



# **The Fiscal Impacts of Urbanization**

## Mesa County and Grand Junction

# Questions:

## Urbanization and Fiscal Impacts

- How does growth and different forms of urbanization affect Mesa County and Grand Junction's fiscal position?
- Does growth pay it's own way? Why?
  - All growth?
  - Commercial?
  - Certain forms of growth?
  - Industrial?
  - Residential ?
- How does growth in the County influence the City's fiscal position, and visa versa?
  - Why?
  - When does annexation make sense?
- How does location or density affect fiscal position?

# Some Required Basics:

## How does Grand Junction fund services?

■ General Fund: \$57.0 million

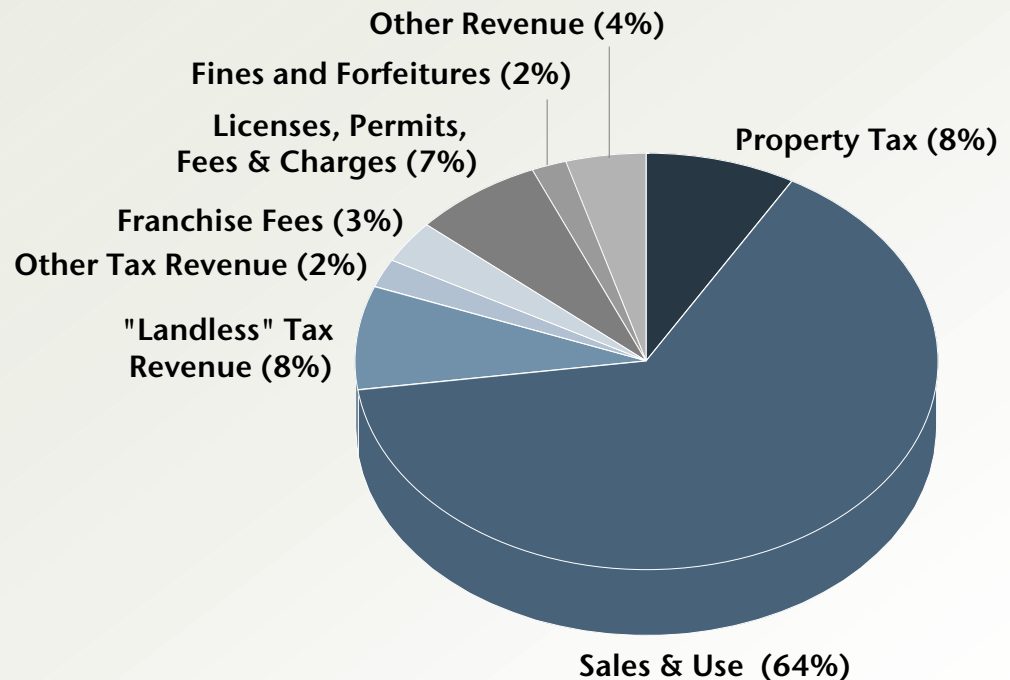
■ Capital Fund: \$22.0 million

- Sales Tax (49%)
- Transfers (45%)

■ Other Funds

- Riverside Pkwy
- Debt Service
- Special Revenue
- Enterprise
- Other Capital Funds

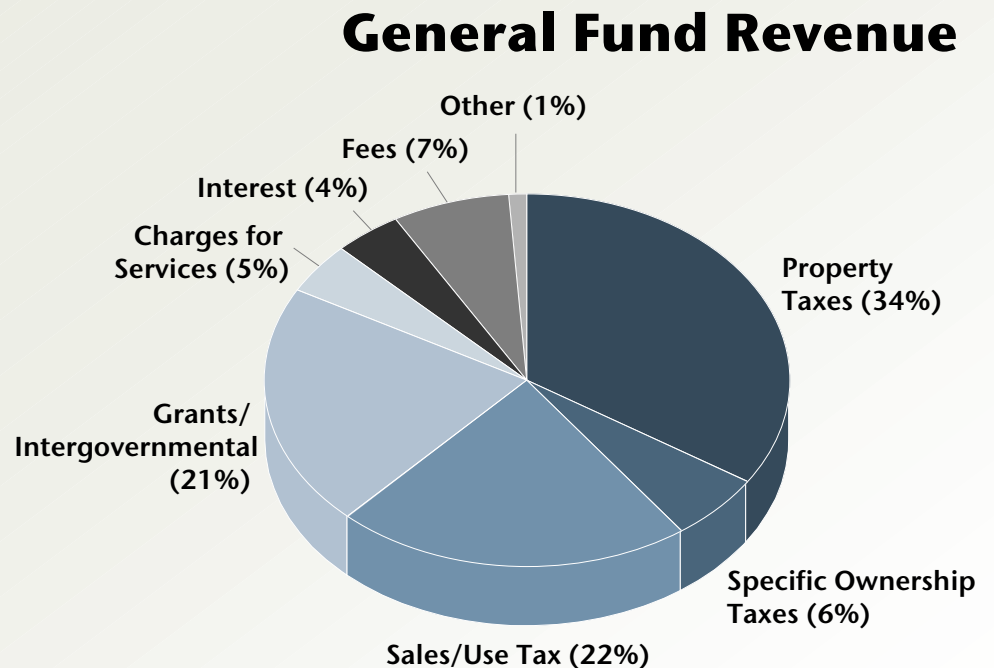
### General Fund Revenue



# Some Required Basics:

## How does Mesa County fund services?

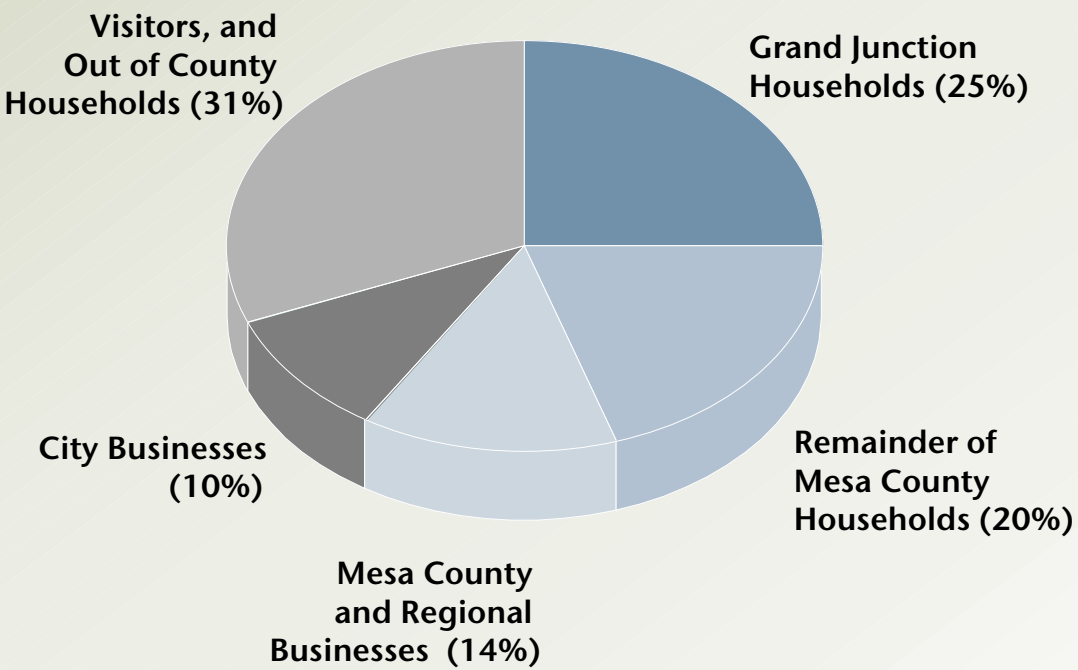
- General Fund: \$62.2M
- Capital Fund: \$33.9M
  - Sales Tax (69%)
  - Grants & Transfers (31%)
- Other Funds
  - Human Svc Fund: \$22.1M
  - Road & Bridge Fund: \$8.0M
  - Health Fund: \$7.5M
  - 19 smaller funds: \$31.5M



# What Drives City and County Sales Tax?

## 2007 Grand Junction Sales Tax Revenue by Land Use:

Attribution by land use



### Observations

- Grand Junction households produce only 25% of sales tax receipts.
- Business to Business sales are also 25%.
- Visitor (non-local) sales are over 30% of all sales.

Source: Coley/Forest 2007; modified by BBC Research & Consulting, 2008.

# Key Modeling Assumption

- **Retail sales generation—four land use components**
  - City residential
  - County residential
  - Commercial (business to business)
  - External: shoppers, business travelers, tourists, services
- **“Landless” revenues continue—slightly diminished**
- **Sales tax on home utilities and automobile purchases are paid at location of residence**
- **Service cost factors**
  - Based on 2008 budget
  - Recognizes city & county service boundaries & external influences
  - Recognizes residential vs. commercial land use
  - Assumes small economies of scale with growth

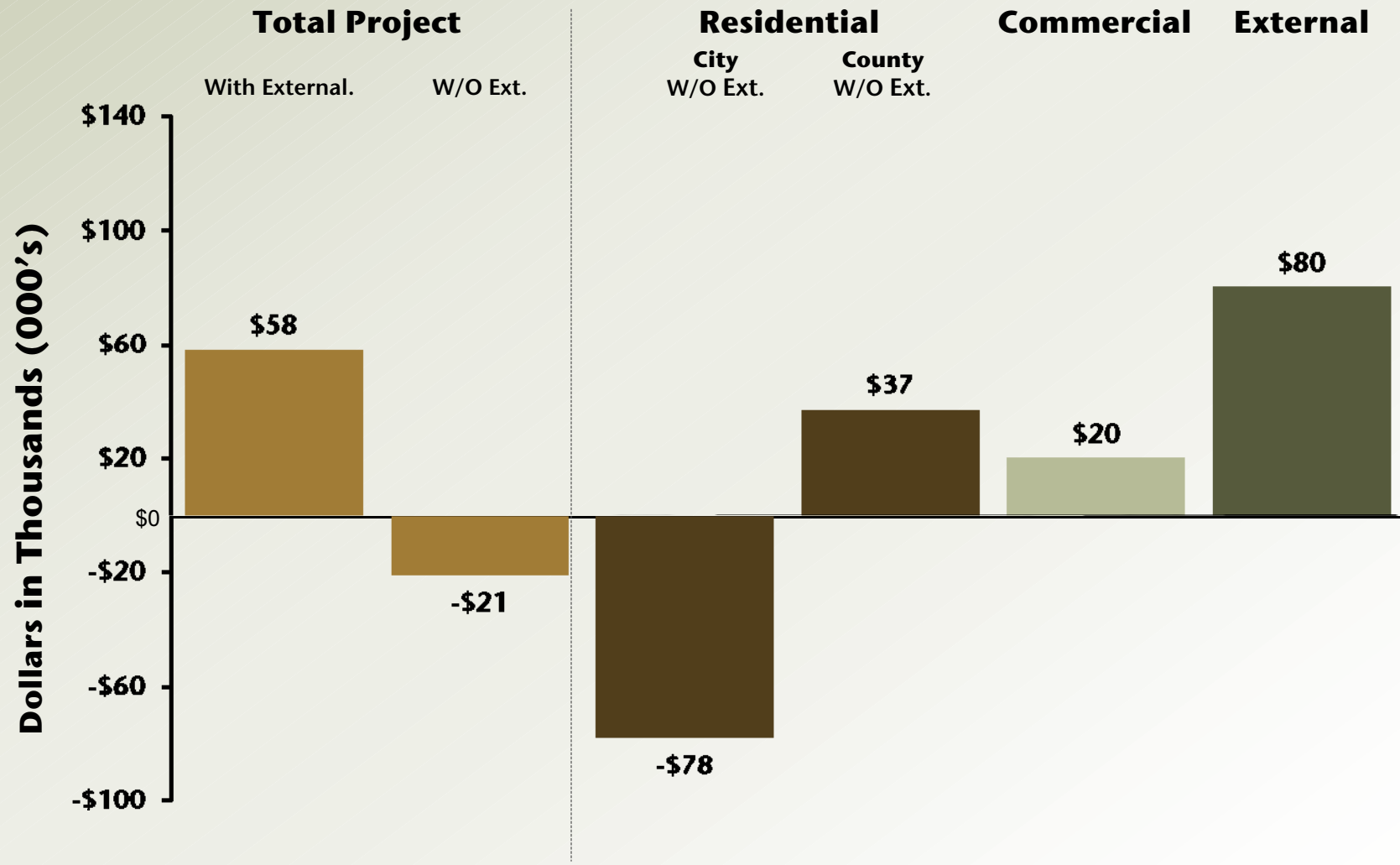
# Impact Analysis

## **Baseline Scenario: Replication of Current Community Patterns**

- **Balanced Scenario—continuation of current patterns**
- **Same ratio of City and County housing and commercial**
- **Same home values and retail sales productivity**
- **Best estimates of costs and revenue attributions by incorporated and unincorporated location; modest economies of scale; residential and commercial effects**
- **Continuation of external business influences**
- **Continuation at lower levels of “landless” revenues**

# Grand Junction Growth Impacts

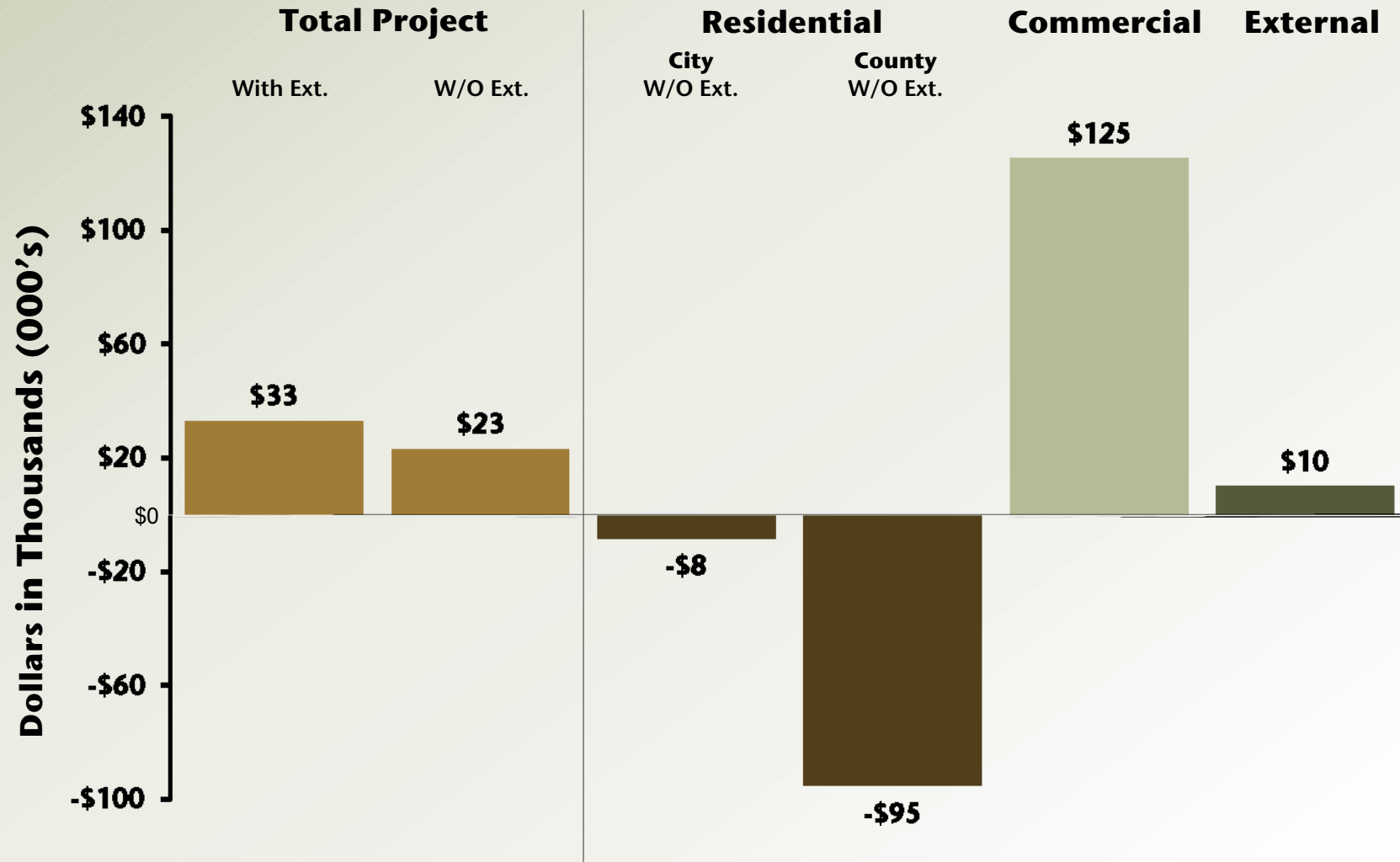
Scenario: Balanced Community (Net) General Fund



Note: 240 Units City; 350 Units Unincor.; 200k City Comm., 60k County Comm.

# Mesa County Growth Impacts

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# Observations

- No single land use “works” by itself — a balance of residential, industrial, retail and external is necessary
- External: City’s role as a regional center is critical to fiscal health
- Commercial development in the City is critical to County’s fiscal health
- Each entity benefits from residential growth in the other entity
- County relies on uncertain “landless” revenues: grants, cig, HUTF, gas tax

# Capital Investment: Observations

- Both communities have dedicated capital revenues
- For some capital needs, growth costs are fully recovered:
  - All capital costs include: repair, replacement, expansion, improvement — not all costs are growth related
  - Water and sewer capital costs are recovered from system development fees but these add to the cost of housing
  - Transportation: regional impact fee but not at cost recovery level
  - Storm drainage: hidden cost of growth and urbanization
- No reliable standards for capital investment; County/City appear to be well above average

# Fiscal Considerations in Comprehensive Planning

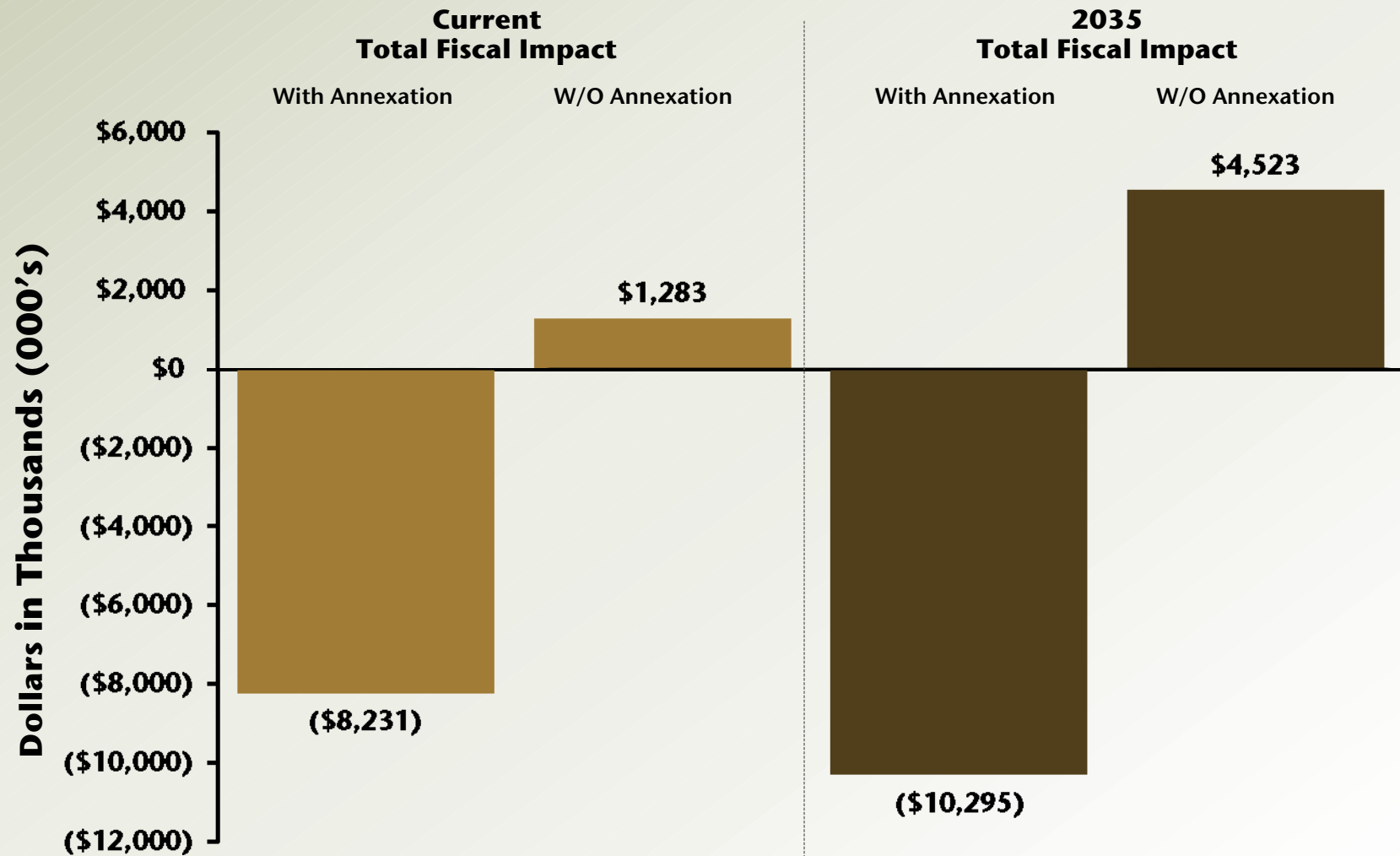
- **Protect regional markets and encourage attractors: downtown; Mesa State, hospital, airport, river recreation, regional retail**
- **Encourage infill, redevelopment compact “infrastructure-efficient” housing cost sensitive land uses**
- **Encourages mixed use centers to reduce traffic and associated highway costs**
- **Accommodate balanced growth requirements – allowances made for industrial, commercial, retail, residential growth—maintains jobs to housing ratios**
- **Encourages a variety of residential forms as market diversification**

# Grand Junction and the East Valley



# Grand Junction Growth Impacts

Scenario: East Valley Annexation

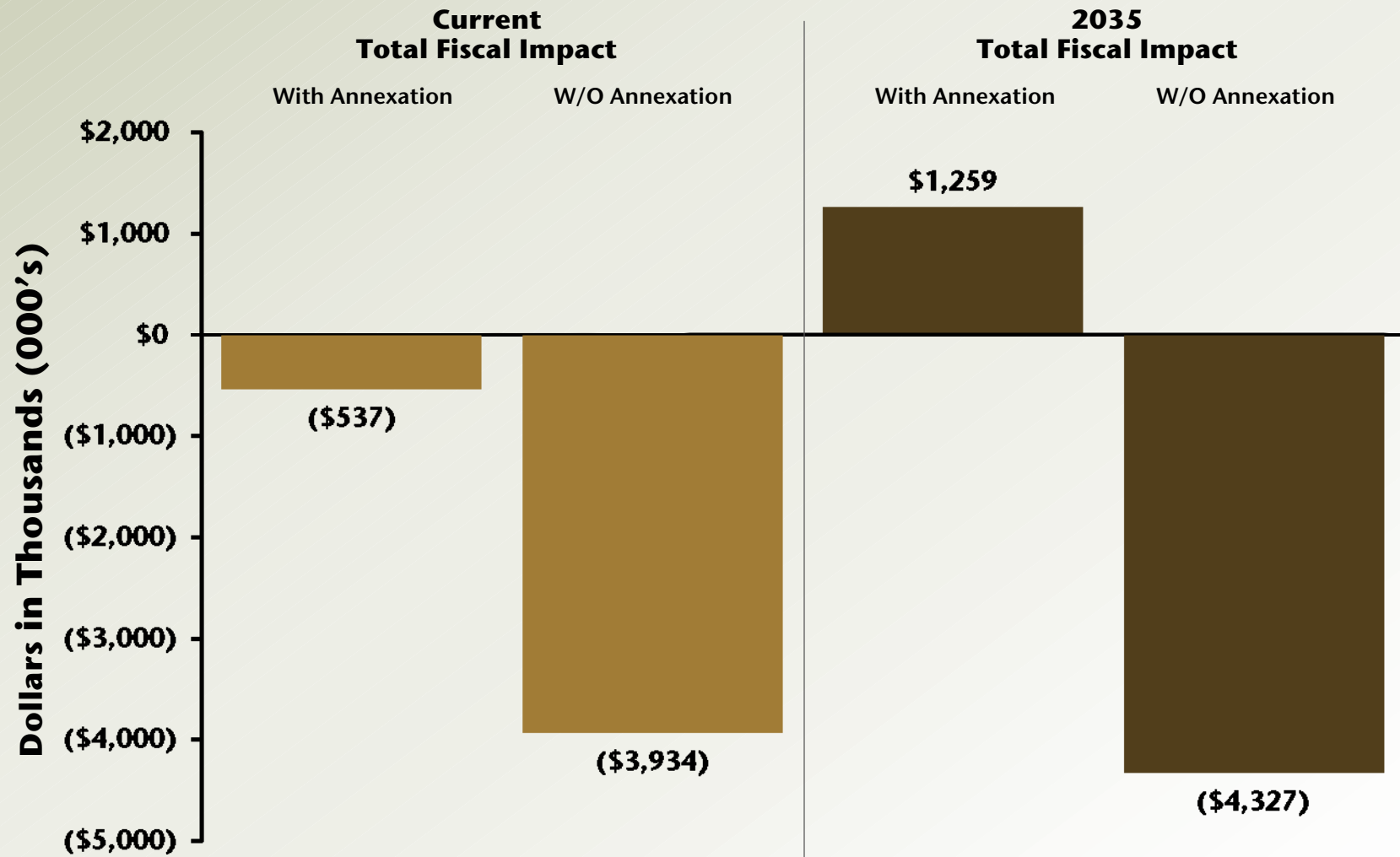


CURRENT: 10,860 Residential units; 1,790,500 Commercial Square Feet

2035: 16,915 Residential units; 6,649,767 Commercial Square Feet

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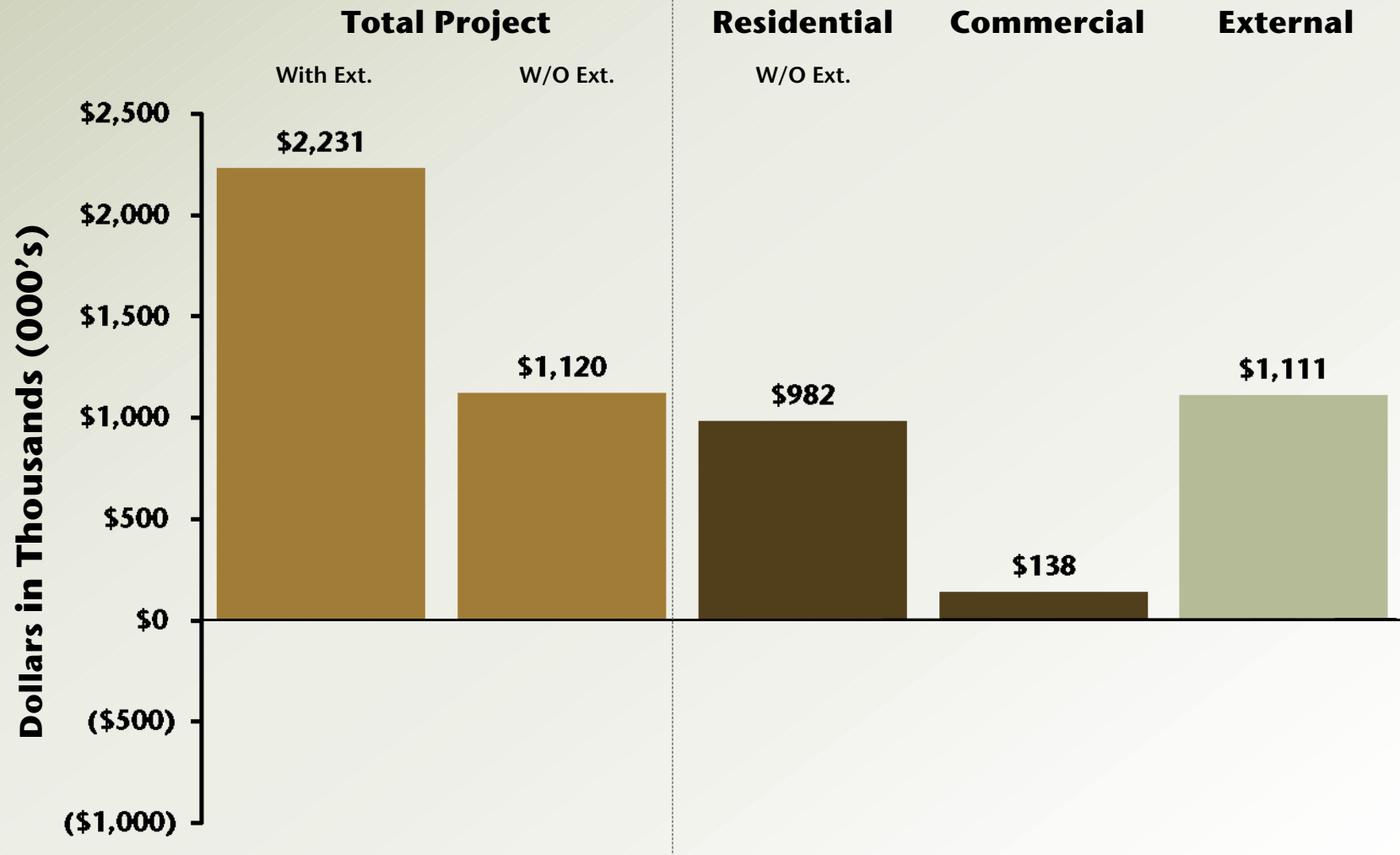
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# Mesa County and Whitewater



# Grand Junction Growth Impacts

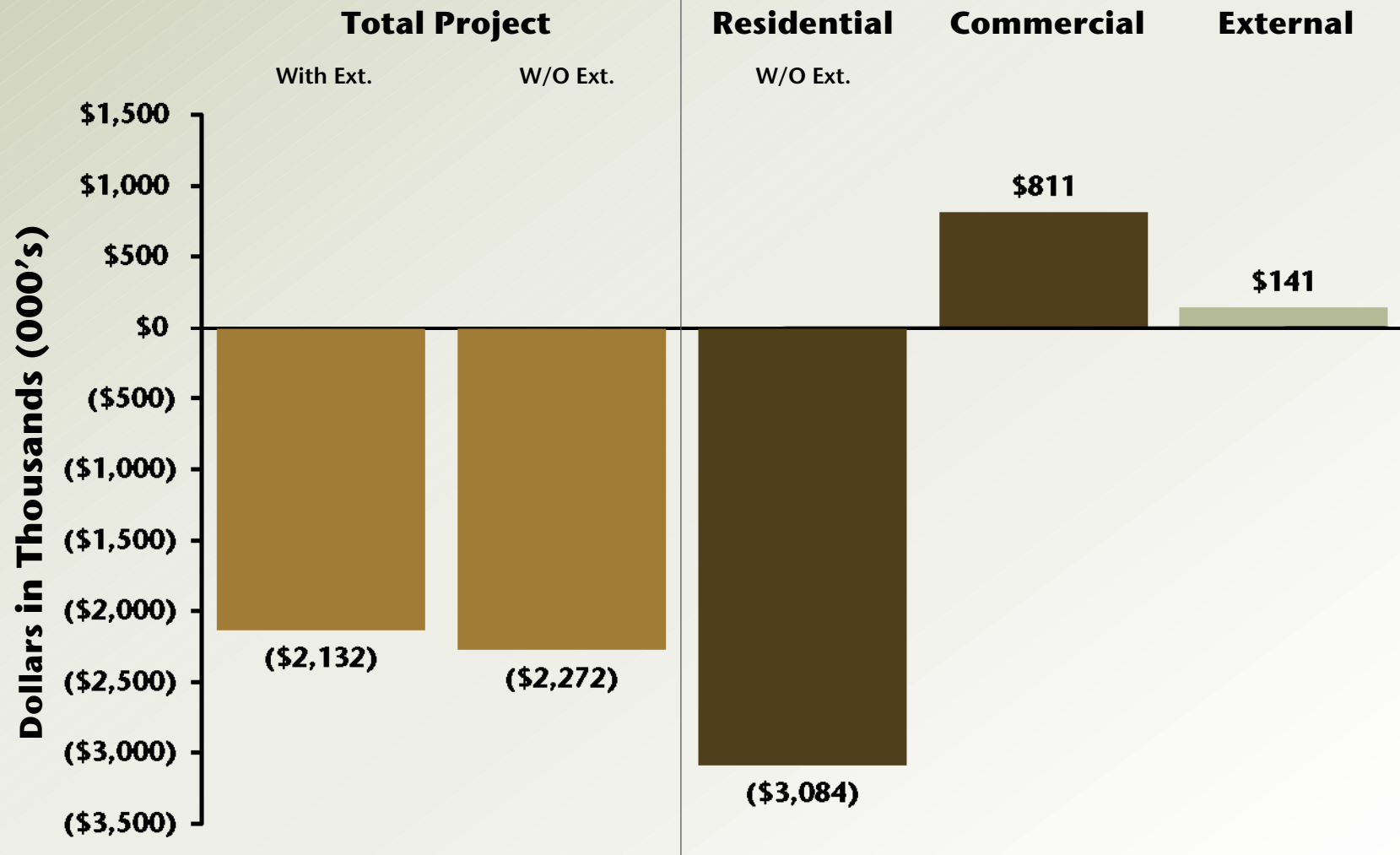
Scenario: *Whitewater Development—No Special District Fees*



Note: 9,334 Residential units; 1,760,666 Commercial Square Feet.

# Mesa County Growth Impacts

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# Conclusions:

- For both communities fiscal success depends on a balance between incorporated and unincorporated growth; residential, retail and commercial development; and external influences
- External influences and “landless” revenues are the financial wildcards, largely outside of local influence and not a direct product of land use decisions
  - Positive: local services are subsidized by others
  - Negative: lack of control
  - No single form of land use “pays it way”
  - City sensitive to external influences
  - County sensitive to “landless revenue” changes

## Conclusions (cont.)

- From a fiscal perspective, the City and County respond differently to development :
  - City is dependent on external revenues, largely retail sales
  - County more dependent on “landless” revenue & property tax
  - County particularly benefited by city commercial development
  - Both jurisdictions benefited by residential growth in the other

## Conclusions (cont.)

- **Capital Costs add another wrinkle:**
  - Both communities have well funded capital budgets
  - Capital efficiency is desirable but hard to demonstrate
  - Not all capital costs are growth related, e.g. infrastructure improvements and repair
  - Aggressive use of impact fees can ensure capital cost recovery but add to housing costs
- **East Valley annexation presents a significant operating loss for the city, modest positive for the county.**
- **Whitewater can work for both jurisdictions but requires supplemental revenues.**

## Conclusions (cont.)

- Both Whitewater and East Valley present risk of competitive retail.
- As a rule, development density does not explain a community's fiscal health but higher density can be fiscally beneficial, particularly for cost-effective infrastructure; concentrated development produces:
  - Savings on per unit costs of land and infrastructure;
  - Mixed use/urban experiences adds to diversity of market;
  - Density can lower housing costs;
  - Reduce travel times, traffic and maintenance costs;
  - Preserve open space.

**THE END**