Chalder, AICP
Date: January 21, 2015
Subject: **Fiscal Impact Evaluation**

Overview

This report analyzes the fiscal impact analysis of different land uses in Southbury, Connecticut. The analysis is designed to compare the local revenues generated by a particular land use with the local expenditures associated with that use. That comparison allows policy makers to understand whether a particular type of use pays more in taxes than it receives in services or vice versa.

The methodology used to prepare this report seeks to allocate municipal revenues and expenditures to different land uses in the community in order to determine which uses are:

- "fiscal positives" - provide more in revenues than they receive in services
- "fiscal negatives" - receive more in services than they provide in revenues

Municipal fiscal impact analyses provide insight into the fiscal impact of different land uses to the General Fund at a given point in time. Depending on how changes occur in the Grand List, local revenues and expenditures, housing occupancy, and school enrollments, the overall fiscal impacts of uses can be expected to change over time. This is an update of a similar analysis conducted for Southbury (and other communities in the Central Naugatuck Valley Planning Region) in the late 1990s. While many of the fiscal relationships remain similar, the magnitude of the fiscal impact has changed over time.

It is important to stress that this study only looks at fiscal implications to the municipal entity that is the Town of Southbury. It does not consider physical, social, or economic implications of different uses. Fiscal impacts are not the only basis on which land use decisions should be made since:

- every land use will not benefit the community fiscally, and
- a less beneficial land use should not necessarily be excluded.

Caution should be taken before applying these results to other time periods or jurisdictions since the results of this study represent the interaction of demographic and fiscal parameters that:

- may be unique to Southbury, and
- are changing over time.

Highlights

Major findings include the following:

1. Single-family residential development is the largest beneficiary of municipal services - yet it does not contribute enough tax revenue to cover the cost of services provided.
2. Each year, single-family residential uses in Southbury receive about \$12.6 million more in service benefits than they pay in taxes. This is mostly due to the school enrollments that result from single-family homes.
3. If single-family residential uses "paid their way", their taxes would be about 35 percent higher than they are presently.
4. Tax exempt uses also receive more in services than they provide in revenue but the amount of this "subsidy is less than 0.5% of the municipal budget (about \$270,000 annually).
5. Overall, condominium units provide more in revenue than they receive in services (about \$3.9 million annually) but some developments are exceptions to this general finding.
6. Business and industrial uses pay more in taxes than they receive in services and the total impact is about \$8.4 million per year in net tax revenue to the Town of Southbury. This net tax revenue goes to support other uses in the community.
7. Since PA-490 helps keep land out of development, it maintains a positive fiscal benefit to the Town (as opposed to a residential use which could be a "fiscal negative").
8. On a per unit basis, the average single-family residential home in Southbury receives an annual subsidy of about \$2,170 from other land uses in the community. This type of fiscal implication might support municipal acquisition or preservation of property as "open space" as being fiscally prudent over the long term.
9. A new development of twelve single-family homes at the average assessed valuation and average school enrollment might require about \$26,070 more in services than it provides in tax revenue. As a result, the taxes of current property owners would have to increase in order to provide services to the new housing development.

Using similar assumptions to those used in the 1998 fiscal analysis (50% premium above average sales price with double the average school enrollment) might require about \$64,700 more in services than it provides in tax revenue. As a result, the taxes of current property owners would have to increase about 0.031 mills in order to provide services to the new housing development.

Methodology

1. **Identify different land use categories.** When this analysis was conducted for Southbury in the late 1990s, the land use categories were based on the way that assessment data was tabulated at that time. Although assessment data is now tabulated differently, the "old assessment codes" were available in the system to facilitate using similar land use categories.

Special thanks to Michael Moriarty, the Southbury Assessor. Mr. Moriarty extracted data from the Assessor's database which allowed Planimetrics to tabulate the data in a way that corresponded more closely to different land use categories which might be of interest and use to the Town. The resulting Excel spreadsheet was delivered as part of this report so that the Town can revisit the land use tabulation in the future if desired.

Residential

- Vacant Land / Lot
- Dwelling Units
- Condominium Unit

Commercial

- Vacant Land
- Commercial Development
- Comm. Condominiums

Industrial

- Vacant Land
- Development
- Condominiums

PA-490 / Private Open Space

- Farm
- Forest
- Open Space

Tax-Exempt Uses

- Public Tax Exempt Properties (Federal, Municipal, VFD, State)
- Private Tax Exempt Properties (Other Exempt Codes)

2. **Allocate municipal spending into categories (budget allocation).** This analysis bases the allocation on pupils, people, and property. All municipal spending is allocated among these three categories based on the primary beneficiary. The default category is allocating on the basis of property value. Other allocation approaches could be used.

This study is based on the Southbury general fund since it supports almost all municipal expenditures and receives almost all municipal revenue (especially tax revenue). The study looked at 2013 Southbury land uses and 2014-15 revenues and expenditures. These dates were selected because 2014-15 was the most recently completed fiscal year at the time the analysis was done and that budget was based on the 2013 Grand List (a compilation of all real estate, motor vehicles, and taxable personal property).

Since the number of pupils, number of residents, and assessed value can be estimated for most any land use, these fiscal determinants provide the basis for estimating the fiscal impact of different land uses in Southbury.

The analysis is based on the concept of "net expenditures". This is done in order to distill municipal spending down to how much money each program needs to generate from tax revenue. Net expenditures are determined by subtracting any revenue generated by a program (such as user fees or activity charges) from the expenses in order to determine the net expense which needs to be raised by tax revenue.

An Excel spreadsheet was delivered as part of this report so that the Town can revisit the budget tabulation in the future if desired.

3. **Allocate demographic information to the different land uses (demographic allocation).** Since expenditures are allocated based on people and pupils, this is the only demographic data to be allocated. The school enrollment allocation was determined by using an address list of all students enrolled in Regional School District #15 and allocating students to addresses. Students that could not be allocated to a residential condominium or other address were default allocated to single-family dwelling units.

Special thanks to DeLoris Curtis, AICP, Land Use Administrator and to Regional School District #15 for assisting with the collection and categorization of the school enrollment information. An Excel spreadsheet was delivered as part of this report so that the Town can revisit the demographic allocation in the future if desired.

4. **Tabulate the assessed value for the different land use categories (value by use).** This includes allocating motor vehicles and personal property to different land uses. Overall values were adjusted for exemptions for elderly, veterans, and other categories. The valuation of tax exempt uses (such as state and federal facilities, private schools, etc.) was used in order to allocate municipal expenditures which also benefit such uses.

An Excel spreadsheet was delivered as part of this report so that the Town can revisit the allocation of property values in the future if desired.

5. **Review the results (output).** The table summarizes the revenues and expenses allocated to the different uses. The overall fiscal impact is also reported.

*Jan owned
land - not
taxed?*

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Balance Of Payments

The following table identifies the studied land uses and their overall fiscal impact in Southbury:

LAND USE	NET FISCAL IMPACT
Residential	(8,153,987)
Vacant Land/Lot	659,639
Dwelling Units	(12,614,086)
Condominium Unit	3,800,459
Commercial	8,116,678
Vacant Land	68,101
Commercial Development	7,685,475
Comm. Condominiums	363,102
Industrial	286,151
Vacant Land	37,183
Industrial Development	248,968
Condominiums	-
PA-490 / Private Open Space	19,031
Farm	15,458
Forest	1,338
Open Space	2,235
Taxable Property - Total Net Fiscal Impact (from above)	267,872
Tax Exempt Property	(267,872)
Public Tax Exempt Properties (Federal, Municipal, VFD, State)	(103,735)
Private Tax Exempt Properties (Other Exempt Codes)	(164,137)
Consolidated Value List	(0)

Comparison To 1998 Results

The following table highlights some of the changes between the analyses in 1998 and 2015.

	1998	2014	
Demographic Information			
Estimated Population	16,568	19,904	+20%
Estimated Housing Units	7,353	9,091	+24%
School Enrolment	3,105	2,591	-17%
General Rate Of Inflation			
Consumer Price Index (1982-84=100)	163.0	236.4	+45%
Tax Base Information			
Taxable Grand List	\$1,394,552,250	\$2,103,141,903	+51%
Tax Exempt Grand List	\$91,130,990	\$147,129,120	+61%
Budget Information			
Total General Fund Expenditures	\$33,099,026	\$63,276,594	+91%
Education Expenditures	\$22,934,268	\$43,729,317	+91%
Education Share Of Spending	69%	69%	0%
Revenue From Taxes	\$28,489,146	\$56,609,041	+99%
Tax Revenue Share Of Budget	86%	89%	+4%
Fiscal Impact Parameters			
Services to Pupils	\$7,176/pupil	\$15,862/pupil	+121%
Services to Residents	\$53.96/capita	\$60.13/capita	+11%
Services to Property	\$4.29mills	\$6.70mills	+56%
Overall Net Fiscal Impact			
1-4 Family Residential	(\$11,625,734)	(\$12,693,395)	+9%
Residential Condominium	\$3,543,712	\$3,879,768	+9%
Commercial/Industrial	\$6,144,161	\$8,402,829	+37%
PA-490	\$24,214	\$19,031	-21%
Tax Exempt Uses	\$550,860	(\$267,872)	-148%

Case Studies

The following case studies from the 1998 fiscal analysis have been updated using current information.

Scenario #1 – New Residential Subdivision

A proposal has been submitted for a 12-lot subdivision with the following attributes:

- The homes are estimated to sell for \$500,000 each (because these are new homes, they are projected to sell at 150% of the average selling price in the community).
- The development is expected to produce 10 school-age children (information from the 1998 fiscal analysis suggested that, in the first years of occupancy, new homes have roughly double the school enrollment impact of an average home).
- The total population from the homes is expected to be 35 new residents.

What is the estimated annual fiscal impact?

ESTIMATING REVENUE

Multiply the average selling price of a proposed house or unit times the number of units to get the total estimated market value of the development. Multiply that times the current residential assessment-sales ratio (obtained from the assessor) to determine the total real estate assessment for the development. Add another 9.4% for the motor vehicles, personal property, and exemptions. Multiply the total assessment by the current mill rate to determine the tax revenue generated by the development.

12 houses @ \$500,000 = market value of \$6,000,000	
At the residential assessment-sales ratio (approx. 70%) = assessed value of	\$4,200,000
Adjustment for vehicles, property, exemptions (plus 9.4%)	\$394,800
Total Assessment	\$4,594,800
Times mill rate (approx. 27.60 mills)	
Tax revenue generated	\$126,816

ESTIMATING NET EXPENDITURES

Estimate the number of school children and multiply by the per pupil net expenditure. Estimate the number of residents and multiply by the per capita net expenditure. Take the overall assessment for the development and multiply by the net expenditure for property. Add together to get the total estimated annual net expenditures.

10 school children at	\$15,862 per pupil	\$158,620
35 residents at	\$60.13 per capita	\$2,105
Overall assessment at	6.70 mills	\$30,785
Annual net expenditures generated		\$191,510

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ESTIMATING ANNUAL NET FISCAL IMPACT

The annual net fiscal impact is estimated by subtracting the estimated net expenditure associated with the development from the estimated revenue.

Tax revenue generated	\$126,816
Annual net expenditures generated	\$191,510
Annual net fiscal impact	(\$64,694)

In other words, using the assumptions stated above, the new development will require a subsidy of \$65,000 *per year* from other uses in Southbury.

IMPACT OF THE PROPOSED DEVELOPMENT ON THE TAX RATE

The value of a one mill change in the tax rate is determined by dividing the Taxable Grand List by 1,000.

Taxable grand list	\$2,103,141,903
Divide by 1,000	1,000
Value of one mill change in the tax rate	\$2,103,142

When the Annual Net Fiscal Impact of the proposed development is divided by the value of a one-mill change, it will result in the change in the tax rate (in mills) resulting from the proposed development.

Annual net fiscal impact	(\$64,694)
Divide by value of one mill change in the tax rate	\$2,103,142
Tax rate change due to the proposed development	0.031 mills

To determine the effect on a typical residential property owner, take the total residential assessment in Southbury and divide by the number of housing units to determine the average assessment. Multiply by the change in the tax rate to determine the impact to a typical residential property owner.

Total residential assessment in Southbury	\$1,684,665,061
divided by number of housing units	9,091
Average assessment per housing unit	\$185,311
times the change in the tax rate	0.031 mills
Annual tax impact to a typical residential property owner	\$5.75

In other words, the tax bill of the average residential property in Southbury will increase about \$5.75 per year in order to pay for the proposed development.

Scenario #2 - Tax Impact Of Property Purchase

Land uses that produce a negative annual fiscal impact result in increased taxes to existing property owners. In some cases, it may be more cost-effective for a community to purchase the property since the cost of acquiring the property can be amortized over a period of time whereas an annual fiscal deficit could continue.

Tax Rate Change To Purchase Property:

Assume that the property could be purchased for \$600,000 (the sale price of the property or the estimated market value of the property in its undeveloped state). Multiply by 1,000 and divide this by the Grand List. This is the change in the tax rate (in mills) to purchase the property with cash from current tax revenue (assuming all other municipal revenues and expenditures are held constant).

Market value of the property in its undeveloped state	\$600,000
Divide by Value of One Mill Change in the Tax Rate	\$2,103,142
Tax rate change to purchase the property with cash	0.285 mills

Note that the tax impact would be less if the cost to the Town was reduced by open space grants or partnerships with a land trust or other conservation organizations.

Divide the estimated purchase cost of the property by the annual fiscal impact from development to estimate the number of years to "pay back" the property purchase.

"Payback Period" Of Property Purchase:

Market value of the property in its undeveloped state	\$600,000
Divide by the Annual Net Fiscal Impact	(\$64,694)
Number of years to "pay back" the property purchase	9.27 years

BUDGET ALLOCATION

BUDGET YEAR 2014-15

	Expenditures	Revenues	Net Expenditures
To Be Allocated On A Per Pupil Basis			
Education	43,729,317 State Aid	2,631,384	
	43,729,317	2,631,384	41,097,933
To Be Allocated On A Per Person Basis (Services Benefitting Only People)			
Elections/Town Meetings	112,184	Park - Recreation Permits/Fees	362,470
Probate Court	10,912	Dog Licenses and Fees	9,000
Senior	265,856		
Social Services	37,175		
Library	620,267		
Recreation	521,963		
	1,568,357	371,470	1,196,887
To Be Allocated On The Basis Of Property Value (Services Benefitting All Property)			
Selectmen	3,076,471	RE Conveyance Tax / Recording Fees	391,316
Other Gen. Gov't (Except Elections, Probate)	1,889,635	Interest / Fees	180,711
Pension	708,240	General Licenses & Permits	198,950
Public Safety Fire, Police, EMS	3,452,816	Misc. Gen. Gov't./Services Revenue	421,830
Public Health	263,647	Investment Income	37,000
Public Works	3,683,428	Telecommunications Property Tax	142,433
Roads	2,069,000	Prior Year Taxes/Interest	342,480
Historic Bldg / Other Community Activities	14,350	Supplemental MV	325,000
Capital Exp. / Equip. Replacement / Debt	2,471,333	Operating Transfers In	75,000
Contingency Funds	250,000	Use of Fund Balance	793,793
Tax Refunds	100,000		
	17,978,920	2,908,513	15,070,407
To Be Allocated To A Specific Land Use Category			
	State PILOT	756,186	(756,186)
Amount From Current Taxes			
	Current Taxes	56,609,041	(56,609,041)
	TOTAL EXPENDITURE	TOTAL REVENUE	
	63,276,594	63,276,594	

DEMOGRAPHIC ALLOCATION

Information from the 2010 Census, the 2009-2014 American Community Survey and Regional School District #15

USE	2014 Population	2014 Pupils	2014 Units	Pop./ Unit	Pupils/ Unit
Overall Estimates	19,904	2,591	9,091	2.19	0.285
Residential					
Vacant Land / Lot	-	-	-		
Dwelling Units	13,282	2,446	5,807	2.29	0.421
Condominium Unit	5,850	143	3,133	1.87	0.046
Commercial					
Vacant Land	-	-	-		
Commercial Development (Inc. Assisted Living, Nursing Home, Mixed Comm. Condominiums)	392	1	150		
Industrial					
Vacant Land	-	-	-		
Development	-	-	-		
Condominiums	-	-	-		
Private Open Space					
Farm	-	-	-		
Forest	-	-	-		
Open Space	-	-	-		
Subtotal	19,524	2,590	9,090		
Public Tax Exempt Properties (Federal, Municipal, VFD, State)	380	1	1		
Private Tax Exempt Properties (Other Exempt Codes)	-	-	-		
Grand Total	19,904	2,591	9,091		

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VALUE BY USE SUMMARY

GRAND LIST YEAR 2013

	Real Estate	Motor Vehicles	Personal Property	Exemptions	Total
Residential					
Vacant Land / Lot	32,624,290	-	-	-	32,624,290
Dwelling Units	1,219,574,057	120,042,468	386,761	5,505,009	1,334,498,277
Condominium Unit	290,196,394	28,563,982	92,029	1,309,911	317,542,494
	1,542,394,741	148,606,450	478,790	6,814,920	1,684,665,061
Commercial					
Vacant Land	3,368,120	-	-	-	3,368,120
Commercial Development	283,038,830	4,738,761	94,320,443	41,140	382,056,894
Comm. Condominiums	17,662,500	295,713	-	-	17,958,213
	304,069,450	5,034,474	94,320,443	41,140	403,383,227
Industrial					
Vacant Land	1,838,970	-	-	-	1,838,970
Development	5,303,040	88,786	7,334,729	413,130	12,313,425
Condominiums	-	-	-	-	-
	7,142,010	88,786	7,334,729	413,130	14,152,395
Private Open Space					
Farm	274,700	459,330	368,805	338,335	764,500
Forest	66,190	-	-	-	66,190
Open Space	110,530	-	-	-	110,530
	451,420	459,330	368,805	338,335	941,220
Taxable Grand Total	1,854,057,621	154,189,040	102,502,767	7,607,525	2,103,141,903
Public Tax Exempt Properties (Federal, Municipal, VFI)	122,794,040	-	-	173,443	122,620,597
Private Tax Exempt Properties (Other Exempt Codes)	24,543,190	-	-	34,667	24,508,523
	147,337,230	-	-	208,110	147,129,120
Consolidated Value List	2,001,394,851	154,189,040	102,502,767	7,815,635	2,250,271,023

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FISCAL IMPACT SUMMARY - RESULTS

SOUTHBRURY

26.92 mills
6.70 \$ per person
60.13 \$ per pupil
15,862

	REVENUE		NET EXPENDITURES		TOTAL	NET FISCAL IMPACT	RATIO
	Tax	Use	Value	People			
Residential							
Vacant Land / Lot	878,129	-	218,490	-	218,490	659,639	\$ 0.25
Dwelling Units	35,919,910	-	8,937,338	798,686	48,533,996	(12,614,086)	\$ 1.35
Condominium Unit	8,547,106	-	2,126,630	351,778	4,746,646	3,800,459	\$ 0.56
	45,345,145	-	11,282,458	1,150,464	53,499,132	(8,153,987)	
Commercial							
Vacant Land	90,658	-	22,557	-	22,557	68,101	\$ 0.25
Commercial Development	10,283,602	-	2,558,693	23,572	2,598,127	(7,685,475)	\$ 0.25
Comm. Condominiums	483,371	-	120,269	-	120,269	363,102	\$ 0.25
	10,857,630	-	2,701,519	23,572	27,40,953	3,116,678	
Industrial							
Vacant Land	49,498	-	12,316	-	12,316	37,183	\$ 0.25
Development	331,433	-	82,465	-	82,465	248,968	\$ 0.25
Condominiums	-	-	-	-	-	-	\$ -
	380,932	-	94,781	-	94,781	286,151	
Private Open Space							
Farm	20,578	-	5,120	-	5,120	15,458	\$ 0.25
Forest	1,782	-	443	-	443	1,338	\$ 0.25
Open Space	2,975	-	740	-	740	2,235	\$ 0.25
	25,334	-	6,303	-	6,303	19,031	
Taxable Grand Total	56,609,041	-	14,085,061	1,174,036	56,341,169	267,872	
Public Tax Exempt Properties (Federal, Municipal, V)	-	756,186	821,209	22,851	859,921	(103,735)	\$ 1.14
Private Tax Exempt Properties (Other Exempt Code:	-	0	164,137	-	164,137	(164,137)	\$ -
	-	756,186	985,346	22,851	1,024,058	(267,872)	
Consolidated Value List	56,609,041	756,186	15,070,407	1,196,887	57,365,227	(0)	\$ 1.00

SOUTHBURY - 2015 Fiscal Impact Evaluation

This methodology seeks to allocate municipal revenues and expenditures to different land uses in the community in order to determine which uses are:

- * "fiscal positives" - provide more in revenues than they receive in services
- * "fiscal negatives" - receive more in services than they provide in revenues

The analysis looks at tax-exempt uses in addition to tax-paying uses.

It is important to state at the outset that a number of land uses provide benefits to a community beyond their fiscal impact. For example, a religious institution is tax-exempt but many residents feel that such facilities enhance the quality of life in the community. Similarly, a facility such as a Scout Camp or land owned by a land trust provides other benefits to a community.

Steps

Identify different land use categories. When this analysis was conducted for Southbury in the late 1990s, the land use categories were based on the way that assessment data was tabulated at that time. Although assessment data is now tabulated differently, the "old assessment codes" were available in the system to facilitate using similar land use categories

Allocate municipal spending into categories (budget allocation). This analysis bases the allocation on pupils, people, and property. All municipal spending is allocated among these three categories based on the primary beneficiary. The default category is allocating on the basis of property value. Other allocation approaches could be used.

Allocate demographic information to the different land uses (demographic allocation). Since expenditures are allocated based on people and pupils, this is the only demographic data to be allocated. The school enrollment allocation was determined by using an address list of all students enrolled in Regional School District #15 and allocating students to addresses. Students that could not be allocated to a residential condominium or other address were default allocated to single-family dwelling units.

Tabulate the assessed value for the different land use categories (value by use). This includes allocating motor vehicles and personal property to different land uses. Overall values were adjusted for exemptions for elderly, veterans, and other categories. The valuation of tax exempt uses (such as state and federal facilities, private schools, etc.) was used in order to allocate municipal expenditures which also benefit such uses.

Review the results (output). The table summarizes the revenues and expenses allocated to the different uses. The overall fiscal impact is also reported.

- * Single-family residential development is the largest user of municipal services - yet it does not produce enough in tax revenue to cover the cost of services provided. The total impact is in the range of \$12.7 million annually.
- * Tax exempt uses also receive more in services than they provide in revenue but the amount of this "subsidy is less than 0.5% of the municipal budget (about \$270,000 annually).
- * Overall, condominium units provide more in revenue than they receive in services (about \$3.9 million annually) but some developments are exceptions to this general finding.
- * Business and industrial uses pay more in taxes than they receive in services and the total impact is about \$8.1 million per year in net tax revenue to the Town of Southbury.
- * Since PA-490 helps keep land out of development, it maintains a positive fiscal benefit to the Town (as opposed to a residential use which could be a "fiscal negative").
- * On a per unit basis, the average single-family residential home in Southbury receives an annual subsidy of about \$2,200 from other land uses in the community. This type of fiscal implication might support municipal acquisition or preservation of property as "open space" as being fiscally prudent over the long term.