5a. Economic Development Element

The analyses that follow will explore the benefits of nonresidential development and evaluate how the City can assist with strengthening its commercial areas. This section looks at the fiscal benefits to the community from nonresidential development and is designed to provide the City with information about different land uses and their effect on tax base, revenues, and expenditures.

TAX BASE ANALYSIS

According to the State Tax Commission, the City of Adrian has a 2004 combined taxable value[1] of $397,224,340. Out of the nearby cities of Tecumseh, Saline, Jackson, Monroe, and Hillsdale, Adrian ranks fifth (ahead of Hillsdale) in terms of total taxable value per capita[2] with $17,881 per capita. This is considerably lower than the Lenawee County figure of $28,109 per capita of total taxable value as illustrated by Figure 5-1.

As illustrated by Figure 5-2, a comparison of 2004 nonresidential[3] taxable value per capita of these same six cities indicates that Adrian ranks last with $8,194 per capita. While last among the cities included in the comparison, Adrian's nonresidential taxable value per capita is higher than Lenawee County as a whole which is $6,166 per capita. Figure 5-3 indicates that 55% of the City's 2004 taxable value comes from residential uses, 25% from commercial uses, and only 4% from industrial uses.

Figure 5-1
2004 Total Taxable Value Per Capita

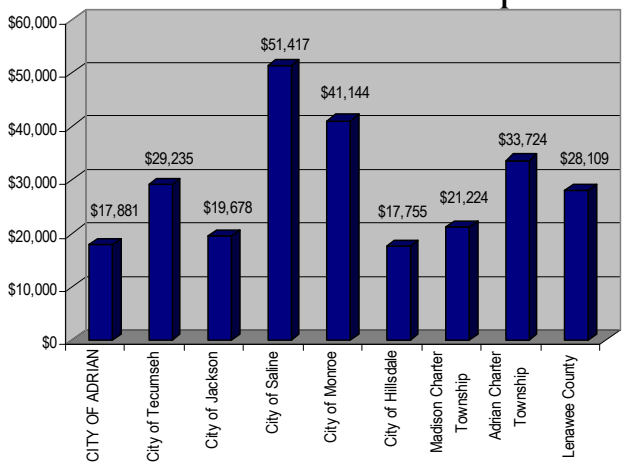


Figure 5-2
2004 Nonresidential Taxable Value Per Capita

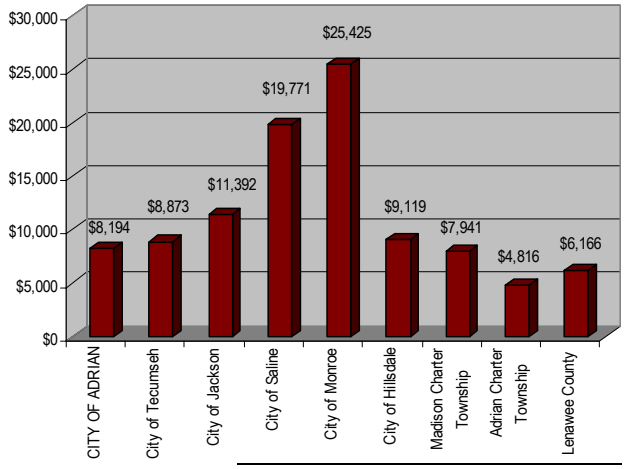
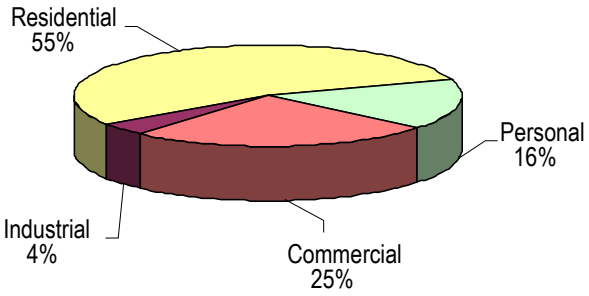


Figure 5-3
City of Adrian 2004 Taxable Value Distribution



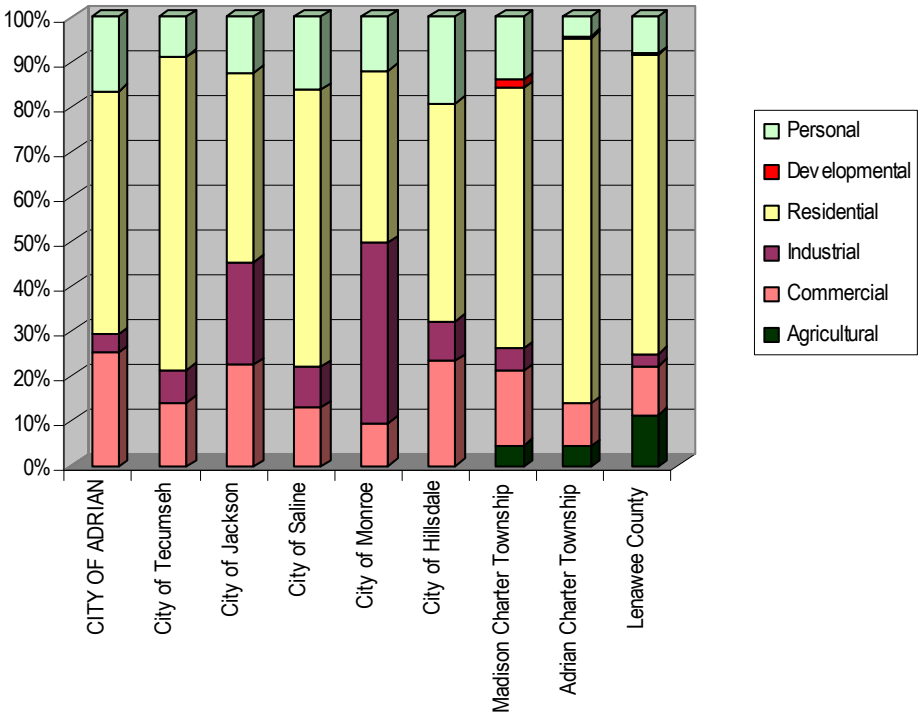
[1] Taxable value is the value on which property taxes are calculated.
[2] Per capita figures based on 2000 Census population.
[3] Nonresidential taxable value includes taxable value of personal property and real property classified as commercial, industrial, and developmental. Real property classified as agricultural and residential are excluded. Apartments are classified as commercial property since they are income-producing uses.

Table 5-1 and Figure 5-4 illustrates the percentage of total taxable value by land use category for the City of Adrian and nearby communities. As Figure 5-4 portrays, the City of Adrian's tax base relys significantly less on industrial uses than other cities surveyed, especially the larger more comparable cities of Jackson and Monroe. A direct comparison with the City of Monroe, which is nearly equal to Adrian in terms of population, clearly shows Adrian's smaller industrial tax base. Monroe's per capita nonresidential taxable value of $25,425 is more than three times the City of Adrian's. Furthermore, Monroe receives over 40% of its tax base from industrial uses, while industrial uses only account for 4% of Adrian's taxable value.

Table 5-2
2004 Taxable Value by Property Class

	Agricultural	% of Total	Commercial	% of Total	Industrial	% of Total	Residential	% of Total	Developmental	% of Total	Personal	% of Total	Total
CITY OF ADRIAN	$0	0.0%	$100,321,440	25.3%	$16,453,120	4.1%	$215,203,680	54.2%	$0	0.0%	$65,246,100	16.4%	$397,224,340
City of Tecumseh	$0	0.0%	$35,482,011	14.2%	$18,180,268	7.3%	$174,585,160	69.7%	$640,742	0.3%	$21,771,900	8.7%	$250,660,081
City of Jackson	$0	0.0%	$160,941,977	22.5%	$163,869,480	22.9%	$300,907,086	42.1%	$0	0.0%	$88,893,584	12.4%	$714,612,127
City of Saline	$0	0.0%	$53,684,930	13.0%	$38,096,263	9.2%	$254,246,398	61.5%	$0	0.0%	$67,060,400	16.2%	$413,087,991
City of Monroe	$251,120	0.0%	$86,577,170	9.5%	$366,249,370	40.3%	$346,741,020	38.2%	$348,340	0.0%	$108,117,300	11.9%	$908,284,320
City of Hillsdale	$142,137	0.1%	$34,222,880	23.4%	$12,905,410	8.8%	$70,964,667	48.5%	$0	0.0%	$27,945,134	19.1%	$146,180,228
Madison Charter Township	$8,036,562	4.6%	$28,847,311	16.6%	$8,853,146	5.1%	$100,882,564	58.0%	$3,109,505	1.8%	$24,305,730	14.0%	$174,034,818
Adrian Charter Township	$8,374,348	4.3%	$18,640,599	9.6%	$123,931	0.1%	$157,816,947	81.4%	$742,431	0.4%	$8,180,800	4.2%	$193,879,056
Lenawee County	$316,331,412	11.4%	$303,726,663	10.9%	$76,251,788	2.7%	$1,853,661,445	66.7%	$7,227,458	0.3%	$222,505,655	8.0%	$2,779,704,421

Figure 5-4
2004 Taxable Value Distribution



COST OF SERVICES OVERVIEW

A number of studies indicate that different types of land uses demand various levels of municipal services, such as schools, fire/police protection, sewer and water, road infrastructure, etc. Because of this range in demand for services and in turn municipal expenditures, it is important for communities to evaluate the composition of their tax base. The costs of services and infrastructure must be balanced against revenue. There are also issues related to quality of life, including traffic, noise, and other environmental impacts.

Fiscal impact analysis can be used to project the impact of the public costs and revenues associated with residential and non-residential growth. This methodology is beyond the scope of this report. However, there have been various studies that show that residential land uses (especially multiple-family residential with a high number of bedrooms) typically demand more services than they pay for in tax revenues. A study entitled "The Fiscal Impact of Sprawl", prepared by Dr. Robert Burchell of Rutgers University, provided the cost-revenue hierarchy of land uses shown below in Table 5-3.

Table 5-3
The Cost-Revenue Hierarchy of Land Uses

Municipal Gain (+)	Research Office Parks	School District Gain (+)
	Office Parks	
	High-Rise/Garden Apartments (Studio/1 bedroom)	
	Age-Restricted Housing	
Municipal Break Even	Garden Condominiums (1-2 bedrooms)	
	Open Space	
Municipal Loss (-)	Retail Facilities	
	Townhouses (2-3 bedrooms)	
	Expensive Single-Family Homes (3-4 bedrooms)	
	Townhouses (3-4 bedrooms)	School District Loss (-)
	Inexpensive Single-family Homes	
	Garden Apartments (3+ bedrooms)	
	Mobile Homes	

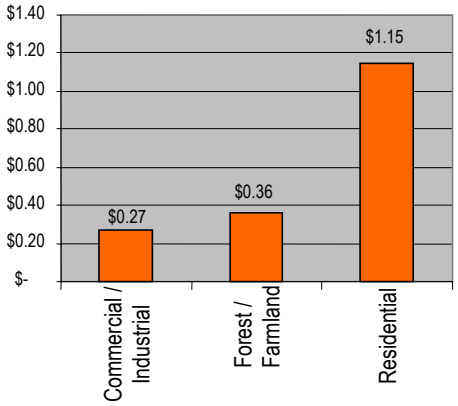
Source: Burchell, Dr. Robert. The Growth Equation: Excerpts from a Presentation at the MSU Land Use Forum, February 18, 1997 Entitled "Fiscal Impact of Sprawl". Planning and Zoning News, Vol. 15, No. 10 August 1997.

Another report created by the Farmland Information Center looked at eighty-three different communities throughout the United States. Although the City of Adrian has no farmland left, the conclusions are nevertheless instructive. The summary report, shown in Figure 5-5, documented the high cost of residential development compared with agriculture, commercial, or industrial development. On average a residential home required $1.15 of services for every $1.00 in revenues generated while commercial/ industrial uses required $0.27 for every $1.00 of revenue and agricultural land $0.36 for every $1.00 of revenue.[4]

Research conducted in two townships in Calhoun County, Michigan indicated that residential uses cost $1.47 and $1.20 per $1.00 of revenue generated, commercial and industrial cost

[4] American Farmland Trust, Fact Sheet – Cost of Community Services Study, Sept. 2001.

Figure 5-5
Cost of Community Services
The cost of providing services for every $1.00 in generated revenue



Source: American Farmland Trust, Fact Sheet of Cost of Community Services Study, Sept. 2001

Conclusions

The Tax Base Analysis identifies the following issues that the City of Adrian will need to consider while planning for the future:

- The City has a great share of its tax base coming from residential land uses, which in terms of public services typically require more costs to provide services than the tax revenue generated.
- Industrial uses only account for 4% of the City's taxable value, and Adrian ranks last in nonresidential taxable value compared with other cities surveyed. This indicates that residents in the City of Adrian bear the cost of public services more than in other areas.
- In order to provide a more balanced tax base, the City of Adrian must plan for an adequate amount of commercial and industrial land, actively support economic development and business recruitment efforts, and promote more efficient use of existing industrial property.

$0.20 and $0.25 for every $1.00 in revenue, and farmland and open space $0.27 and $0.24 for every $1.00 in revenue.[5] The Farmland Information Center Report and the Calhoun County report focused on the fiscal benefits of farmland preservation for a community compared with residential development.

In summary, these studies conclude that open space, office, industrial, and some commercial facilities generate more in municipal tax revenues than public expenses and that most residential development generally does the opposite. Although these studies are generalized and should be used with caution, as every community is different in terms of its fiscal stability, they do provide an additional consideration for land use planning in the City. However, cost is not the only issue the City needs to consider when determining an appropriate mix of land uses; it is just one factor in determining to what extent various land uses should be planned.

Most communities strive to balance the mix of open space, residential, and non-residential land uses to provide a more even flow of revenues and expenditures and to address quality of life issues. It is also important for communities to recognize that many retail land uses can demand a significant level of municipal services. Therefore, from a fiscal perspective, it is preferable that the non-residential tax base be composed of land uses such as office parks and high-tech industrial developments. Of course, fiscal considerations do not serve as the sole catalyst behind development policies.

The variation in generated revenue from different land uses is also important in terms of planning for infrastructure and public service needs of the community. As the City's population grows so will its need for public infrastructure and services. To ensure that residents are not overburdened with the costs of these improvements, additional non-residential uses may be appropriate.

[5] Cost of Community Services, www.mqtinfo.org/planningeduc0087.asp/