Dear Reader:

Tischler and Associates, Inc. (TA) is pleased to present excerpts of this Planner's *Casebook*, reprinted with the permission of the American Planning Association. This report provides public sector perspectives of fiscal impact analysis and models. Howard County, Maryland, in which TA conducted the fiscal analysis consulting and model work, is one of the two jurisdictions included. Since then, TA has again been retained by Howard County to examine fiscal issues associated with growth. In our latest analysis, TA examines not only the impact of new growth, but also the impact of the *existing* development base as it continues to age. An increasing elderly population, some deteriorating housing, infrastructure replacement and increasing socioeconomic concerns will be reflected in the various scenarios.

TA is a fiscal, economic and planning consulting firm specializing in:

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TA's fiscal impact consulting experience is unsurpassed. The firm has conducted over 300 fiscal impact studies, focusing on the marginal cost-case study approach, versus the average cost-per capita approach.

TA has the most comprehensive, flexible and widely used fiscal impact systems in the country. Each system is tailored for the specific jurisdiction.

In addition to our TA Fiscal & Economic Newsletters, which discuss fiscal findings in jurisdictions throughout the country, several other reprints which may be of interest are:

- Analyzing the Fiscal Impact of Development (excerpt from the *MIS Report* published by the International City/County Management Association)
- Fiscal Impact Analysis: Reader Beware, Some Caveats (excerpt from *The Growth Management Reporter* newsletter)
- Impact Fees: Understand Them or Be Sorry (article from *Land Development* magazine)
- 20 Points to Know About Impact Fees (article from *Planning* magazine)

Please call TA at (800) 424-4318 to obtain the reprints or to discuss TA's fiscal impact evaluations, impact fee, and other consulting services indicated on the last page.

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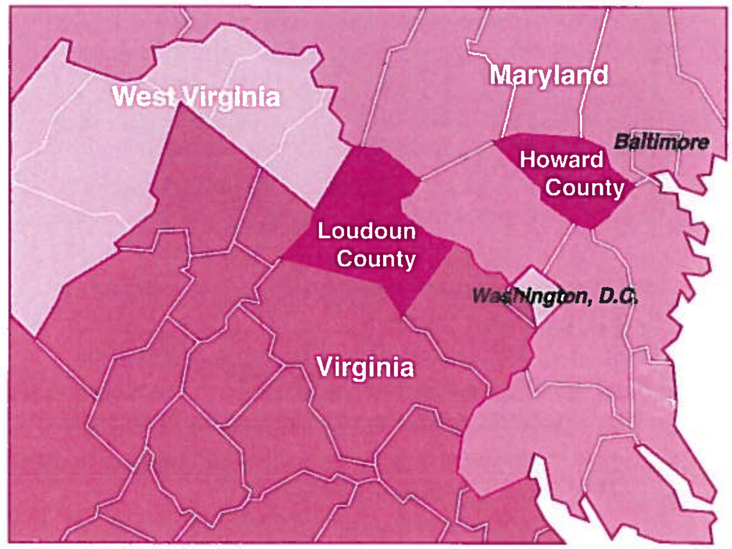

Howard County, MD, and Loudoun County, VA.

Fiscal Impact Analysis in Local Comprehensive Planning

By Terry Holzheimer, AICP

Howard County, Maryland, and Loudoun County, Virginia, are two of the fastest-growing suburban areas outside Washington, D.C. They also are among the few communities to have fully used fiscal impact analysis in helping to integrate economic factors into their comprehensive plans.

Background

In the mid-1980s, Howard County and Loudoun County both were facing unprecedented levels of housing and commercial/industrial development. As public concerns about the pace of growth were increasing, each community decided to embark on the preparation of new comprehensive plans. *(continued...)*

Howard County was able to use its fiscal impact analysis model to validate the affordability of the proposed comprehensive plan.

Terry Holzheimer, AICP, is the director of the Office of Business Investment for Arlington County, Virginia. Prior to that, he was director of the Department of Economic Development for Loudoun County, Virginia. He also has worked as a management consultant to local governments in the areas of housing and economic development.

Fortunately, both communities were populated with sophisticated citizens and developers well acquainted with growth management concepts and planning law. In addition, local officials and planners saw a need to ensure that the planning process was "legally defensible" and that growth management policies could withstand the close scrutiny of potential legal challenges, which would likely be based on constitutional tests of "rational nexus" and "takings."

It was decided to introduce fiscal impact analysis into the planning processes-not only to ensure due diligence related to the analysis of the costs of growth, but also because "it was a way of testing the implications of planning safely," according to former Howard County planning director Uri Avin.

Facts of the Case

Howard County, Maryland, is located in the fast-growing metropolitan corridor between Baltimore and Washington, D.C. In the late 1980s, its annual population growth was 50 percent and its employment growth 61 percent. Today, Howard County still has the highest median household income in the Baltimore region.

Its *1990 General Plan . . . A Six Point Plan for the Future* won an APA national planning award in 1991. Among the plan's praiseworthy features were its proposals for containing suburban expansion and protecting important natural areas. [The plan was featured in the inaugural issue of *Planners' Casebook* (Winter1992).]

Tischler & Associates, Inc., a nationally known economic consulting firm, was asked to prepare an analysis of the costs and revenues that would be associated with development of the County.

During the process of developing the plan, the county decided to retain the services of Tischler & Associates, Inc., a nationally known economic consulting firm. Tischler was asked to prepare an analysis of the costs and revenues that would be associated with development of the county based on the land uses and pace of growth envisioned by the preliminary plan over a 20-year period.

On the revenue side, the fiscal impact model directly linked the plan's proposed zoning and land uses with the projected growth of housing units (by type and price) and commercial/industrial space (by value). More specifically, residential development was divided into several unit types, based largely on differing school-aged children generation rates. Single-family detached, single-family attached, apartment, condominium, and "other" unit types were allocated according to historical market demand for such units.

Market-related factors also were used in projecting nonresidential growth. Development was allocated among retail, office, research and development, industrial, and warehouse uses by square footage and market value. Like the residential market, cycles were eliminated through the use of longer term trends in nonresidential space absorption.

Operating expenditures were allocated among 43 categories.

Revenue impacts were relatively easily derived from current tax levels, assessments, and the market value of new construction. The model directly linked unit and space demand, by type, to population and employment projections.

Any land removed from the tax rolls-from the acquisition of parkland, school sites, or agricultural easements-could also be accounted for easily.

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Operating expenditures were allocated among 43 categories. The four largest were related to the costs of operating schools, and were based on enrollment projections derived from the anticipated housing unit growth, as were highway, development agency, and miscellaneous inspection costs.

Outcomes

Howard County was able to use its fiscal impact analysis model to validate the affordability of the proposed comprehensive plan. These "outputs" also demonstrated the value of accelerating the construction of some of the needed capital facilities. Howard County's use of the model increased the confidence of both elected officials and the general public in the fiscal soundness of the plan.

Howard County's use of the model increased the confidence of both elected officials and the general public in the fiscal soundness of the plan.

Development, business, and citizen interests have all been generally supportive of the plan, and fiscal impact analysis appears to be viewed as a positive contribution to the planning process. The county maintains the staff resources and skills needed to support the continued maintenance and application of the model, which is currently being updated and recalibrated for the next review of the comprehensive plan.

Loudoun County's first application of its fiscal impact analysis model was to compare four sub-area growth scenarios being considered in the comprehensive planning process. The model tested the fiscal impacts of providing public water and sewer-and, thus, permitting suburban scale development-to areas not necessarily planned for development. The analysis resulted in projections of less favorable fiscal positions for the county in three of the four areas.

The model also was used to analyze the fiscal impacts of two area plans, the *Dulles South Plan* and the *Toll Road Plan*. By the time these area plans had been prepared, the application of fiscal impact analysis by the county had become more accepted and it proved useful in generating public and interest group support for the area plans. Still, the initial concerns about the model's "black-box issues" have not entirely disappeared. Consequently, Loudoun's use of fiscal impact analysis has not attained the same level of public acceptability as Howard County's.

Conclusions

Eight individuals who were involved in the implementation of the fiscal impact analysis models in Howard County and Loudoun County were interviewed as part of the research for this article. They summarized the strengths and weaknesses of the technique as follows:

Strengths

- Fiscal impact analysis helped bring a realistic sense of the costs of growth into the public discussion. The communities were able to benefit from the "objective screen" that the fiscal impact analysis provided, which has led to a better understanding-both for the public and for elected officials-of the relationships among the various factors contributing to growth and development. Fiscal analysis also is now viewed as a tool that links the costs of growth to the local budget.

Fiscal impact analysis helped bring a realistic sense of the costs of growth into the public discussion.

- The information collection and development tracking processes in both communities were greatly improved, a by-product of the work required to develop and implement fiscal impact analysis. Data collection has become more routinized and institutionalized, and more and better information about development impacts and facilities needs and costs has resulted.

Fiscal analysis also is now viewed as a tool that links the costs of growth to the local budget.

Weaknesses

- The most frequently mentioned weakness of the fiscal impact analysis approach was related to the "inherent limitations" associated with any modeling technique. "Outputs are only as good as the inputs" and their specific application to the subject community, noted one planner who was involved.

- Some of the public expectations of fiscal analysis remain unfulfilled. The question: "If the (development) business can have a bottom line, why can't the county!" has not been adequately addressed. Additionally, Loudoun's "black box" problem, which stemmed from the use of the comparable city method of analysis, significantly eroded the public's trust and confidence in the fiscal impact model. According to one reviewer, this "proprietary formula was a fatal flaw."

Lessons Learned

Design the model to be user-friendly and flexible. Spreadsheet software now available permits substantial improvements in user characteristics over earlier models.

Ensure that the model's outputs are fully explainable. Even though Loudoun County's planners understood the structure and details of the model, they could not adequately "explain" the outputs due to the model's hidden proprietary calculations.

Provide adequate interdepartmental staff resources and training, both during model development and maintenance. Multiple departments or agencies may need to be involved, including planning, budget, public works, and school personnel.

Design the model to be user-friendly and flexible.

Do not overlook the political consequences of fiscal impact modeling. It does not provide the "answer" to policy questions. It can be a useful tool, but it can also be a source of contention in communities with substantial tensions regarding the costs of growth.

Don't be afraid to use fiscal impact and other community modeling techniques to better incorporate and interrelate the economic, demographic, and service elements of your plan.

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Complexity is less important than utility. Modeling techniques can range from relatively simple spreadsheets with a few key variables to complex multivariate analyses. Develop what you have the capacity to create and maintain, using the key indicators important to your community. It is the introduction of market factors and their interaction with demographic and fiscal factors that provides a more dynamic view of a community.

As new technology enables ever increasing complexity, the linkage of fiscal impact analysis models with large database systems, such as geographic information systems (GIS), seems inevitable. This linkage of large amounts of information to specific geography has many planning modeling applications. Additionally, GIS may permit the linkage of community models to various economic analysis tools such as input-output models.

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