

Waterville, Ohio

FISCAL ASSESSMENT

*Fiscal Structure and
Land Use Development Impacts*

Prepared for the City of Waterville
(Formerly the Village of Waterville)
July 22, 2011
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INTRODUCTION

This report provides a summary community fiscal analysis as an input to help guide municipal policy in the City of Waterville (formerly the Village of Waterville). Understanding Waterville's fiscal structure and the impacts of development can help inform land use, zoning, and economic development decisions.

Fiscal analysis provides information to help the community prioritize development and infrastructure improvements, and helps communicate to the community underlying issues relating to the City's fiscal structure and constraints on its capacity. Fiscal assessments also identify any inter-jurisdictional relationships that can be affected by the planning process, as well as economic and structural issues that could be addressed through development policy. Fiscal issues relate directly to economic development objectives. Finally, an assessment of the fiscal costs and benefits of development help illustrate how land use, development, and economic policies can impact on the City's fiscal health.

This report provides a brief summary of the City's fiscal structure, to help inform the analysis and provide context for the findings. The report also includes the findings from a fiscal impact analysis of development by primary land uses on the City (Village) of Waterville and the Anthony Wayne Local School District (AWLSD). Thus, the costs and benefits of residential, retail, office and industrial uses were measured and compared to illustrate how different types of development impact (on average) on the City's and schools' budgets. The analysis used actual Waterville revenue and expenditure data and attributes these revenues and expenditures to each of the land uses on a per-acre or per-unit basis. The analysis is based on 2009 data, since that was the most recent data available at the beginning of the study on actual revenues and expenditures.

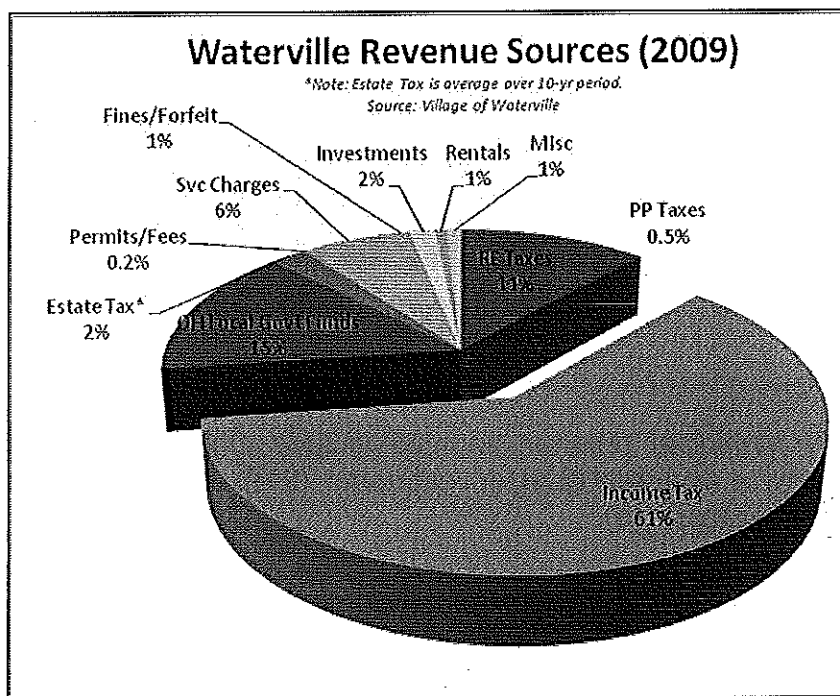
Section 1 of the report summarizes the fiscal structure while Section 2 summarizes the findings from the fiscal impact analysis. Several recommendations for development planning are also provided based on the findings of the fiscal impact analysis.

Section 1. WATERVILLE FISCAL STRUCTURE SUMMARY

This section provides a brief summary overview of Waterville's fiscal structure, to help inform the land use fiscal impacts analysis. While not meant as a detailed analysis of fiscal trends, this summary provides context for policy recommendations relating to the fiscal analysis. A brief summary of Waterville's revenue sources is provided below. Waterville, formerly a Village, received State designation as a City in 2011 following the results of the 2010 Census indicating that Waterville's population had exceeded 5,000. The City of Waterville delivers a variety of services, and the expenditure types are also presented below. Finally, basic information on the status of the City's debt structure and other fiscal input is provided at the conclusion of this section.

Revenues

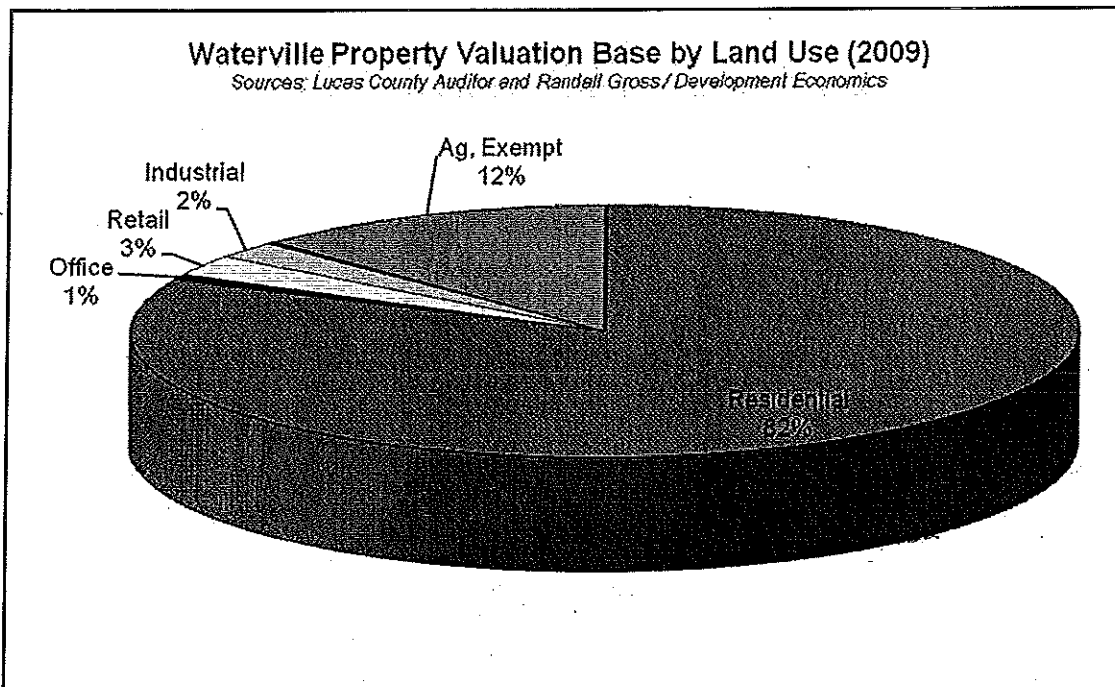
Waterville generates its revenues from a variety of taxes, fees, penalties, interest, donations, grants, and other sources. However, as in most municipalities in Ohio, income taxes are the main source of revenues for Waterville. A summary of revenue sources is provided in the following chart, using the base year of 2009.



Key Sources

Income taxes generated more than 60% of the revenues collected by the Village of Waterville in 2009. This is comparable to nearby jurisdictions like Perrysburg, where 59% of revenues are generated from income taxes. These numbers indicate that these municipalities are dependent on high-paying jobs or on residents with high-paying jobs to generate a substantial portion of the local revenue stream.

Like municipalities in all states, Waterville also receives revenue from property taxes, which account for 11.0% of the City's revenues. In Ohio, property taxes are a main source of revenue for school districts. Residential uses account for about 82% of Waterville's assessable property base, while non-residential uses account for the remaining 18%. About 12% of the assessment base is in agriculture or is exempt.



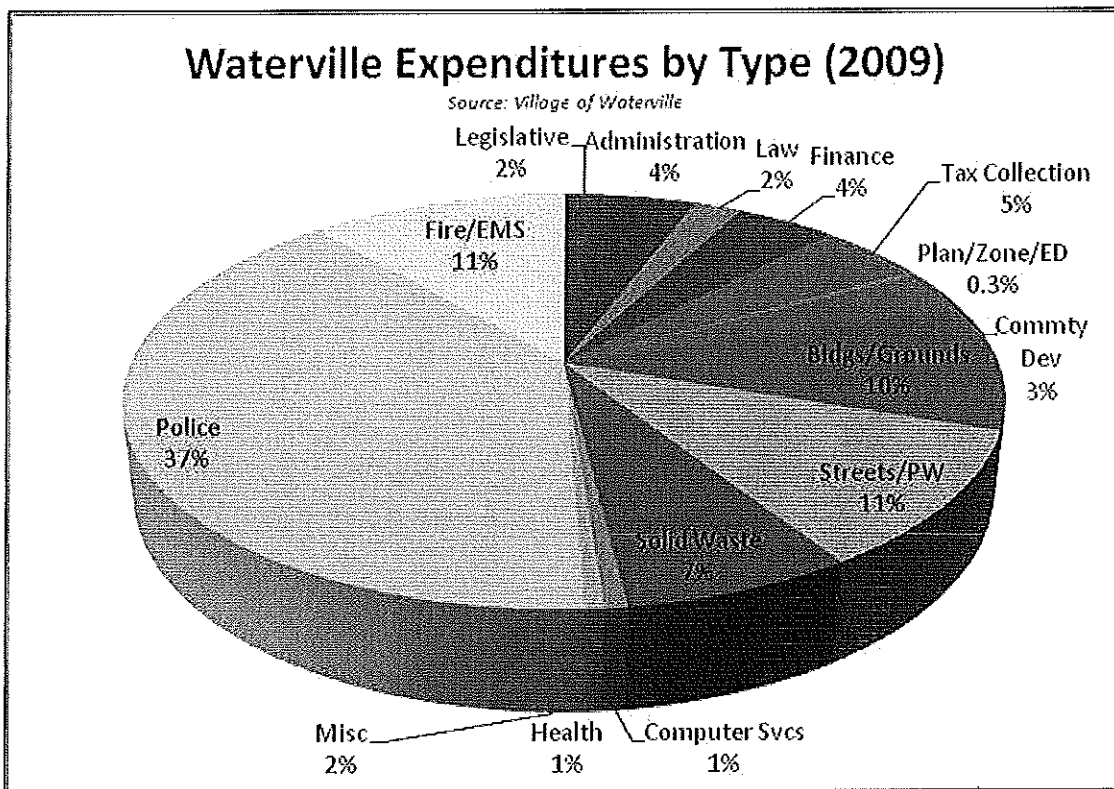
Other key municipal revenue sources include Ohio Local Government Funds (15%), service charges (6%), investments (2%) and estate taxes (2%, based on a multi-year average).

Expenditures

An overview of the City's expenditures was also completed in order to communicate information on the types of services that the City provides. Understanding this helps inform the planning process in terms of how land use

and new development in the future will impact on the delivery of City services. These cost impacts are explored further in Section 2 of this report.

The City of Waterville provides a variety of services, but there are five services in particular that account for the largest share of City expenditures. Of selected services, Police protection accounts for 37% and Fire & Emergency Services (EMS) account for 11% of City expenditures. Thus, public safety is really the main function of Waterville's municipal government, accounting for almost 50% of primary department expenditures. Streets and public works account for another 11%, buildings & grounds 10%, and solid waste 7% of the general budget in 2009. Waterville's expenditures are summarized by type in the following chart.



Key administrative functions include tax collection (5%), administration (4%), finance (4%), community development (3%), law (2%) and legislative services (2%).

Capital Program

The City of Waterville has a 5-Year Capital Program. The City has financed some improvements through debt financing. Current debt service totals about \$4.2 million. The current 2011 annual program calls for a total of \$5.8 million in capital improvements, including about \$1.8 million in street maintenance, \$930,000 in public works, \$850,000 in Fire/EMS, and \$2.0 million

in enterprise capital and other dedicated funds. The program has set a maximum annual capital expenditure level at 115% of estimated income tax revenues. This 15% "over-programming" is meant to ensure expenditures would be made only if revenues "sufficiently exceed projections."

Section 2. LAND USE FISCAL IMPACTS

This section summarizes net fiscal benefits of development by land use for the City of Waterville and the Anthony Wayne Local School District (AWLSD). Findings from the fiscal impact analysis are presented first on a per-acre basis and then on a per-unit basis. The charts summarize the net annual fiscal benefits by specific land use type or zoning district. Appendix tables provide more detailed input for both the City and the Schools. The land uses examined include the following as defined through Lucas County Auditor records.

1. Residential (RES)
 - a. Single-Family Detached (<10 Units)
 - b. Multi-family Condominiums
 - c. Multi-family Rentals
2. Retail (RET)
3. Office (OFF)
4. Industrial (IND)

Residential uses were disaggregated into four categories relating to density and ownership, based on Lucas County Auditor data. In general, there is very little "high-"density in terms of mid- or high-rise housing in Waterville, which is largely built as a low-density, single-family detached housing suburb.

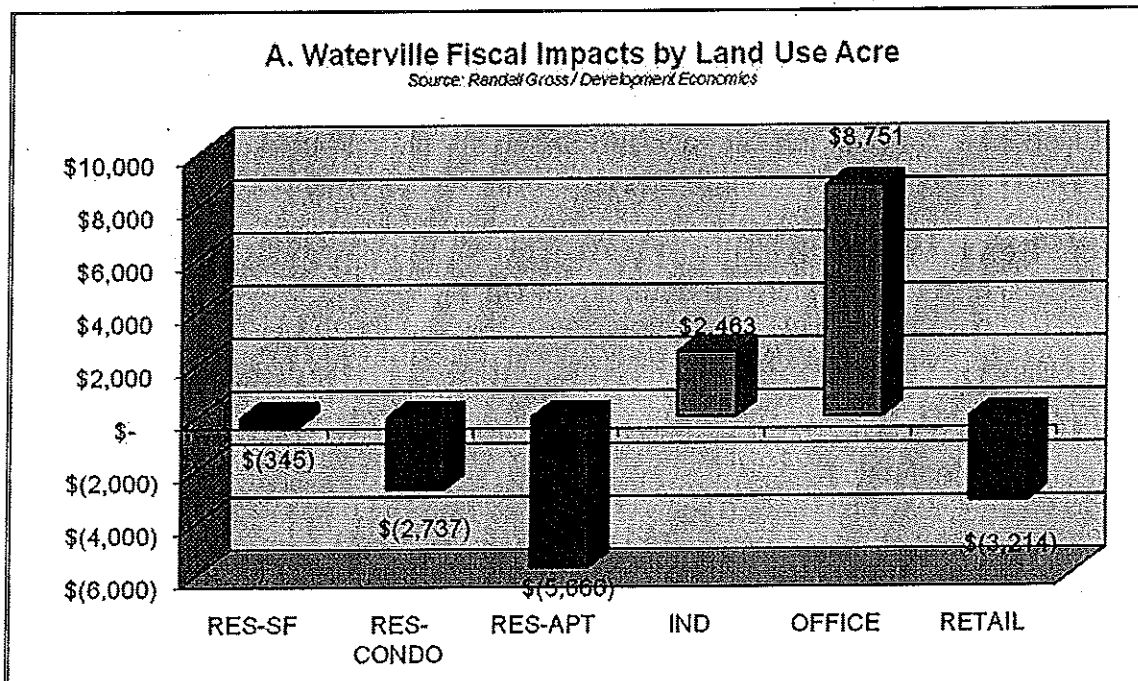
The "net" fiscal benefits result from revenues (such as taxes) generated annually to the City (formerly Village) of Waterville, less the annual or recurring costs (such as City administration, police, parks, etc) generated for seven land use types. Schools are examined separately from the City Government. Capital & debt service costs, enterprise funds, and capital development funds are excluded since this analysis focuses on the long-term annual fiscal impacts of different land uses.

City (formerly Village) of Waterville

In general, residential uses produced a negative fiscal impact on the Village of Waterville in 2009 in that the revenues they generated were lower than the costs for providing services to them. In general, revenues such as those derived from property taxes were not quite sufficient to cover the costs associated with housing development in the market at that time. It is possible that new, higher-value housing or higher-rent apartments could generate enough property, income, and other tax revenue to more than pay for themselves.

Land Use Impacts per Acre

The highest net per-acre *benefits* were generated by office and industrial uses. Housing generated a negative impact on the City on an annual basis, and also cost the City more to recoup capital expenses associated with extension of new infrastructure. As noted below, residential and retail uses generated a negative net fiscal impact on the City of Waterville's operating budget in 2009. These impacts are summarized on a per-acre basis in Chart A.



Single-Family. The negative impact of single-family residential uses, while relatively low at about \$345 per acre, is somewhat unusual in Ohio. Comparable higher-income suburban communities typically generate a slightly positive impact from single-family residential to help balance out negative impacts among other uses. For example, single-family housing in Hudson, Ohio (a suburb of Akron) generated a positive impact of about \$585 per acre. Similar housing in Granville (outside of Columbus) generated a net benefit of \$623 per acre. Single-family housing at R3 zoning in nearby Perrysburg generated a net positive impact of \$525 per acre.

Part of the difference may be explained by the base millage rate, which was 5.65 in Perrysburg (City, Fire, Police and Refuse in 2006, when the Perrysburg assessment was completed), versus a base rate of 3.50 in Waterville (Village and Police Pension in 2009). A lower millage rate will, naturally, generate lower revenue streams to balance the cost of municipal services. Similarly, Waterville's role as a bedroom community also impacts on revenue stream. The city's economic role means that a larger number of Waterville residents receive a partial credit for income taxes because they are employed in other jurisdictions.

Rental Housing. The high negative cost per acre for apartments is largely driven by the impacts of senior housing on local services. Much of Waterville's senior apartment housing is concentrated in the large, 450-acre Browning Masonic Community, which offers independent and assisted living in a retirement community setting. Senior housing like Browning Masonic, along with nursing homes, can cost the City substantially more (particularly in terms of Fire and EMS service) than other types of housing. A large number of calls for EMS service in Waterville are generated by nursing homes and senior housing areas, mainly for medical responses. Waterville Police also provide support services on these Fire Department calls, adding to the overall municipal cost of service to senior housing.

Compounding the problem of high costs for service is the fact that senior housing typically generates lower revenue streams in Ohio on average. Since most of the residents in assisted and independent living facilities are retired, there is little income tax benefit generated by the residents. Furthermore, these units tend to have lower average real property value as compared with, say, a resort retirement community where there are larger numbers of value-add amenities.

This issue has implications for the future, if Waterville's senior population continues to increase (as it is in nearby Perrysburg and in other parts of the region), and the City needs to provide EMS and Fire services to a larger number of senior households. If senior housing is excluded from public safety costs, then the impact of rental housing is significantly reduced.

Industrial and Office. Industrial and office uses generate a relatively high fiscal *gain* to the City, primarily because of the benefit of income taxes resulting from high-wage jobs. These uses also produce lower per-acre costs for providing City services. For example, office and industrial tenants require less EMS service than do households. Unfortunately, there is only limited office use within Waterville, which serves largely as a bedroom community for Toledo.

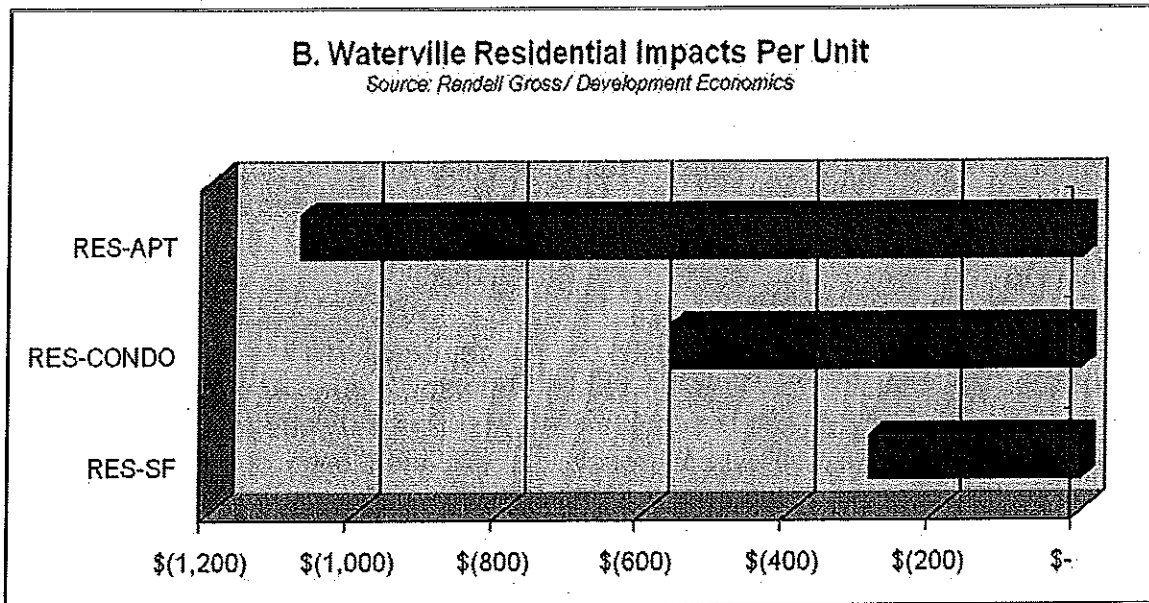
Retail. Waterville's retail uses, however, fail to recoup their costs in part because the lower-wage jobs in retail produce lower income tax benefits. But in addition, retail generates higher traffic use, which in turn produces calls for Fire and EMS services relating to traffic accidents, DUI, auto theft, and driving infractions. Traffic also generates wear and tear on City streets, resulting in higher maintenance costs. Since street maintenance and related expenses (e.g., street lights) are an important component of the City budget, uses like retail that generate more traffic therefore produce higher costs for the City than lower-traffic uses like office or industrial space.

The traffic components of the fiscal model rely on traffic generation data produced by the Institute of Transportation Engineers (ITE) and on data supplied by the City's safety departments. There is likely to be a differential in traffic

generation between downtown (CBD) retail versus suburban retail, but data is not available to support this in Waterville.

Land Use Impacts per Residential Unit

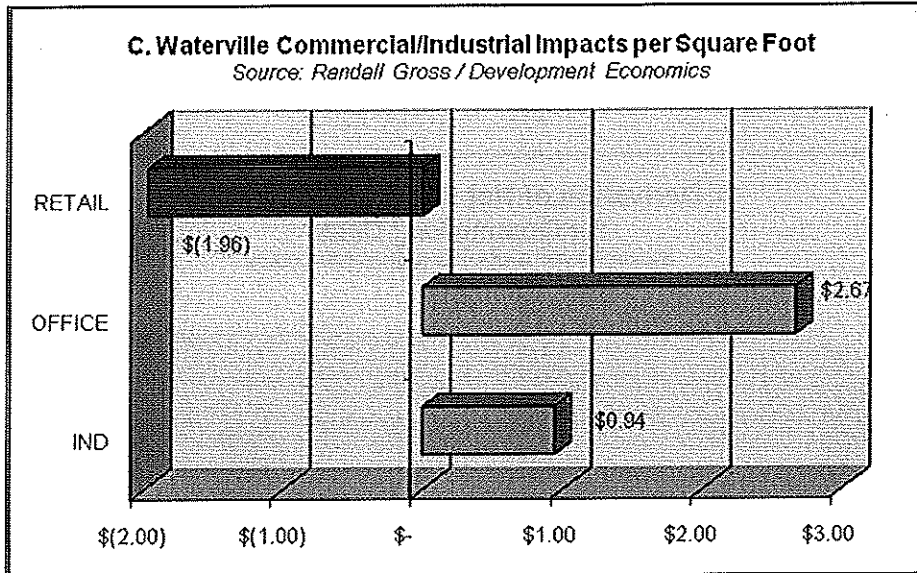
The fiscal impacts per land use were also analyzed on a "unit" basis, such as for individual housing units (DU), or in terms of square feet of retail, office, or industrial space. Per-unit measures provide a more accurate one-to-one measure of impact since they reduce the influence of scale and density on the findings. The results per residential development unit are summarized below.



On average, all types of residential development had a negative impact on the municipal budget of Waterville in 2009. Single-family residential generated the lowest impact, at -\$293 per unit, followed by condominiums at -\$565 per unit. Apartments generated a negative impact of \$1,078 per unit in 2009, again largely because of the cost of services and lower revenue stream for senior units.

Impacts per Commercial Square Foot

Impacts were examined on a per square-foot basis for commercial and industrial uses. The findings from this analysis are summarized in the chart that follows.

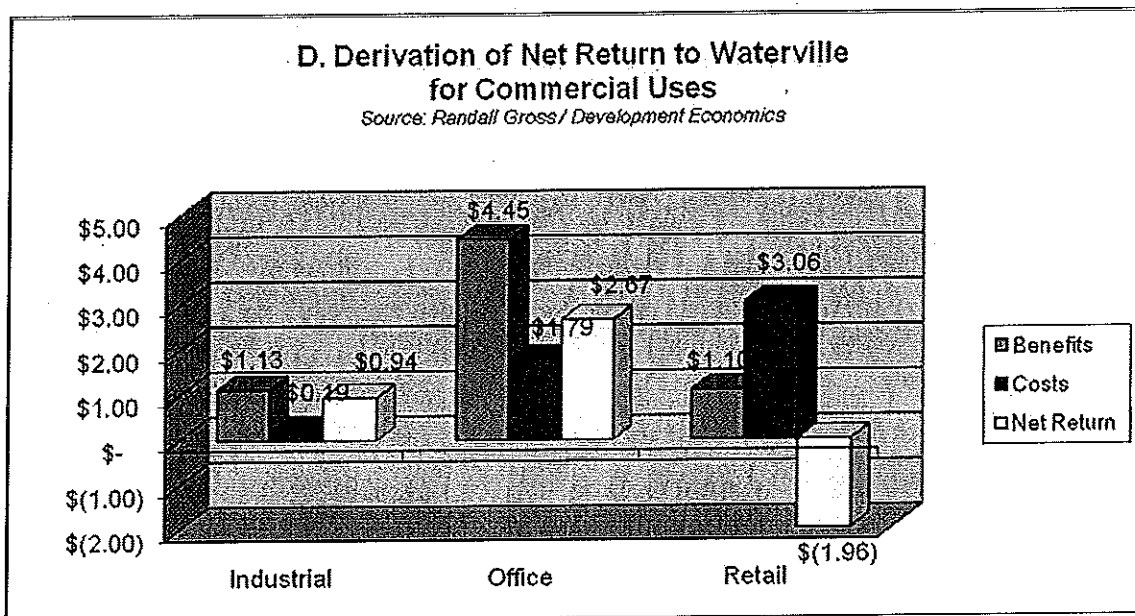


Office and industrial space generated a net positive fiscal benefit to the City of Waterville. Office space generates a net return of about \$2.67 per square foot, while industrial space generates a return of about \$0.94 per square foot.

Retail, by contrast, generates a negative net fiscal return of \$1.96 per square foot. The retail impacts are influenced by the amount of traffic that is generated by retail uses on average, which could vary significantly depending on the type of retail development. For example, walk-able downtown retail has a much lower impact on the cost of City services (because less auto trips are generated when people can walk between stores or from home and work to shopping). Yet, downtown retail can generate the same or higher tax benefits. Even so, most new retail development does not conform to the downtown model. As such, the overall trend favoring office and industrial use over retail *on average* is consistent with the fiscal analyses of other communities in Ohio communities. In nearby Perrysburg, for example, the net impact of retail was almost identical to that of Waterville, at -\$1.95 per square foot.

The fiscal impacts per unit and per acre will vary depending on the densities allowed for development. These analyses are based on typical densities for development based on existing property data. Clearly, any variation in density or type of development will impact on these findings and, in particular, on the results provided on a per-acre basis.

Components of Commercial Impacts. The following chart summarizes the components of the fiscal impacts for retail, office, and industrial uses. As illustrated here, the gross benefits for retail use actually come close to those of industrial uses. However, the fiscal costs of serving industrial uses are much lower than those for serving retail. As a result, the net fiscal costs are much higher for retail use. Similarly, while the costs of providing municipal services to office space are higher than those for industrial uses, the benefits of office space (in terms of property taxes, income taxes, etc) far outweigh those of industrial uses. Thus, the net fiscal benefit of office space is much higher than that for industrial uses.



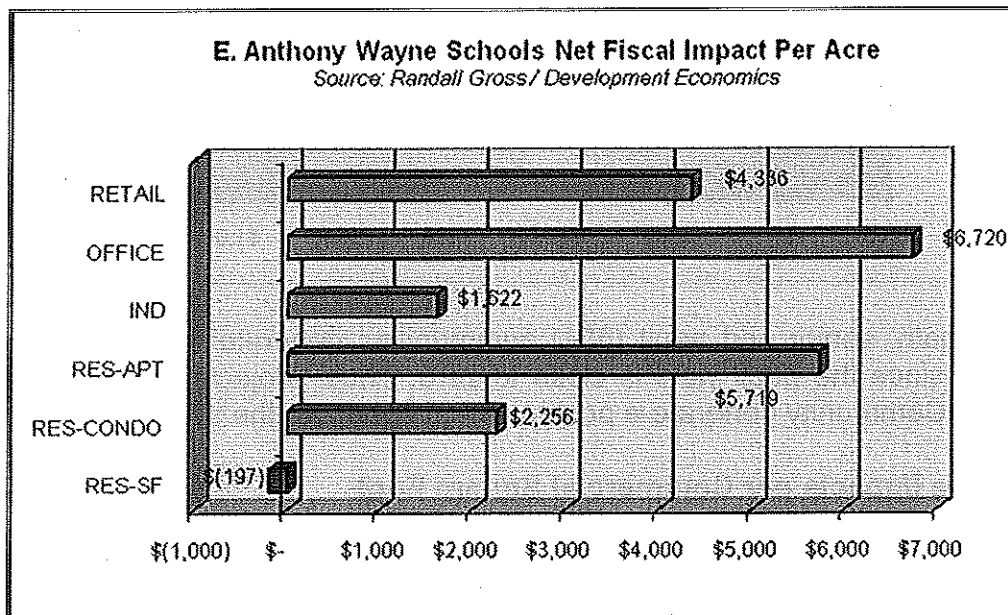
Industrial uses generate the lowest cost in City services, at \$0.19 per square foot, versus \$1.79 for office and \$3.06 for retail. Gross revenue benefits are highest for office, at \$4.45 per square foot, versus \$1.13 for industrial and \$1.10 for retail. As illustrated here, it is the cost of service generated by retail that produces a high net loss to the City. Wherever those costs can be reduced (such as through mixed-use and walkable development) then the City stands to benefit fiscally.

Anthony Wayne Schools

The fiscal impact analysis also determined the net fiscal benefits to the Anthony Wayne Local School District (AWLSD). In this case, costs are generated almost solely by residential uses, the source of school enrollment. Total enrollment was about 4,480 in 2009-10. Enrollment is generated not only by households in Waterville, but also those in Whitehouse and surrounding areas. AWLSD provides free transportation for 2,600 public, as well as almost 300 private school students as mandated by federal law. Commercial and industrial uses do not generate students and, as a result, help cross-subsidize school operating costs.

Land Use Impacts per Acre

Single-family residential uses in the district fail to recoup their share of the cost for operating schools, yielding a negative fiscal impact of about \$200 per acre. Much of the benefit to schools is provided by multi-family and non-residential uses, particularly office and retail.



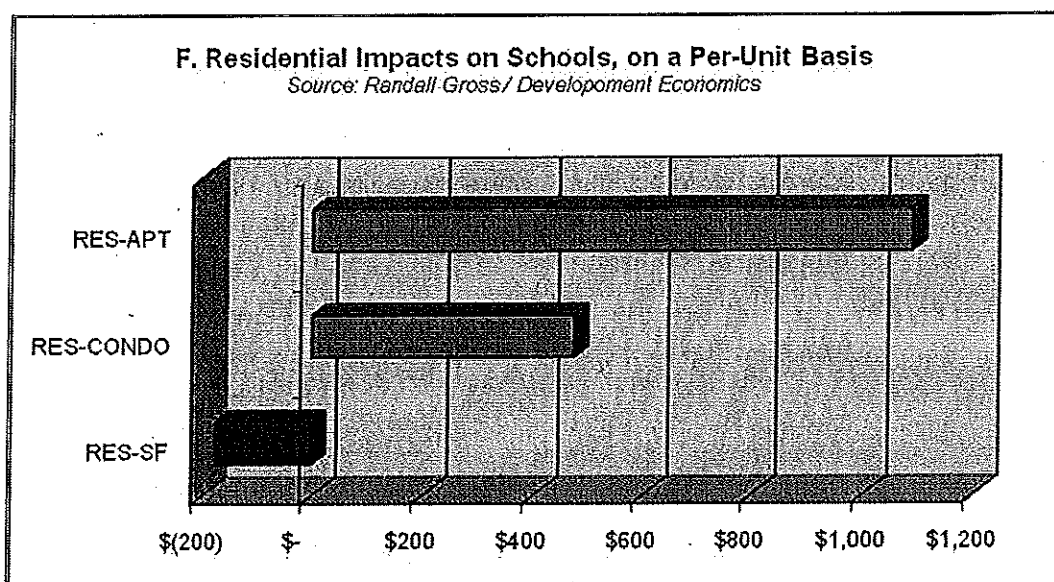
It is important to note that retail uses, while failing to support their share of City government costs, **do** produce a significant net benefit in support of Anthony Wayne schools. In fact, retail uses generate a net positive impact of almost \$4,400 per acre to the AWLSD.

Furthermore, senior housing generates a positive fiscal impact on the schools since the pupil yields are low among senior households. Overall, multi-

family housing generates a modest positive impact on schools as contrasted with the negative impact of single-family housing.

Land Use Impacts per Residential Unit

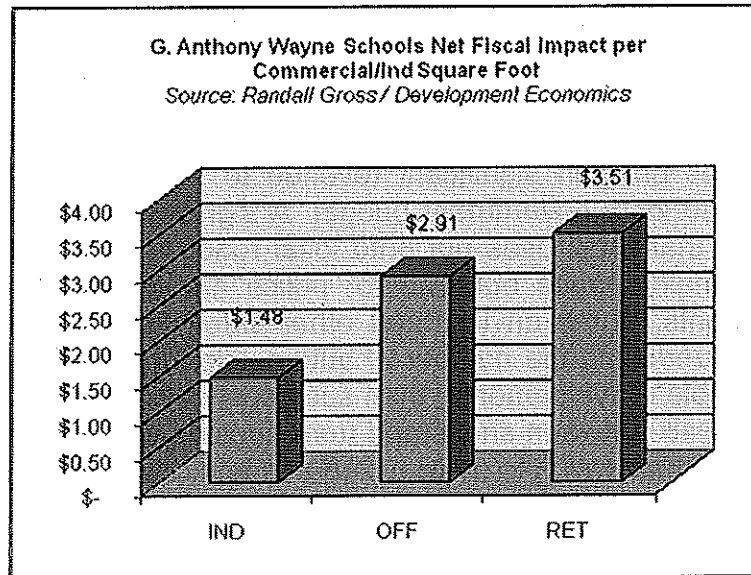
Single-family residential units generate a net loss of about \$180 per unit to Anthony Wayne schools, largely because they are the primary source of pupils and therefore generate most of the schools' operating cost. Per-pupil costs for 2009 were estimated at \$7,065 and overall average pupil yield at 1.41 (students per household). Condominiums generated a net positive impact of about \$470 per unit, and apartments \$1,100 per unit.



Again, senior and adult (55+) communities generate little or no costs to schools, since the pupil yield is close to zero. Thus, projects like the Browning Masonic Community generate a positive fiscal benefit to the school system.

Land Use Impacts per Commercial Square Foot

Commercial and industrial uses generate a net positive fiscal benefit to schools because they do not generate any substantial costs to the operation of schools. The fiscal benefits created by commercial and industrial uses are summarized in Chart G.



Retail uses generate the highest net fiscal return to schools, at \$3.51 per square foot. Office uses generate a fiscal return to schools of \$2.91 per square foot. Development of retail can have a much higher net benefit to Anthony Wayne Schools than that of industrial space (\$1.48 per foot). Thus, while retail generated a negative impact on the Village of Waterville in 2009, it had a positive impact on schools.

Summary & Strategic Recommendations

Findings from the fiscal impact analysis are summarized and key recommendations made to assist the City with planning and development policies that can help to address fiscal issues. The overall combined impacts per acre on the City and Schools is summarized in Appendix Table 10. The fiscal impact analysis generally finds that office and industrial uses have net positive fiscal impacts on both the schools and the City budget. Office and industrial uses generate significant income taxes and other revenues that more than pay for their relatively limited demands on local government. Furthermore, these uses help subsidize the cost of operating schools.

Office-oriented economic sectors are not well-represented in Waterville, which acts primarily as a bedroom community. Sectors such as real estate, business and professional services, finance, insurance, and health care, can all generate good-paying office jobs that will help support Waterville's income tax base.

In 2009, all types of housing had a negative impact on Waterville Village government. The causes of this problem could relate to tax policy, since the municipality has relatively low tax rates. Much of the negative impact of rental housing is due to high service costs (particularly EMS and Fire) associated with senior housing. On the other hand, because of its low pupil yields, multi-family

housing (especially senior housing) generates positive revenue benefits to area schools. By contrast, single-family housing units have high pupil yields and generate a negative return to the school system. .

Retail uses bring in significant revenue to the schools but generate a major drag on the local government budget. A significant portion of the impact relates to traffic that retail uses put onto local roads, causing higher costs not only for street maintenance but also for police and EMS services that must attend to accidents, drunk driving, and other safety issues. Where there are opportunities for reducing the number of automobile trips, such as in mixed-use and more "walkable" developments, then such costs can be reduced by allowing more people to walk between shops and from housing and offices to retail. This could occur through attention to more mixed-use and downtown shopping.

Key Recommendations

- **Attract High-Wage Office/Industrial Uses.** Office and Industrial uses are clearly necessary for balancing the City's fiscal base
 - There should be a pro-active economic and entrepreneurial development effort, perhaps focused on recruiting a developer partner who will help attract office uses.
 - Economic development should ensure diversification to attract business and professional office uses, since these uses generate the highest fiscal return to the City and the schools.
 - Efforts should be made to balance the land-use base so that the City is not as dependent on residential uses.

- **Ameliorate Impacts of Senior Housing.** Senior housing already generates a strain on City services, and the number of seniors is likely to increase with the aging of the population. Seniors also contribute less to the City's income tax revenue stream than working families.
 - New senior housing developments should be paired with office uses (perhaps medical offices) that help to balance the fiscal impacts of such housing.
 - As the overall population ages, the City should be careful to ensure sufficient funding as EMS services increase.
 - The City may chose to increase its user charges for EMS and senior services, but should be mindful to offer discounts for lower-income senior residents, many of whom may be Waterville natives.
 - The City might also form strong partnerships with non-profits and adjacent jurisdictions to share some of the burden for increased EMS and health-care related service costs.

- **Communicate Tax Rate Impacts.** Further efforts can be made to communicate the impact of the City's tax and credit rates on its ability to deliver services at a level expected by Waterville's relatively affluent residents. The City's relatively low millage rates translate directly into lower revenue stream and an inability to meet the demand for services. Lower income tax credits could also help reduce the outflow of revenue resulting from the community's high commutation rates.
- **Ameliorate Retail Impacts.** While retail uses have a negative fiscal impact on the City, they do provide substantial benefit to the schools. Retail is also integral to the city's overall quality of life in attracting affluent residents.
 - Encourage pedestrian-oriented retail over auto-dependent retail uses to reduce negative impacts
 - Strengthen downtown and secure its future by encouraging high-income residential development nearby. This will prevent leakage and position downtown as a primary commercial node for Waterville's affluent residential market base.

Supporting Tables

WATERVILLE CITY-WIDE ANALYSIS:

Waterville Gross Fiscal Benefits by Land Use

Table A-1.		GROSS FISCAL BENEFITS BY LAND USE, WATERVILLE, OHIO, 2009		
Use	Factor	Measure	Per Acre	
Residential SF	\$ 1,057	DU	\$ 934	
Residential Condo	\$ 446	DU	\$ 2,126	
Residential Apt	\$ 57	DU	\$ 299	
Industrial	\$ 1.13	SF	\$ 2,953	
Office	\$ 4.45	SF	\$ 14,606	
Retail	\$ 1.10	SF	\$ 1,794	

Source: Randall Gross / Development Economics.

Waterville Fiscal Costs by Land Use (Tables 2-4)

Table A-2.		ADMINISTRATIVE / O&M FISCAL COSTS BY WATERVILLE, OHIO, 2009		
Use	Factor	Measure	Per Acre	
Residential SF	\$ 683	DU	\$ 603	
Residential Condo	\$ 670	DU	\$ 3,189	
Residential Apt	\$ 670	DU	\$ 3,521	
Industrial	\$ 0.07	SF	\$ 191	
Office	\$ 0.53	SF	\$ 1,743	
Retail	\$ 0.78	SF	\$ 1,278	

Source: Randall Gross / Development Economics.

Table A-3. SAFETY COSTS BY LAND USE, WATERVILLE, OHIO, 2009

Use	Factor	Measure	Per Acre
Residential SF	\$ 667	DU	\$ 589
Residential Condo	\$ 342	DU	\$ 1,629
Residential Apt	\$ 465	DU	\$ 2,442
Industrial	\$ 0.11	SF	\$ 299
Office	\$ 1.25	SF	\$ 4,112
Retail	\$ 2.28	SF	\$ 3,730

Source: Randall Gross / Development Economics.

Table A-4. TOTAL FISCAL COSTS BY LAND USE, WATERVILLE, OHIO, 2009

Use	Factor	Measure	Per Acre
Residential SF	\$ 1,350	DU	\$ 1,279
Residential Condo	\$ 1,012	DU	\$ 4,862
Residential Apt	\$ 1,135	DU	\$ 5,965
Industrial	\$ 0.19	SF	\$ 490
Office	\$ 1.79	SF	\$ 5,855
Retail	\$ 3.06	SF	\$ 5,008

Source: Randall Gross / Development Economics.

Waterville Net Fiscal Benefits by Land Use – Summary

Table A-5. NET FISCAL BENEFITS BY LAND USE, WATERVILLE, OHIO 2009

Use	Factor	Measure	Per Acre
Residential SF	\$ (293)	DU	\$ (345)
Residential Condo	\$ (565)	DU	\$ (2,737)
Residential Apt	\$ (1,078)	DU	\$ (5,666)
Industrial	\$ 0.94	SF	\$ 2,463
Office	\$ 2.67	SF	\$ 8,751
Retail	\$ (1.96)	SF	\$ (3,214)

Source: Randall Gross / Development Economics.

ANTHONY WAYNE SCHOOL IMPACTS (Tables 6-8)

Revenues by Land Use

Table A-6. SCHOOLS TAX & GRANT BENEFIT BY LAND USE, A. WAYNE SCHOOLS, 2009			
Use	Factor	Measure	Per Acre
Residential SF	\$ 14,700	DU	\$ 16,643
Residential Condo	\$ 8,770	DU	\$ 41,764
Residential Apt	\$ 4,988	DU	\$ 26,206
Industrial	\$ 1.48	SF	\$ 1,622
Office	\$ 2.91	SF	\$ 6,720
Retail	\$ 3.51	SF	\$ 4,336
Source: Randall Gross / Development Economics.			

School Costs by Land Use

Table A-7. SCHOOLS FISCAL COSTS BY LAND USE, A. WAYNE SCHOOLS, 2009			
Use	Factor	Measure	Per Acre
Residential SF	\$ 14,874	DU	\$ 16,840
Residential Condo	\$ 8,297	DU	\$ 39,507
Residential Apt	\$ 3,900	DU	\$ 20,487
Industrial	\$ -		\$ -
Office	\$ -		\$ -
Retail	\$ -		\$ -
Source: Randall Gross / Development Economics.			

Anthony Wayne Schools Net Impacts by Land Use

Table A-8. NET SCHOOLS FISCAL BENEFITS BY LAND USE, A. WAYNE SCHOOLS, 2009				
Use	Factor	Measure	Per Acre	
Residential SF Residential Condo	\$ (174)	DU	\$	(197)
Residential Apt	\$ 474	DU	\$	2,256
Industrial	\$ 1,088	DU	\$	5,719
Office	\$ 1.48	SF	\$	1,622
Retail	\$ 2.91	SF	\$	6,720
	\$ 3.51	SF	\$	4,336

Source: Randall Gross / Development Economics.

Waterville Combined City and Schools Impact

Table A-9. NET FISCAL BENEFITS BY LAND USE, WATERVILLE AND A. WAYNE SCHOOLS COMBINED, 2009				
Combined	Factor	Measure	Per Acre	
Residential SF Residential Condo	\$ (467)	DU	\$	(543)
Residential Apt	\$ (92)	DU	\$	(480)
Industrial	\$ 10	DU	\$	53
Office	\$ 2.42	SF	\$	4,085
Retail	\$ 5.58	SF	\$	15,471
	\$ 1.54	SF	\$	1,123

Source: Randall Gross / Development Economics.