

Appendix 3 Fiscal Impact

Summary

This report investigates the relative town and Brighton Central School District (BCSD) budget impacts of different forms of development. The intent of this analysis is not to predict future town or school district budgets, but to provide a "level of magnitude" illustration of the fiscal impact of different forms of development on both the town and Brighton Central School District. The report is divided into 5 sections - a summary of the results, an explanation of the development scenarios used, the results of the analysis, a discussion of the accuracy of the results, and a discussion of the fiscal impacts of open space (which could not be analyzed with the model used).

The development of 112 acres was examined under three different scenarios — as 3-bedroom single family homes, as office buildings and as a mixture of residential, office and retail uses. The tool used for the examination was the *Development Impact Assessment* computer model developed by the Urban Land Institute (ULI) (for an explanation of the model and the data used, see the "Discussion" section).

The results of the model runs demonstrate the role that nonresidential development plays in controlling residential tax rates in the town, and especially in Brighton Central School District and the other four school districts within the town. Scenario I - 290 detached, 3-bedroom homes assessed at \$125,000 (slightly over the 1998 median home sale price in Brighton) - resulted in a net loss to the town of \$64,490 and to Brighton Central School District of between \$916,031 and \$1,236,939. Breakeven (the home value at which costs and revenues are equal) for the town was approximately \$170,000, and for the school district was approximately \$300,000 (assuming no state aid, see Assumptions, below). In contrast, Scenario II - 700,000 sf of general office space valued at \$82/sf (typical value of recent construction) - resulted in a net gain for the town of between \$95,310 and \$157,787, and for Brighton Central School District of \$1,365,492. Breakeven for all-office development occurred at approximately \$60/sf for the town; impacts were always positive for the school district. The impacts of mixed development (Scenario III), as would be expected, fell between the two extremes, with a net loss to the town of between \$4,138 and \$29,253, and a net loss to the school district of between \$66,514 and \$282,958 (see the assumptions in next section of report for an explanation of ranges of impacts).

Although the ULI model was not configured to analyze its fiscal implications, the protection of open space can also have a positive fiscal impact on both the town and the school district relative to development, depending on the use of the open space vs the developed land. This is largely because the value of open space often increases over time while maintenance costs and necessary infrastructure remain low, whereas the value of the built environment generally decreases over time as aging infrastructure supporting it generates increasing maintenance costs. Also, the retention of lands for active and passive recreation and habitat helps to maintain the value of existing properties, supporting the tax base.

Fiscal Impact Development Scenarios

Note: The computer model used for this analysis is not configured to assess the fiscal impacts of acquisition or maintenance of open space or recreation areas. A discussion of those impacts follows the residential/commercial analysis below.

Assumptions

- The scenarios presented below are based on a site of 112 acres, approximately the size of the area bounded by Westfall Rd., Winton Rd., the proposed Sen. Keating Blvd. and the new town parkland.
- Input for the model was taken from the 1999 budget of the town and 1999-2000 Brighton Consolidated School District budget.
- No adjustments have been made for inflation or capital budget increases for new facilities over the time span of development. The 1999 Town of Brighton budget used for configuring the model includes an appropriation for funding of the library expansion project under way.
- Development is projected to take place in equal yearly phases over 9 years, fiscal impact is measured in 9th year at full development.
- The scenarios are based on near-maximum development of the site as permitted by code.
- Costs to the town from non-residential development are based on the number of employees generated by the development. The cost of each new employee is assigned by calculating the average cost to the town based on existing employees in the town. This method is dependent upon an accurate count of existing employees, a figure difficult to obtain between census counts. Because of this difficulty, this report uses low (Table 2) and high (Table 3) figures for employment, obtained from Genesee Transportation Council, to provide a range of cost to the town of nonresidential development.
- Conversations with Brighton School District officials revealed another potential cause of inaccuracy in the model. Because of the formulas used for state aid to schools, Brighton receives little incremental state aid for each extra student. A third model run was done, taking out all intergovernmental aid to the school, to show the fiscal impact of this lack of state aid.
- The national standard for population generated by residential development (built into the model) is used - 3.1 persons per 3-bedroom unit. Model estimate of school-age children per household is .67, as compared to Brighton School District actual average from recent development of .76. School District cost per student in the model is \$10,882.

- Twenty percent of the site (22 acres) has been reserved for public improvements (roads, etc.) and has not been included in calculations of maximum permitted development.

The following town and Brighton School District data were used in the model (Table 1):

Table 1 Data Entered Into Model		
	Town of Brighton	Brighton Central School District
Budget (1999)	\$14,000,000	\$37,000,000
Population	34,000	3,400 (students)
Area Employment	Low - 16,000 High - 20,533	
Tax Base - Res. / NonRes.	\$1,424,364,623 / \$448,748,148	
Parcels - Res. / NonRes.	11,364 / 750	
Assessed Value / Levy	\$1,873,000,000 / \$9,223,000	\$1,280,000,000 / \$27,502,000
Tax Rate / Equalization	.0049 / 1	.0215 / 1
Non-PT Rev - PV / Pop ^a	\$1,135,475 / \$207,400	\$1,330,000 / 0 ^b
InterGov Aid - PV / Pop ^a	\$2,012,310 / \$178,000	\$1,600,000 / \$5,656,000 ^b (\$0) ^c

^a Non-PT Rev = Non-Property Tax Revenue; PV = Tied to Property Value; Pop = Tied to Population

^b BCSD Non-PT Rev: - PV = Investment Income, Rental Income, Other; Non-PT Rev. - Pop. = None

BCSD InterGov Aid - PV = Sales Tax Revenue; InterGov Aid - Pop = State Aid

^c \$0 indicates the lack of significant state aid for additional students and is used in Table 4 - see "assumptions," above

Development Scenarios

Fiscal Impact Scenario I — Residential Development:

290 detached, 3-bedroom houses on 13,500 sf lots (RLB district minimum): value - \$125,000/house

Fiscal Impact Scenario II — Office Development:

700,000 sf of general office space: value - \$82/sf

Fiscal Impact Scenario III — Mixed Development:

129 detached, 3-bedroom houses on 13,500 sf lots (RLB district minimum): value - \$125,000/house

100 3-bedroom townhouses: value - \$65,000/unit

250,000 sf of general office space: value - \$82/sf

5,000 sf convenience store: value - \$100/sf

30,000 sf of general shopping: value - \$100/sf

10,000 sf restaurants (400 seats): value - \$100/sf

Results Tables

Tables 2,3 & 4 show the impact analysis results from the model for each of the scenarios above given varying assumptions. Table 2 shows the impacts using a low estimate for employment within the town and assuming that Brighton School District receives the same amount of state aid for new students (increasing the student population) as existing students. Table 3 uses the same school district assumptions but uses a high estimate for employment within the town. Table 4 uses the high employment estimate from Table 3, but assumes no extra state aid to Brighton School District for new students.

Table 2 Fiscal Impact Summary - Low Estimate of Employment Within the Town (16,000), Full State Aid for New Students							
	Town Revenue Prop. Tax / Other	Town Costs	Town Net Impact	BCSD Revenue Prop. Tax / Other	BCSD Costs	BCSD Net Impact	Combined Net Impact
Scen. I	\$178,350 / \$71,065	(\$312,905)	(\$63,490)	\$779,375 / \$403,887	(\$2,099,293)	(\$916,031)	(\$979,521)
Scen. II	\$282,408 / \$95,910	(\$283,008)	\$95,310	\$1,234,100 / \$131,392	\$0	\$1,365,492	\$1,460,802
Scen. III	\$234,315 / \$87,740	(\$351,307)	(\$29,253)	\$1,023,938 / \$325,459	(\$1,415,912)	(\$66,514)	(\$95,768)

Table 3							
Fiscal Impact Summary - High Estimate of Employment Within the Town (20,533), Full State Aid for New Students							
	Town Revenue Prop. Tax / Other	Town Costs	Town Net Impact	BCSD Revenue Prop. Tax / Other	BCSD Costs	BCSD Net Impact	Combined Net Impact
Scen. I	\$178,350 / \$71,065	(\$312,905)	(\$63,490)	\$779,375 / \$403,887	(\$2,099,293)	(\$916,031)	(\$979,521)
Scen. II	\$282,408 / \$95,910	(\$220,530)	\$157,787	\$1,234,100 / \$131,392	\$0	\$1,365,492	\$1,523,279
Scen. III	\$234,315 / \$87,740	(\$326,192)	(\$4,138)	\$1,023,938 / \$325,459	(\$1,415,912)	(\$66,514)	(\$70,652)

Table 4							
Fiscal Impact Summary - High Estimate of Employment Within the Town (20,533), No State Aid for New Students							
	Town Revenue Prop. Tax / Other	Town Costs	Town Net Impact	BCSD Revenue Prop. Tax / Other	BCSD Costs	BCSD Net Impact	Combined Net Impact
Scen. I	\$178,350 / \$71,065	(\$312,905)	(\$63,490)	\$779,375 / \$82,979	(\$2,099,293)	(\$1,236,939)	(\$1,300,429)
Scen. II	\$282,408 / \$95,910	(\$220,530)	\$157,787	\$1,234,100 / \$131,392	\$0	\$1,365,492	\$1,523,279
Scen. III	\$234,315 / \$87,740	(\$326,192)	(\$4,138)	\$1,023,938 / \$109,016	(\$1,415,912)	(\$282,958)	(\$287,095)

Discussion

Several methods for predicting the fiscal impacts of development have been developed and used over the last several decades. The method used in this chapter, the "per capita" approach, is most useful for estimating the impacts of large-scale development. While it doesn't precisely predict the costs of and revenues generated from development, it does show the magnitude of impacts and whether net revenues will be generated.

Budget, tax rate, population and employment data for the town and the Brighton Central School District were entered into the model, which then used these figures to assign costs to the town which are generated by development, based on the development's population (for residential development) or employment (for nonresidential development). Costs to the school district were based on the school-age population generated by the

development. Revenues generated were calculated as the sum of property tax, other income dependent on population, and other income dependent on the value of the property.

In the ULI model, costs incurred by the town associated with residential development are assumed to be less for 2-bedroom homes than 3-bedroom. Costs to the school district are solely a function of the school-age population generated, and vary depending not only on the number of bedrooms, but also on the type of residential development (e.g., detached housing vs. apartments).

As mentioned, the ULI model produces "level of magnitude" impacts of development. The revenues and costs generated by the model do not presume to be completely accurate — the actual future cost to the town or school district of development cannot be calculated by any method. We can't say that one extra resident will cause \$340 in new costs to the town (as generated by the model) or that one extra retail cashier will cause \$132 in new costs. By the same token, if one resident leaves the town, we can't say that we will save \$340. However, if the population, number of workers and total assessed value in the town were to double, would it double the town budget? Maybe - certainly it would have a great affect. The per capita model is intended to assess these gross numbers and give an approximation of impacts — the larger the amount of assumed development, the better the model results.

There are any number of variables involved in actual development projects that change the impacts: the number of school-age children generated by residential projects can vary greatly; some projects are tax-exempt and may or may not make payments-in-lieu-of-taxes; or new infrastructure may be built and dedicated to the town, requiring maintenance, to name a few. Also, particularly with office/commercial development, the value of the development often decreases over time as costs to the town to maintain aging infrastructure increase.

One of the fiscal impact variables associated with non-residential development is COMIDA financing. COMIDA, the County of Monroe Industrial Development Agency, was established primarily to "level the playing field" and allow Monroe County to compete effectively with other areas within and outside of New York State in the competition for the attraction of or the retention/expansion of businesses. The "Jobs Plus" program is used by COMIDA to provide financial incentives to companies that meet specific criteria for the creation of new jobs in Monroe County. The incentives can be provided in several forms; generally through the issuance of tax-exempt Industrial Revenue Bonds or a sale/lease back agreement with COMIDA.

COMIDA-financed development has fiscal impacts on both local government and public school districts because it is subject to a 10 year (renewable) property tax abatement schedule. The COMIDA-financed company pays 10% of total assessed property taxes in the first year and an additional 10% in subsequent years, until full payment is reached (100% of taxes paid) in the tenth year.

Fiscal Impacts of Open Space

There are fiscal impacts, also, from the preservation of open space. These include the initial costs of open space preservation (e.g., acquisition costs), development costs (e.g., parking, ballfields, trails), and on-going maintenance costs. Brighton has hundreds of acres of open space that are privately owned. Fiscally, this benefits the town because the property remains on the tax rolls but generates few costs to the town. Of course, the preservation of these acres is not assured. In the Rochester region, a method of preserving open space through the municipality's purchase of development rights to the land (ownership of the land does not change, but development is severely restricted) has been widely discussed and is being used by the Town of Pittsford to protect 1,200 acres of farmland from development. In Brighton, with no significant active farms, the purchase of development rights may not be a viable option for the town because the development rights to a parcel would be nearly its total value. The options left are purchase (or donation to the town) of property, long-term lease, acquisition of property or conservation easements through incentive zoning or other means, or transfer of development rights.

Donation of property to the town removes the property from the tax rolls, but, assuming the land is left in its natural state, generates few costs to the town.

The impact of the town leasing property depends on the language of the lease. The tax revenue would continue, but would be offset by the lease payment. Long-term preservation of the land is not assured.

Acquisition of land through the incentive zoning process results in no up-front monetary cost to the town, but it is implicit in the incentive zoning process that there are assumed costs to the town from permitting uses or densities of development not recommended by the Comprehensive Development Regulations.

A conservation easement to the town leaves the easement area in private ownership, so there are no acquisition costs for the town. The property tax consequences depend on the language of the easement and the overall effect of the easement on the value of the property - town revenue may stay the same, increase or decrease due to a conservation easement. The town currently (1999) holds seven conservation easements, totaling approximately 13 acres, that have been negotiated during development reviews. The language of the easements varies from allowing public access to the area for recreation to preservation of the area with no public access.

Transfer of development rights is a vehicle for open space preservation that can be very effective under the proper circumstances. It trades the preservation of open space in one area for allowing greater than permitted densities of development in another area. The designation of "sending zones" (areas designated as valuable for preservation) and "receiving zones" (areas designated as acceptable for higher than permitted densities of development), and the administration of the program can be difficult and controversial. Its use in Brighton has not been investigated to date.

Purchase of property by the town generates large up-front costs (the purchase price). Depending on how the purchase is funded - through existing reserve funds, through federal or state grants, through issuance of bonds, through partnership with another organization, or some combination of these vehicles - the costs to the town will vary. It should be noted, however, that even if the property is purchased through issuance of bonds, the cost of the purchase price to the town is limited to the repayment period of the bond.

The town has acquired significant areas of open space over the past several years. The following examples from Town of Brighton projects and records provide an indication of the potential costs involved in the preservation of open space.

- Persimmon Park, 11 acres designated for passive recreation, was acquired from the NYS Department of Transportation at no cost to the town. Its designation for passive recreation will mean that maintenance costs of the park will be low over time.
- Meridian Centre Park, 18 acres adjacent to the Erie Canal, was acquired through incentive zoning negotiations during the review of Meridian Centre Office Park at no cost to the town. Development of recreational facilities at the park (2 softball fields, 2 soccer fields, 2 tennis courts, a children's play area and rest rooms) cost approximately \$1m, funded with a state grant (\$339k), town reserve funds (\$250k), community donations (\$20k) and property tax dollars (\$390k). Annual maintenance costs are additional.
- The assessed value of open space in Brighton ranges from \$2,000/acre to more than \$20,000/acre. The purchase of a large tract (30 acres) of open space by the town can therefore be estimated at anywhere from \$60,000 to more than \$600,000. Assuming a 7% interest rate on a 20 yr. bond, the total cost of the land would be between \$110,000 and \$1,100,000. In addition to these costs, there would be revenue lost from the property being taken off the tax rolls, approximately \$1,600 to \$16,000 per year in the first year following the purchase.

Several reports produced in the last 10 years, including the 1990 Master Plan and the *Parkland Acquisition Study* have stressed the importance of controlling the use of the remaining open space in Brighton to preserve and enhance the quality of life of residents. Preservation of open space can also provide absolute or relative fiscal benefit to the town and its school districts.

The model indicates that there are net costs to the town and/or school district from many types of residential development. Smaller areas preserved as conservation easements can provide some tax income for the town and, if taking the place of moderately-priced residential development, lessen the negative impact that this type of development has on town and school budgets.

Commercial and office development provide near-term net fiscal benefit for the town and its school districts, but, as was noted in the "Discussion" section, the fiscal benefit from nonresidential development may decrease over time as the value of the development is depreciated while maintenance costs increase. Preservation of open space also helps to

insulate the town from the effects of the "boom and bust" building cycles of nonresidential development. In a robust economy, developers and potential tenants both have increased access to funds for capital investments. In the past, this has tended to lead to over-development of nonresidential space in good economic times, resulting in later vacancies, deteriorating properties, and excess infrastructure as the economic cycle swings downward. The value of (and tax income from) these properties is reduced, as is the value of and income from surrounding properties. At the same time, aging infrastructure necessitates increasing maintenance costs.

Every landowner has the right to seek a reasonable income from his/her property. In Brighton, it is often the case that the most profit can be made from land through its development for residential or commercial uses. However, short term income does not necessarily indicate long-term value, and it is the long-term value of its land that will support the future fiscal and social health of Brighton. Protection by the town of important open spaces for active and passive recreation, habitat, water quality and flood control, and aesthetic views - through any of the methods mentioned above - may or may not provide short-term fiscal benefits to the town, but, if pursued in a well-reasoned manor, will support the long-term fiscal and social health of the town.

End Notes

¹ There are parts of 5 school districts within the town. The Brighton Consolidated School District is the largest; analysis using one of the other districts would generate different, but related, impacts.

² The analysis uses a development impact computer model developed by R. Burchell, D. Listokin and W. Dolphin for the Urban Land Institute and contained in the publication "Development Impact Assessment Handbook," second printing - 1997.