

# Land Use Decisions and Financial Health of Communities

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October 26, 2005

# Introduction

- Changing Levels of Service as communities grow
- Capital cost recovery in rapidly developing communities
- Diversifying land use to achieve fiscal balance

# Levels of Service

# Issues

- Levels of service change as communities grow
- Metro area Villages provide “urban” services
- Policy choices
- Absolute spending vs. shifts between private and public

# Policy Choices

Cost Category	Minimal Service Standard	Upgraded Service Possibilities
<b>Streets</b>		
Primary and Secondary Arterial Streets	Lacking street hierarchy	Built by municipality in advance or parallel with development
Collectors	Built and paid for by developers - but not part of a master plan street network	Based on master plan, key collectors built by municipality or exacted in whole or part, ensures plan compliance by developer
<b>Stormwater Management</b>		
On-Site Detention	Primarily constructed by developer, owned and maintained privately	Limit on-site detention
Subdivision Level	Primarily constructed by developer, owned and maintained privately	Subdivision level detention where appropriate
Neighborhood Level	None	
Community Wide	None	Regional stormwater management plan
<b>Parks and Recreation</b>	Natural preserves, open space, forest preserve districts	Neighborhood and community parks, active recreation, community center and programs

# Policy Choices, cont'd.

<b>Cost Category</b>	<b>Minimal Service Standard</b>	<b>Upgraded Service Possibilities</b>
<b>Police and Fire</b>	Shared service, part-time police and volunteer fire	Full-time police and fire, 911 service, fire protection districts, standard response time
<b>Public Works</b>	Snow removal and minor street repairs, cleaning	Full maintenance of streets, traffic control, street lighting
<b>Sanitation</b>	Private	Public for single family and private for commercial and multi family or all public
<b>Sewer and Water</b>	Well and septic	Build and maintain, main trunk lines and treatment plants, participate in financing extensions
<b>Library</b>	County service, bookmobile	Library District or Municipal Library
<b>Transit Services</b>	None	Light rail, bus
<b>Senior and Family Services</b>	Area agency on aging	Senior center and related services, before and after school programs
<b>Affordable Housing</b>	None	Housing Trust and Department

# Capital Costs of New Development

# Covering Capital Costs of New Development

- Rapidly growing communities have an equity problem
- Annexation or Rezoning are critical moments

# Tools

- Required Dedications/Exactions
  - School sites
  - Parks
  - Roads
  - Sewer/Water
  - Equipment
- Impact Fees
  - Schools
  - Parks
  - Traffic
  - Police/Fire
  - Library
- Developer Advances and Recapture Fees
- Special Service Areas

# Tools, cont'd.

- Special Districts, e.g.
  - Sanitary
  - Stormwater Management
  - Bridge and Road
- TIF
- Private Responsibility/Contracts
- G. O. Bonds
- User Fee based Financing
- Grants
- Annual Capital Budget

# Operational Balance

# Major Land Use and Population-Linked Tax Sources

## Municipality

- Property Tax
- Sales Tax
- Hotel/Motel Tax
- Utility Tax
- Telecom Tax
- State Income Tax
- Motor Fuel Tax

## School District

- Property Tax
- State Aid

# Highest and Best Use of Land

- For Municipalities: major Retail such as car dealers
- For School Districts: Retail, Office, Industrial, and Housing without Children
- What are the characteristics of different uses?

# Fiscal Characteristics for Municipalities and School Districts

Land Use	Product Characteristics			Break-Even Price Point	
	Average # of Bedrooms	Square Feet	Average Price Point	Municipality	School District
Single Family High	3.5	3,000	\$400,000 - \$600,000	\$170,000	\$ 350,000
Single Family Low	3	2,500	\$300,000 - \$400,000	\$170,000	\$ 350,000
Condo/Townhomes High	2.5	1,500	\$250,000 - \$350,000	\$100,000	\$100,000
Condo/Townhomes Low	2	1,250	\$190,000 - \$250,000	\$100,000	\$100,000

# Fiscal Characteristics for School Districts

Land Use	Product Characteristics			Break Even Prices	
	Average # of Bedrooms	Square Footage	Price/unit	Elementary	High School
Condominium	2	1,200 - 2,010	\$310,000 - \$440,000	\$157,000	\$103,000
Townhome	3	1,800 - 2,150	\$360,000 - \$380,000	\$312,000	\$148,000
Villas (site condo)	3	2,200 - 2,500	\$915,000	\$312,000	\$148,000
Single Family High (75th %ile)	4	n/a	\$949,000	\$843,000	\$789,000
Single Family Low (25th %ile)	4	n/a	\$696,900	\$843,000	\$789,000
		Square Footage	EAV/unit	No School children, Always +	
Assisted Living			\$27,774		
Senior Housing Affordable			\$17,144		
Senior Housing		600 - 800 (est.)	\$42,368		
Senior Housing Continuing Care		830 - 2100	\$35,108		
			EAV/ 1,000sf	No School children, Always +	
Commercial			\$75,810		
Office			\$66,209		

# Summary Fiscal Impacts by Property Type

Property Type	Elementary			High School		
	Revenue	Expense	Net Impact	Revenue	Expense	Net Impact
Condominium High	\$2,530	\$820	\$1,710	\$1,721	\$334	\$1,388
Condominium Low	\$1,743	\$820	\$922	\$1,185	\$334	\$852
Townhome High	\$2,167	\$1,761	\$406	\$1,474	\$518	\$956
Townhome Low	\$2,046	\$1,761	\$284	\$1,391	\$518	\$873
Villa (site condo)	\$5,408	\$1,761	\$3,646	\$3,678	\$518	\$3,160
Single Family High (75th %ile)	\$5,614	\$4,994	\$620	\$3,819	\$3,161	\$658
Single Family Low (25th %ile)	\$4,086	\$4,994	(\$907)	\$2,780	\$3,161	(\$381)
Assisted Living	\$709	\$0	\$709	\$482	\$0	\$482
Senior Housing Affordable	\$438	\$0	\$438	\$298	\$0	\$298
Senior Housing	\$1,081	\$0	\$1,081	\$736	\$0	\$736
Senior Housing Continuing Care	\$896	\$0	\$896	\$609	\$0	\$609
Commercial	\$1,935	\$0	\$1,935	\$1,316	\$0	\$1,316
Office	\$1,690	\$0	\$1,690	\$1,149	\$0	\$1,149

# Achieving Operating Balance – (school district example)

Land Use	Per Unit/Per 1,000 SF Net Impacts			# of Units / SF of Commercial	Total Impacts
	Elementary School	High School	Total		
Low Single Family	\$(907)	\$(381)	\$(1,288)	2,188	\$ (2,817,600)
High Single Family	\$620	\$658	\$1,278	500	\$ 639,000
Low Condominiums	\$922	\$852	\$1,774	500	\$ 887,000
Affordable Senior Housing	\$438	\$298	\$736	100	\$ 73,600
Retail	\$1,935	\$1,316	\$3,251	200,000	\$ 650,200
Office	\$1,690	\$1,149	\$2,839	200,000	\$ 567,800
<b>Total Impact</b>					\$ -

# Comments

- Land Use opportunities are dependent on market
- Diversification is critical to fiscal balance
- Different factors achieve balance for municipality and school district
- Needs district-wide evaluation

# Conclusions

- Conduct a healthy policy debate on service levels as part of the community planning process
- Understand impacts at the time of development
- Maximize capital contribution at annexation or rezoning
- Pursue development strategies consistent with the market to balance land use



- Development Strategies
- Public-Private Partnerships
- Market & Financial Feasibility
- Area Plans & Implementation
- Developer Solicitation
- Tax Increment Financing
- Special Service Areas
- Fiscal Impact

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