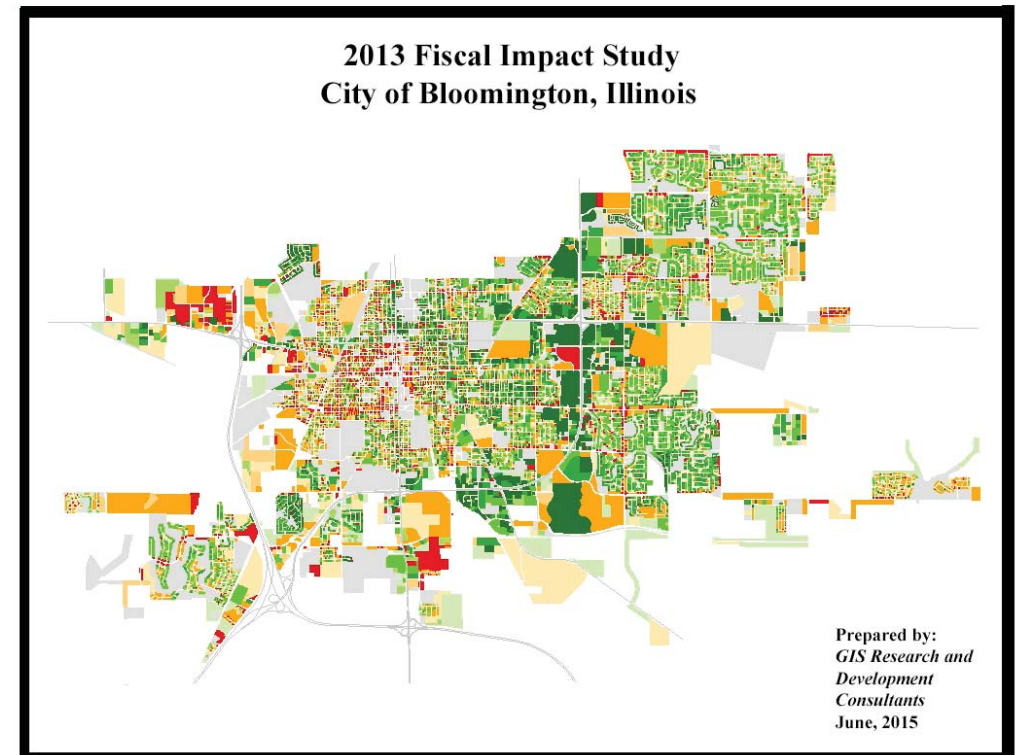


# 3. FISCAL IMPACT ANALYSIS

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The purpose of fiscal impact analysis is to estimate the impact of a development or a land use change on the budgets of governmental units serving the development. The analysis is generally based on the fiscal characteristics of the community, e.g., revenues, expenditures, characteristics of the development, type of land use and distance from central facilities. This analysis enables local governments to estimate the difference between the costs of providing services to a new development and the revenues—taxes and user fees, for example—that will be generated by the development.

MCRPC hired the services of a consulting firm, GISRDC, to conduct Geographic Information System based fiscal impact analysis to understand the impact of various land uses and development patterns. The findings of this study informed the future growth aspects of the comprehensive plan. **The information presented in this chapter is a brief summary of the work conducted by GISRDC.** For a thorough understanding of the methodology and analysis, please refer to the complete report available at [www.mcplan.org](http://www.mcplan.org).

It should be noted this

study only analyzed the fiscal impact on City budgets and not the environmental, social or economic impacts of a development on the community. This analysis also excludes fiscal impacts on other entities that provide infrastructure used by the City and its residents, such as the school districts and BNWRD. A development that does not yield positive tax revenue to the City may be beneficial for the quality of life and place. The intent of this study is not to eliminate non revenue yielding uses, rather to make informed decisions.

#### STUDY METHODOLOGY

The Location Based Method of Fiscal Impact Analysis is based on the premise that nearly all revenue a city collects is based on geographically distributed factors, such as the value of land parcels that generate property taxes, or population and employment that generate sales taxes. Nearly all expenditures are delivered to places in the City based on need or demands, such as police calls, or the need for access by public roads. Parcels are the basic unit of analysis. The intent is not to assess the impact per parcel but to gain a deeper understanding based on

the general groups such as use, ownership, tenancy, densities, age and other factors. Parcel level data and attributes obtained from the Bloomington Township Assessor was the foundation for this analysis.

- Revenue and expenses were analyzed based on the City's FY 2013 Comprehensive Annual Financial Report (CAFR)
- Population and employment was allocated by parcel to accurately understand the revenue and expenses per resident or per employee.
- Fiscal impact for major land use categories, residential, commercial/industrial were examined at a greater length to inform the future planning and development process.
- Tax exempt properties, while they do not yield revenue, incur expenses. They were analyzed and factored into the analysis.
- For the City whose corporate limits span a radius of seven miles from Downtown, distance affects the cost of delivering services. A distance factor was allocated to parcels located outside of 2.5 miles based on their distance from the Downtown (see Figure 3-1).

#### Key Findings

- With approximately 78,000 people and 27 square miles, the City of Bloomington is a relatively compact city. However, the discontinuous development patterns within the last two decades indicate sprawl and are a strain on the City's resources.
- The City had \$72.5 million in operational expenditures in FY 2013. Provision of public safety services (police, fire and EMS) accounted for nearly 57% of that total. Given the high cost of providing public safety services, developments should be coordinated to ensure efficiencies in providing for police, fire and EMS services.
- Residential land uses accounted for 70% of the revenue and nearly 70% of the expenses. Newer single family units(attached and detached) generally yielded surplus.
- Developments on the fringes of the City, while new and generating higher tax revenue, yielded a net deficit. This is due to the fact that there is very little development on the fringes, but the need to provide and maintain infrastructure in those areas to serve fewer taxable developments exist.
- The Grove subdivision that was approved in 2005 is located furthest from the center of the City. The City invested \$11 million (\$10 million for sewer + \$1million for water) to enable development in this area. As of 2013, the City recouped an estimated \$0.5 million in 8 years.
- Fox Creek subdivision was approved over 20 years ago. The City invested approximately \$10 million in sewer to enable this development. As of 2013, the City recouped an estimated \$1.5 million in fees.
- The City invested large sums in expanding sewer and water capacity to support development on the east and southwest to be usable far into the future. These investments need to be capitalized before investing in new infrastructure.

## REVENUE AND EXPENSE ALLOCATION

According to the FY 2013 CAFR, the City's \$96 million in spending was balanced against \$98 million in revenue resulting in approximately \$2.16 million surplus that was transferred to the enterprise funds. The operating revenues and expenditures were reviewed and analyzed separately from the capital revenues and expenditures. The operating revenues account for nearly 92% of total revenue

### Operating Revenue (\$90,577,580):

At \$28.6 million, sales tax was the City's largest revenue source. Major generators of sales tax are population and employment. While it is extremely difficult to assign this revenue source per capita, 80% was allocated to resident population and 20% was allocated to employees for modeling purposes. At \$22 million (\$17.5 million in the general fund + \$4.5 million in the library fund), the City's property tax revenue was allocated based on net assessed property value.

Other operating revenues such as charges for service (\$11.4 million), commercial taxes (such as

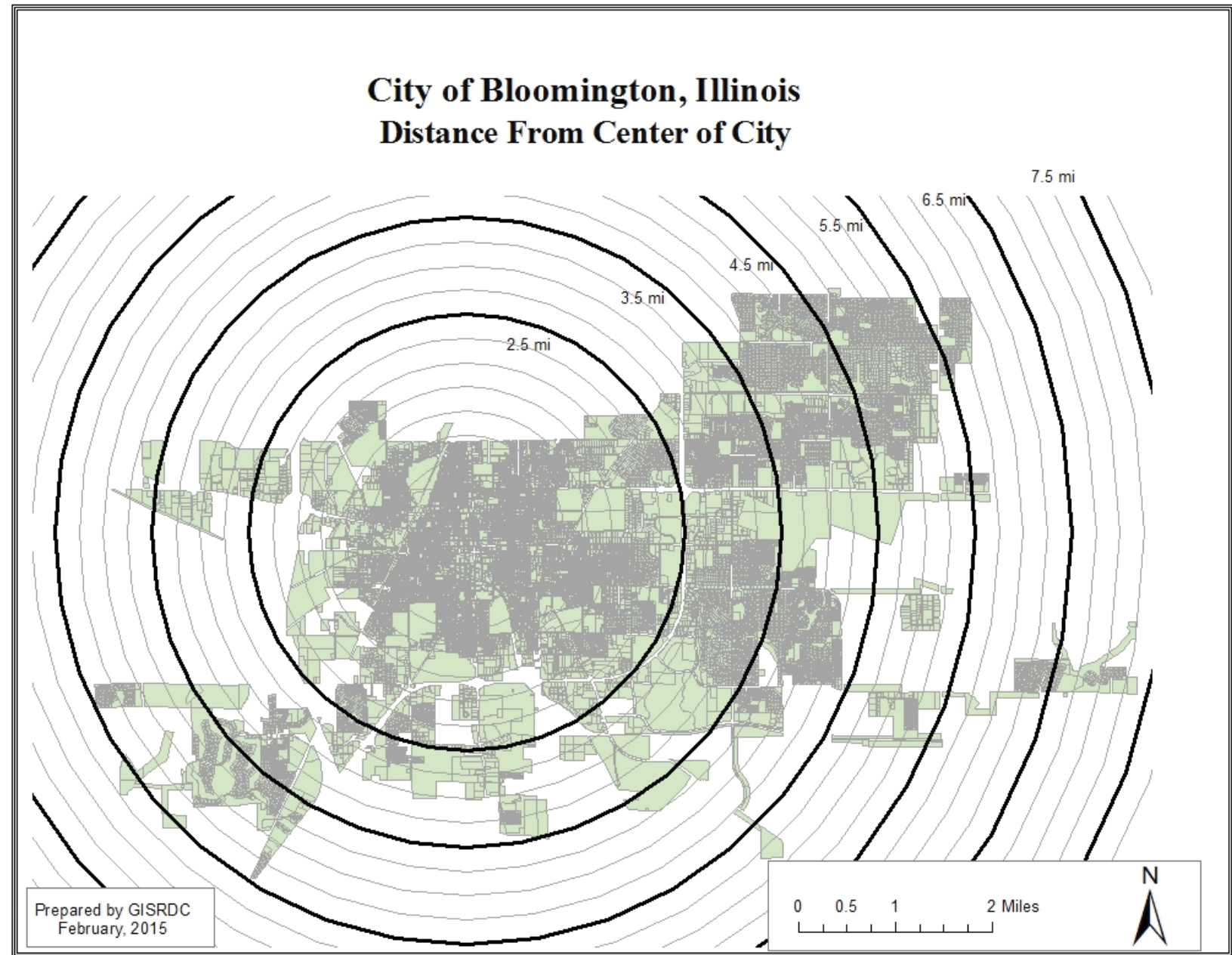


Figure 3-1. Distance From Center of City



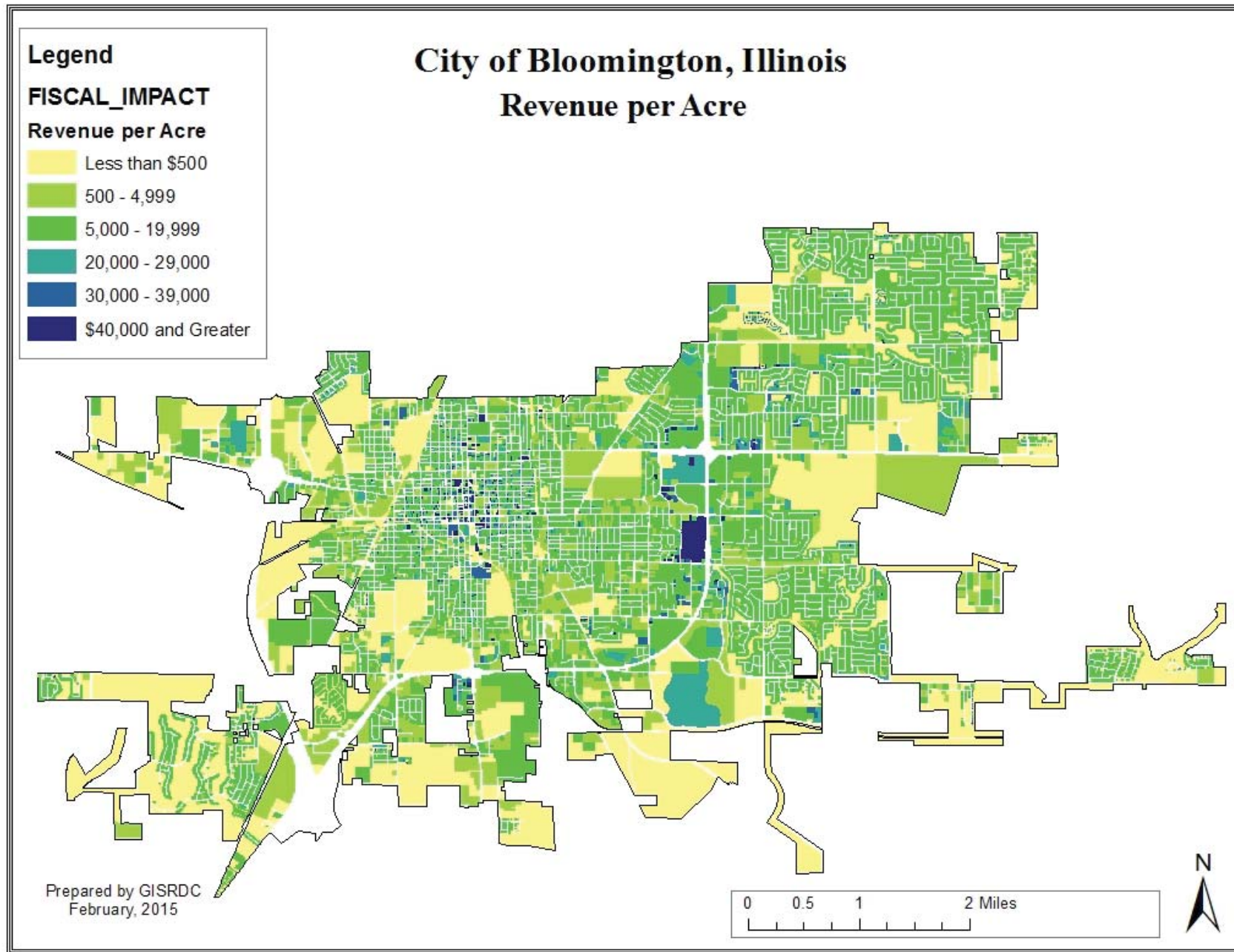


Figure 3-2. Revenue Per Acre

franchise tax, hotel and motel tax accounted for \$11.4 million), utility tax (\$6.4 million), income tax (\$5.4 million), fines and forfeits (\$1.2 million), licenses (\$0.4 million), other taxes (\$1.2 million) were all allocated based on the source of income and a variety of allocation factors and weights.

**Capital and Special Revenue:** The revenue sources in this category include, part of the property taxes appropriated for principal and interest on bonds, TIF, CDBG, parkland dedication fees, motor fuel tax, metro zone, elections and other miscellaneous income. City collected \$7,441,927 that were designated towards capital expenditures or other special projects. Figure 3.2 summarizes the net revenue per acre.

**Operating Expenditures:** The City had \$72.5 million in operating expenditures of which public safety (police, fire and EMS) accounted for \$41 million of that (nearly 42% of all City expenditure and 57% of operating expenditure).

Since public safety was such a large expense, the costs were broken down to the maximum

possible extent allowed by data availability. Police/fire calls accounted for approximately 47%, patrolling and fire/EMS readiness accounted for 48% and approximately 5% of the public safety related expense was for building safety and code enforcement.

The majority of calls (77% police and 89% fire) were attributable directly to individual parcels. The remainder were calls to the streets and intersections that were assigned carefully using a distance factor.

In 2013, \$6.3 million was spend on streets and roads. The study categorized streets by type (arterial, collector, local and alleys), as maintenance of the roads depend on the type of street. Each parcel was assigned a road type based on its frontage, this type of allotment resulted in higher frontage allocation for corner lots given their location.

Other expenditures include general government (\$10.2 million), culture and recreation (\$9.3 million), library (\$4.4 million), parking (\$0.4 million) and elections (\$446,937) all of which were allocated based on variety of allocation factors and weights.

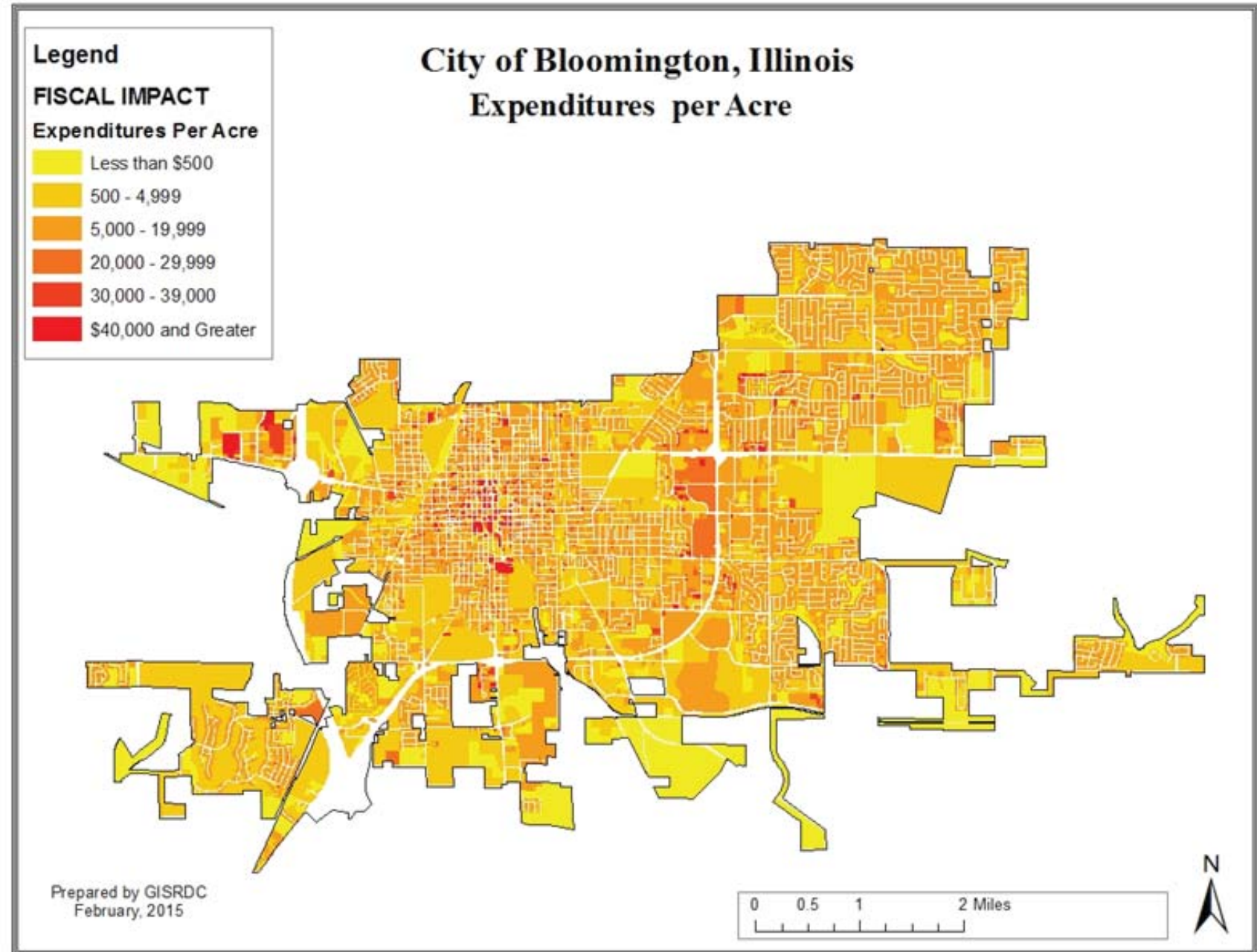


Figure 3-3. Expenditures Per Acre



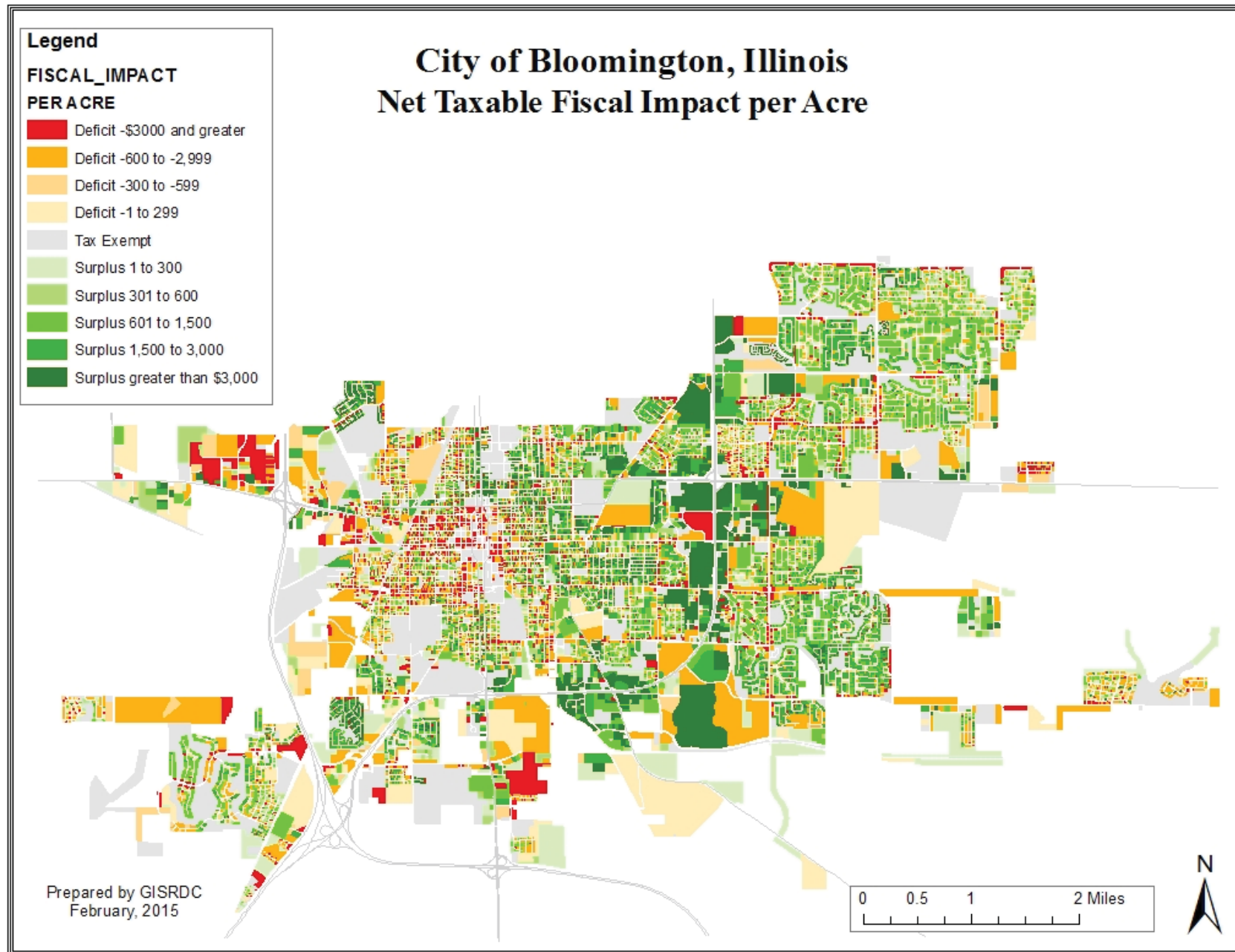


Figure 3-4. Net Taxable Fiscal Impact Per Acre

**Capital and Special Expenditures:** The City spent nearly \$23,316,412 under this category. Those include general expenditure (nearly \$4 million), parks and coliseum (\$3.1 million), public safety (\$1.2 million), streets (\$7.3 million), CDBG (\$2.7), Metro Zone (\$1.2million), capital lease (\$2.5 million) and TIF (\$1.2 million) all of which were assigned based on the factors or to certain geographies based on the expense. Figure 3.3 summarizes the net expenditures per acre.

**FISCAL IMPACT BY LAND USE**

**Residential:** The City has many types of residential land uses. Single family housing (attached and detached) is overwhelmingly the largest group. Others include duplexes, condominiums, apartments, mobile homes and mixed uses.

- Public safety calls for apartments, mobile home parks and duplexes are higher than those to single family homes. Calls to mixed use parcels are also higher.
- Road frontage: Newer single family homes have the greatest frontage, followed by single

family homes in general. Mobile home parks have the least amount of frontage as majority of the streets are interior private roads. Apartments also have smaller frontages per unit.

- Revenue and Expenditure Analysis: Residential land uses accounted for nearly 70% of total revenues and nearly 69% of the expenditures.
- Fiscal Impact: Single family units(attached and detached), especially newer units, generally generated a surplus.

**Commercial and Industrial Uses:**

These uses consist of approximately 20% of the City’s land area. While the average surplus for these uses is \$1,842/acre, there is a great range from surplus to deficit. Approximately a third of all commercial properties generated deficit. To better understand the impact of commercial properties, the land use data must be available at a finer scale.

**NEIGHBORHOOD ANALYSIS**

Fiscal impact of a parcel varies greatly based on land use, age of development, distance from the center, and other factors. As outlined earlier, the purpose of

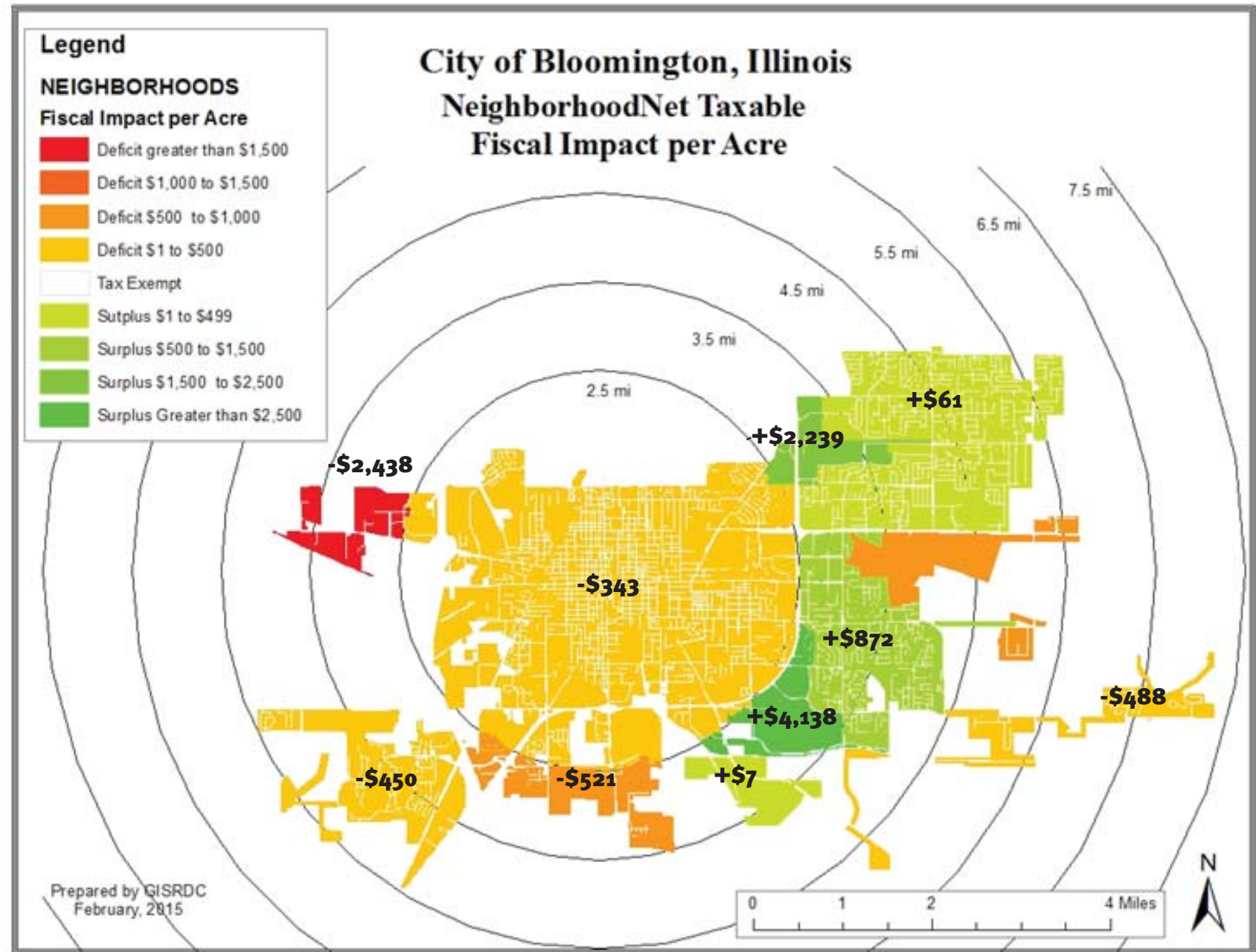


Figure 3-5. Neighborhood Net Taxable Fiscal Impact Per Acre

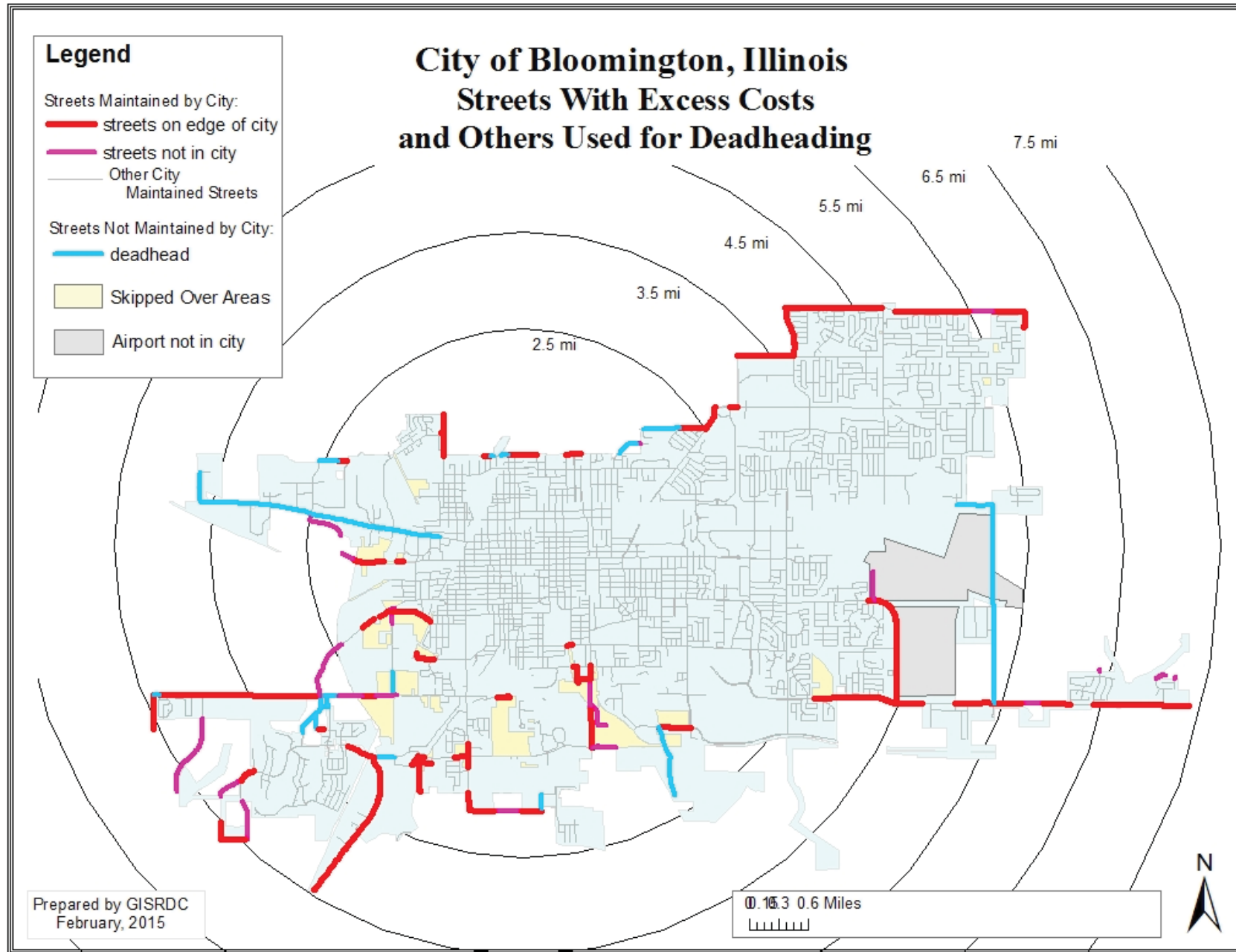


Figure 3-6. Streets With Excess Costs and Others Used for Deadheading

this study is not to calculate the impacts of individual parcels but to understand the impacts of broader development patterns. To do that, the study divided the City into generic areas or “neighborhoods” and aggregated the fiscal impact per acre across uses.

As can be seen in Figure 3-5, established older areas of the City are producing an overall deficit of \$360 per acre. This can be expected due to the declining property values in this area and higher number of police and fire calls. A majority of the commercial areas along Veterans Parkway are generating a surplus. The commercial areas along Veterans Parkway and the residential neighborhoods that are contiguous generated a surplus. Of particular concern is the deficit generated by the newer neighborhoods along the edges of the City.

#### ESTIMATED COSTS OF SPRAWL

One of the objectives of this study was to determine the costs of development. The cost of providing services in some areas is much greater than in others. Compact and contiguous development areas can be serviced



more efficiently and economically than discontinuous “leap-frog” or “sprawl” development. Factors that contribute towards sprawl are capital and operating expenditures incurred to benefit only a small percentage of developments.

#### Streets

For efficient use of tax dollars spent on building and maintaining streets it is important for those to serve parcels, particularly taxable parcels, on both sides. On the edges of the City, this is most often not the case. As shown in Figure 3-6, streets highlighted in red are only serving a small percent of development while the City maintains the entire road. This resulted in allocation of the cost of construction and maintenance of these edge streets to a smaller percentage of developments reducing their otherwise handsome contributions to revenues.

The areas shaded in light yellow are those that have been “skipped over” as development spread outward from the center of the City. These areas have several roads shown in red, because they are on the internal “edge” of the city. There are other roads shown

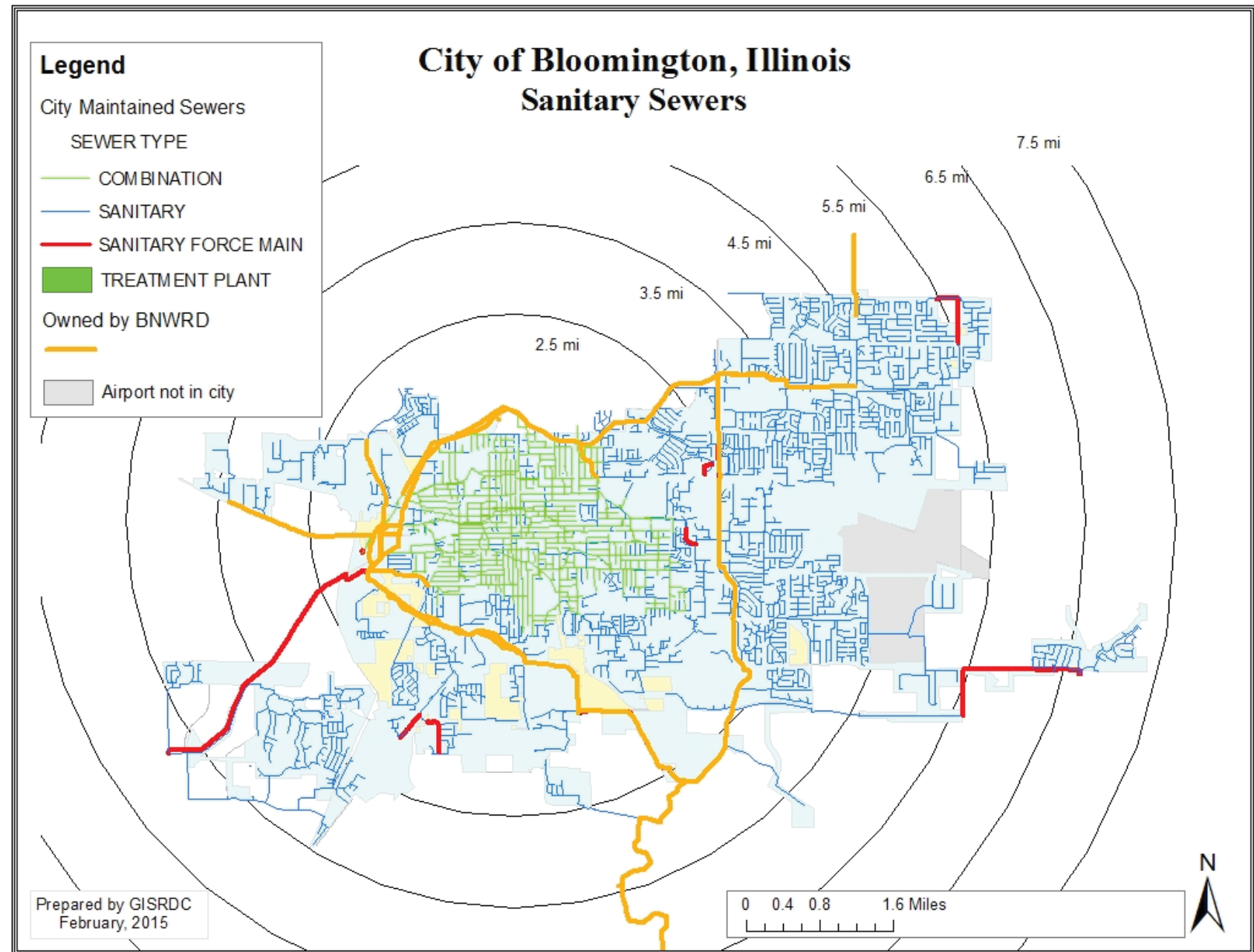


Figure 3-7. Sanitary Sewers

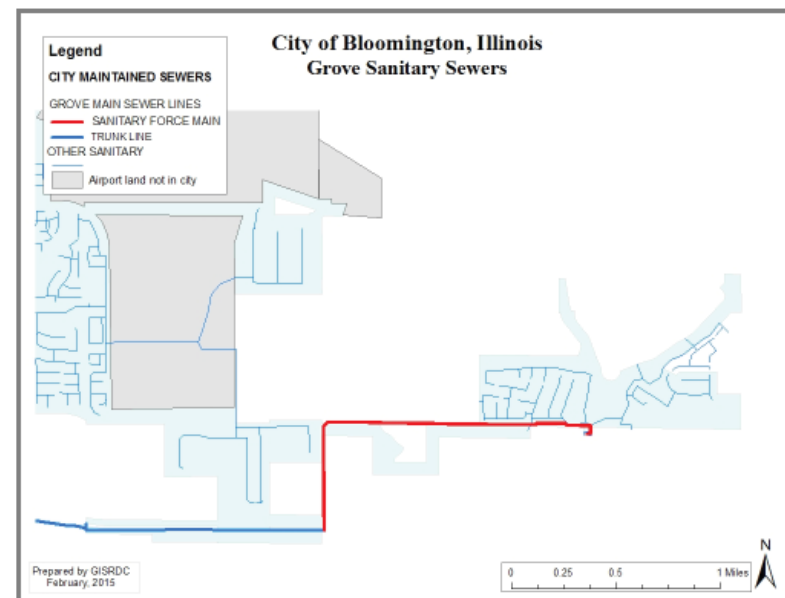
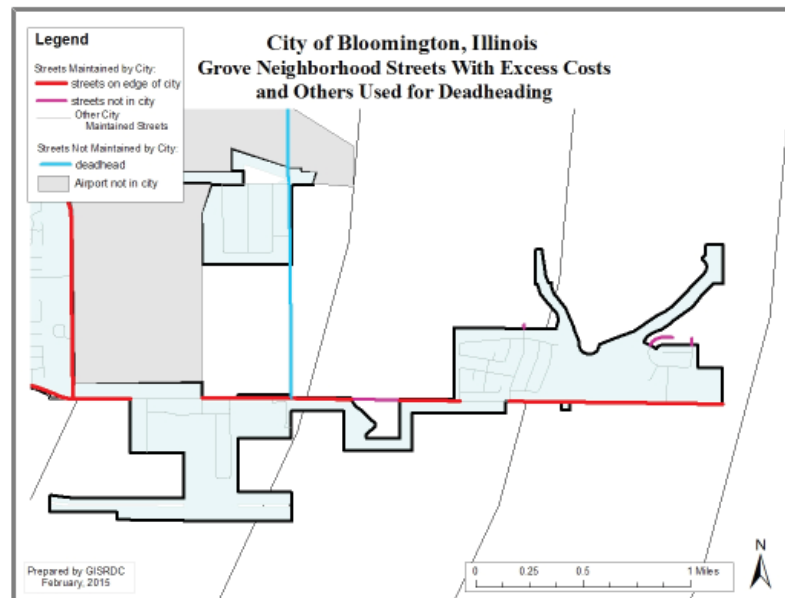
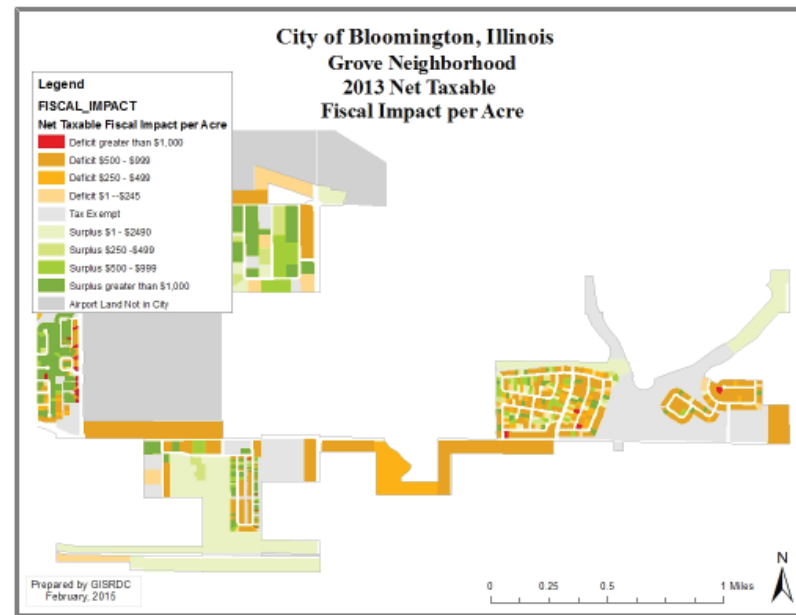
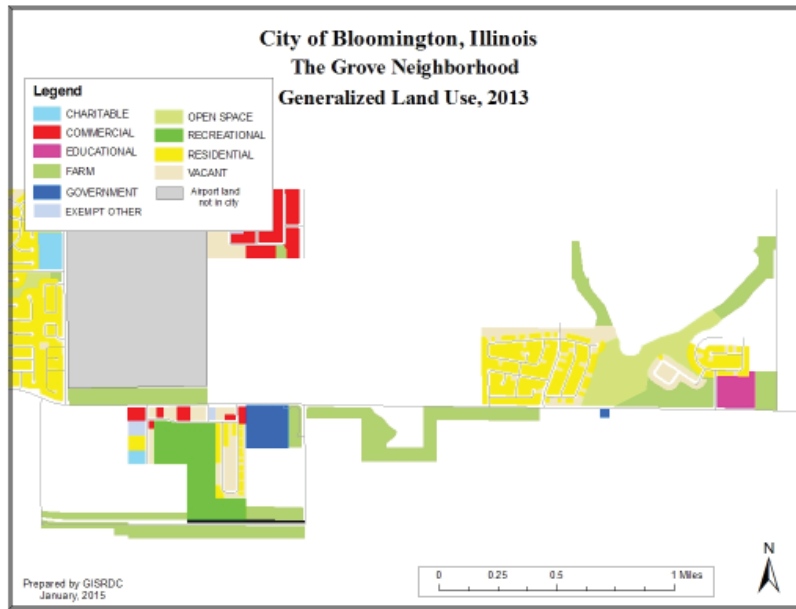


Figure 3-8. The Grove Neighborhood

in magenta that are maintained by the city, but since they pass through “skipped over” areas, the City does not receive any revenue to pay for the costs. There are also other roads outside the city boundary that are maintained by the city.

There are also roads that are not maintained by the City, yet must be used for “deadheading.” “Deadheading” is the time and cost spent to get to one or more of the outlying parcels. For example, for the City to plow the roads in the northwest part of the City, municipal vehicles must travel over a state highway in order to get there. These costs were not dealt with directly, but the adjustment allocation based on population and distance compensates somewhat for this cost.

#### Sanitary Sewers

The enterprise fund has been carefully analyzed to understand the costs for services and infrastructure such as sewer, water, solid waste, storm water and parking. Of these, sewer and water are the most significant. Figure 3.7 shows the City’s sewer system. Within the central area, the sanitary sewers are combined with the stormwater sewers, shown

in light green. These are old and need to be replaced over time. The sewers in blue are separate sanitary sewers. These run with gravity downhill to an interceptor (shown in orange), typically to lines owned by the Bloomington-Normal Water Reclamation District (BNWRD). In cases where development is downhill from the interceptor, sewage must be pumped uphill by means of a force main. These are shown in red. While the cost of a force main is not great, the cost of a lift station is expensive and requires significant annual operation and maintenance costs. Major force mains are located in or connected to the Grove and Fox Creek neighborhoods.

*Grove Subdivision*

This subdivision was approved within the last 8 years. As can be seen in Figure 3-8 land use here is predominantly residential. It also has a school and park property that are tax exempt and is surrounded by farmland in the unincorporated area. Streets, sewers and water infrastructure improvements were made to enable this development. The directly attributable capital costs for this development is nearly \$11 million

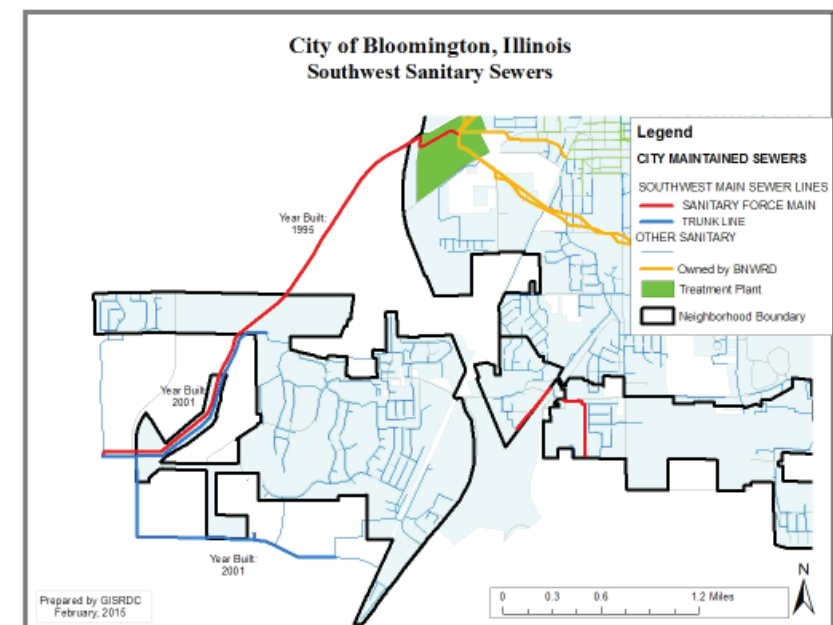
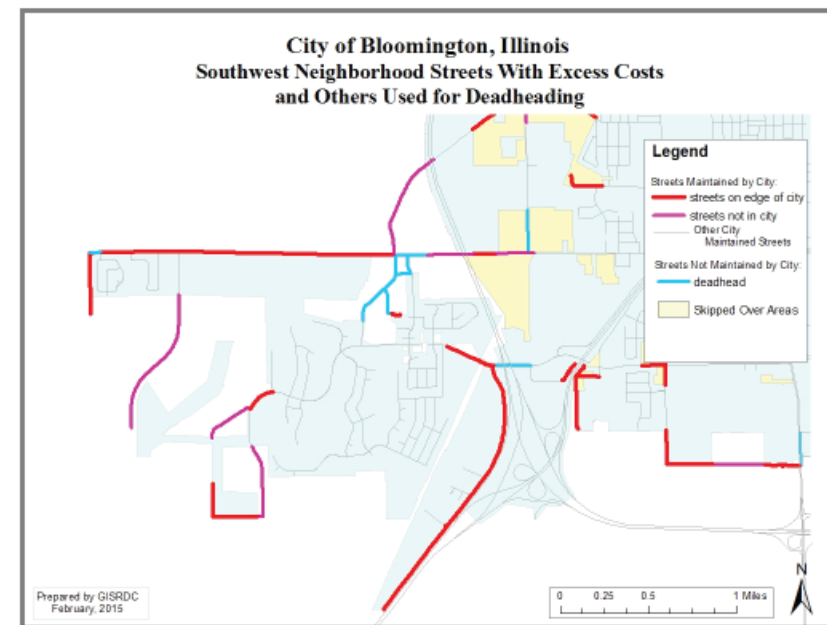
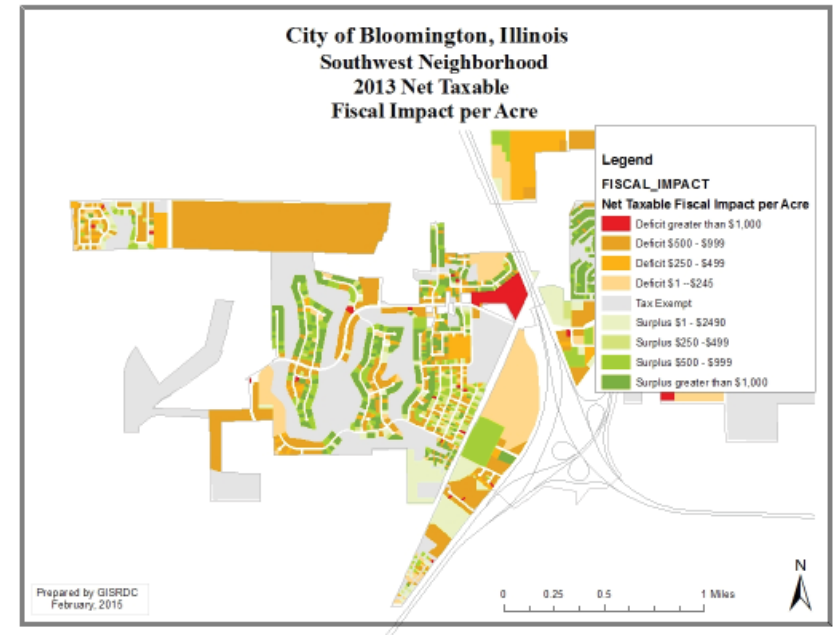
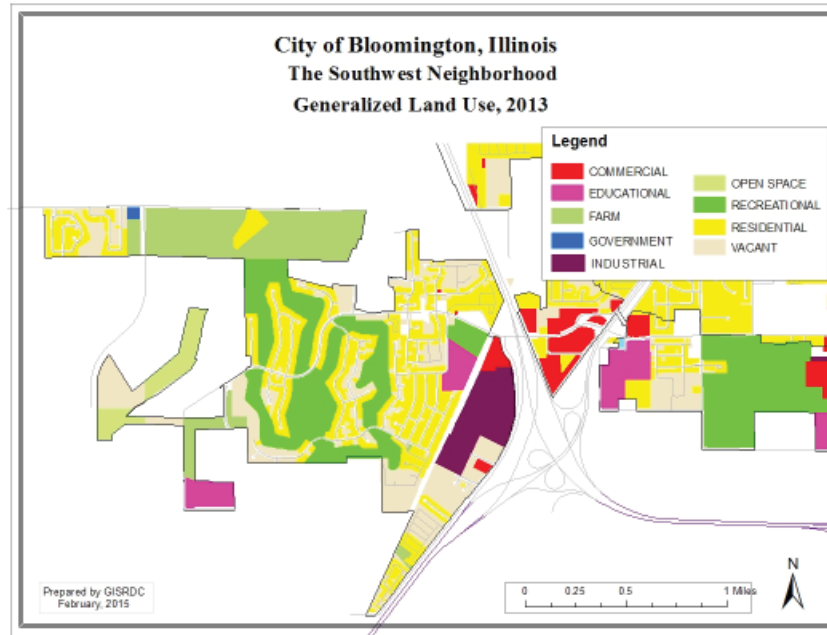


Figure 3-9. Southwest Neighborhood



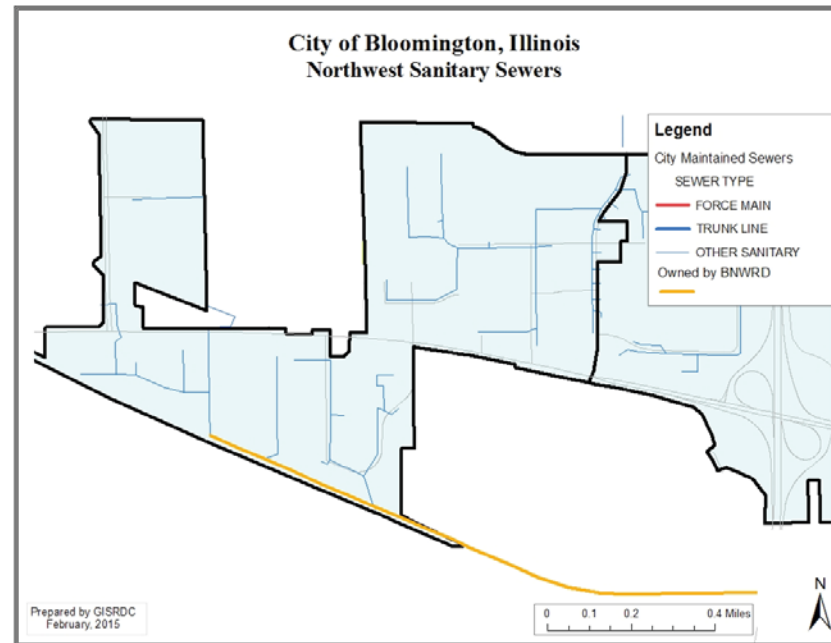
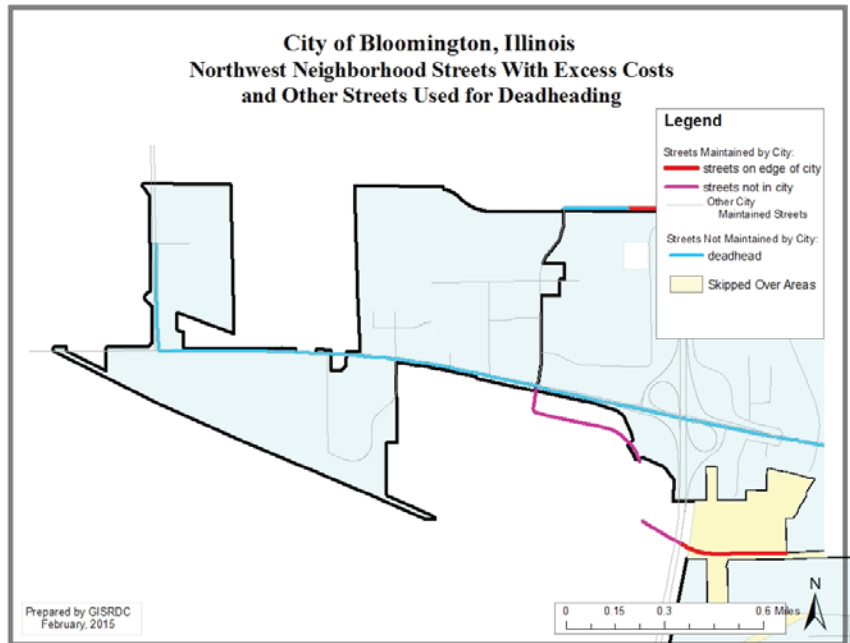
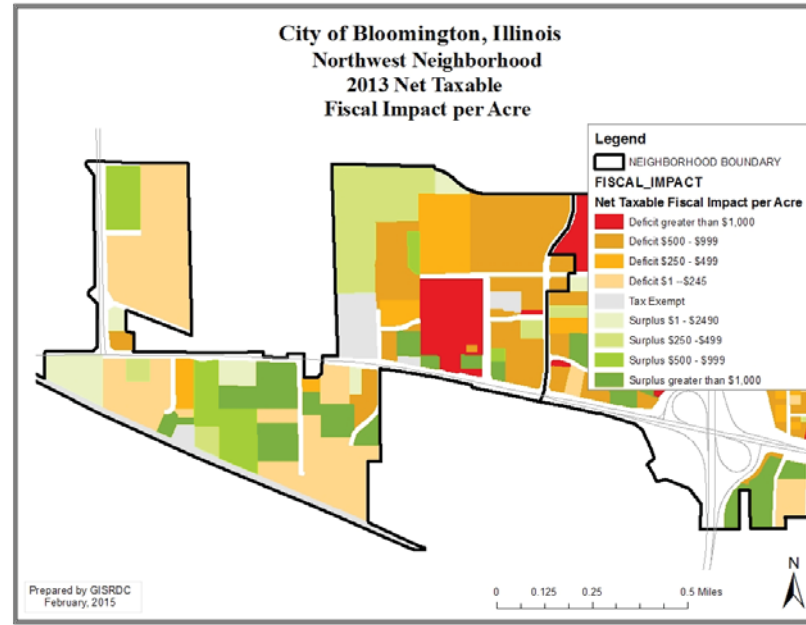
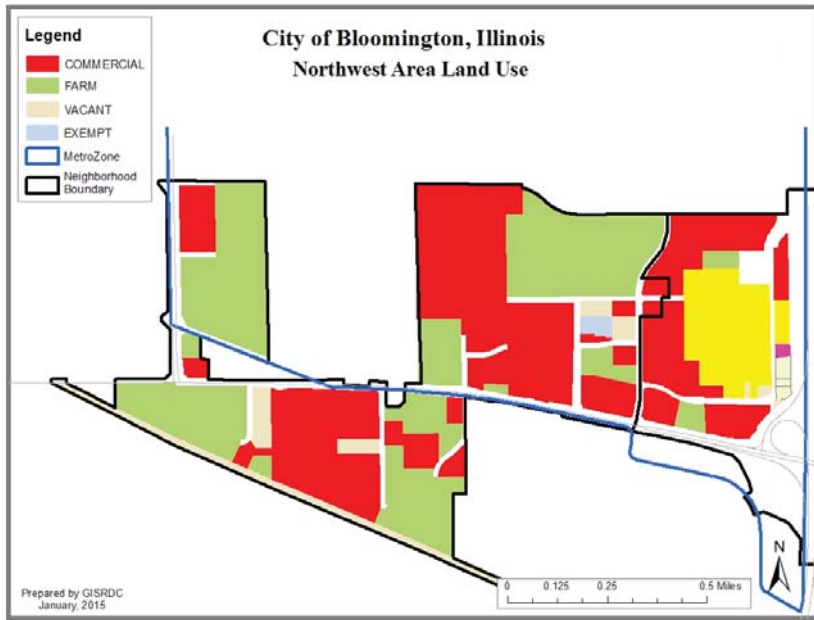


Figure 3-10. Northwest Neighborhood

(City invested \$10 million for sewer and lift station improvements, \$1 million for water infrastructure). As of 2013, the City recouped \$0.5 or 4.5% of this investment via fees. It will be far into the future before the City can recoup its investment in this area.

This development happened at the height of the housing boom in the City. The unforeseen economic conditions that followed stalled development for much of the platted land.

#### Fox Creek Subdivision

This subdivision was approved 23 years ago. As illustrated in Figure 3.9, the land use here is predominantly residential, with tax exempt properties and a small amount of industrial use. There are many edge streets and City-owned streets outside of the City limits. The City invested nearly \$10 million to sewer this area and recouped approximately 15% of its investment as of 2013. The sewer system here was engineered to serve 4,122 acres of residential land with 4 units per acre serving over 56,000 persons. The area developed as of 2013 is about 303 acres, and has a population of approximately 3,600.

Northwest Commercial Area (Market Street area west of the interchange) illustrated in Figure 3-10.

Given its relative proximity to the central City and the length of its existence, this area cannot be categorized as sprawl. However, given the fiscal deficit of -\$2,438 per acre, the study investigated this area closely.

As is evident from the Figure 3-10, the land use in this area is predominantly commercial and industrial with some residential. With nearly 10,000 police calls to this area in 2013, unincorporated property combined with Metro Zone on some parcels (a tax and revenue sharing agreement with Town of Normal), this area resulted in a deficit of \$2,438 per acre.

As outlined earlier, nearly a third of all the City's commercial properties recorded a deficit. The data on commercial properties need to be refined to better understand the negative fiscal impact of commercial properties.

In sum, the annual estimated operating costs to service the discontinuous sprawl areas is -\$757,910 (-\$252,675 for the Grove, and -\$505,235 for the Southwest).

The City recouped approximately 10% or \$2 million of its capital investment of \$21 million (\$11 million in Grove and \$10 million in Fox Creek).

**Note: The numbers presented in this section or the full complete fiscal impact analysis report (at [www.mcplan.org](http://www.mcplan.org)) should not be misconstrued as exact revenues or expenditures per parcel. The City's financial systems are very complex. The numbers presented here are an attempt to model the real world scenario and include many assumptions. It is also limited by the accuracy of the inputs such as parcel and attribute data.**

#### GUIDANCE FROM THE STUDY

1. Established older areas of the City are producing a net deficit. This is due to declining property values that resulted from decades of disinvestment in the area. The importance of this part of the City is only minimally addressed by the study with the distance factor allocation. However, without a vibrant and functional core, the outlying neighborhoods cannot be serviced. The reinvestment in this area is absolutely critical

for the long term sustainability of the City. As outlined in Chapter 4, the comprehensive plan divided this area into Downtown, Regeneration and Preservation areas and urges the City to prioritize its investment in these areas.

2. The City invested large sums in expanding the sewer and water capacity to support development on the east and southwest to be usable far into the future. These investments need to be capitalized before investing in new infrastructure. Many areas were "skipped over" to enable leap frog development. The land use portion of this comprehensive plan highlights the importance of utilizing existing infrastructure and urges to prioritize development in areas that have existing infrastructure as outlined below
- Tier 1: Includes vacant and underutilized land for infill development or redevelopment within the City, unincorporated land surrounded by incorporated areas, and areas platted for future development of existing subdivisions but not yet built out to completion.

- Tier 2: Land immediately adjacent to the City's incorporated area, and with access to all City services.
- Tier 3: Land adjacent to incorporated area but with limited City services. Development in these areas would require additional infrastructure investment.
- Future Use: Land not contiguous to incorporated area and/or without access to critical City services.

