

Growth isn't free. It isn't even cheap.

# Fiscal Impacts of Growth

*in Teton County, Wyoming*



**ABOVE:** Looking east, 1907 v. 1996. **BELOW:** West Jackson, 1987 v. 1999



A Study Sponsored by the Jackson Hole Conservation Alliance

# Executive Summary

## ***The Fiscal Impacts of Growth in Teton County, Wyoming: Presentation of Computer Model and Discussion of Community Implications***

### **PURPOSE**

The purpose of this computer model and study is to provide residents and decision-makers of Teton County with a basic understanding of the fiscal costs (i.e., the cost of developing private property to the local government) of various kinds of development in both the Town of Jackson and in Teton County. A fiscal impact analysis compares the amount of revenue generated by certain land uses to the cost of servicing those land uses. Without knowing such basic information, a community risks encouraging development, both in degree and kind, which does not “pay for itself.” Therefore, this study is an attempt to lay a credible fiscal foundation on which residents of all ideological backgrounds can better discuss the advantages and disadvantages of different kinds of growth.

### **IMPORTANT BACKGROUND INFORMATION**

In nearly every community in the United States in which “cost of growth” studies have been done, residential development consistently shows significant negative impacts. Our computer-generated projections are no different. However, the computer model used in this report does not say that all development doesn't pay for itself. Rather, it aims to identify the “break even” point for both residential and commercial development.

Our community has a lot to learn about itself, economically and otherwise, before we can realistically begin to answer all of the questions raised in this study. We hope that our fiscal impact analysis will provide the community with a credible starting point from which we can begin to discuss how we want to grow in the future.

### **FORMAT**

This analysis consists of two related parts. Part One is the presentation of a computer model, which we call the “Prototype” model, that calculates the

***As Jackson  
Hole Grows,  
what are the  
financial costs  
and benefits  
to the local  
government?***

***The Alliance's purpose in creating the Prototype model is to improve the quality of dialogue and debate about Jackson Hole's future.***

fiscal impact on the Town and County budgets of residential and commercial development. To demonstrate how the model works, four recent development proposals and one 2020 future development scenario are run through the model. Part Two discusses the Prototype model results and raises questions regarding the political and social implications these results present to our community.

## THE BASIS FOR THE MODEL

The Prototype model is derived from data contained in the Teton County Fiscal Impact Analysis produced for the Teton County Commission in 1996 by Park City, Utah consultant Rosenthal & Associates. The model is essentially a mechanized version of the Rosenthal Analysis. The one major modification is that the Prototype model adds the fiscal impact of servicing employee-related housing generated by commercial development.

We are aware that any deficiencies and inaccuracies in the Rosenthal data are embedded in the Prototype model. The Rosenthal data, however, is the best fiscal data currently available, and it can be usefully applied by the community to help it better understand the costs and benefits of development. We must emphasize that the Prototype model is a starting point in our community's effort to be able to rationally compare the fiscal impacts of different land uses.

## FISCAL RESULTS OF THE PROTOTYPE MODEL

### *Residential Development*

The Prototype model calculates the fiscal impact of single-family and multi-family homes in the Town of Jackson and in Teton County. The model inflates Rosenthal's 1995 fiscal impacts to year 2000 dollars – an increase of 36% (Table I). Parentheses ( ) denote a fiscal deficit and the units are in dollars per year.

**TABLE I: *Fiscal Impact of Residential Development***  
(Based on Rosenthal & Assoc., 1996; Dollars in 2000 values)

	<u><i>Single-Family</i></u>	<u><i>Multi-Family</i></u>
<b>Teton County</b>	<b>( \$ 1 , 4 7 1 )</b>	<b>( \$ 1 , 7 7 6 )</b>
<b>Town of Jackson</b>	<b>( \$ 1 , 8 5 3 )</b>	<b>( \$ 2 , 1 4 8 )</b>

While the above residential fiscal impacts are negative, we can either raise the house values or raise the tax rate (i.e., mill levy) until each housing type produces enough property tax revenue to cover its service costs. We call this fiscal threshold the "break even point." In other words, the house "pays for itself." (See Table II on the following page.)

**TABLE II: Fiscal “Break Even” Value for Residential Development (2000 dollars)**

	<u>Single-Family</u>	<u>Multi-Family</u>
<b>Teton County</b>	<b>\$ 690,000</b>	<b>\$ 620,000</b>
<b>Town of Jackson</b>	<b>\$ 780,000</b>	<b>\$ 710,000</b>

Table III shows the result of eliminating the residential fiscal deficits in Table I by raising the property tax rate for each housing type. The mill levy results in Table III include Teton County’s current (1999) mill levy of 60.3 mills [i.e., a \$331,000 single-family home in the County must produce an additional 47 mills (60.3 + 47 = 107) to cover its costs].

**TABLE III: Fiscal “Break Even” Tax Rate (Mill Levy) for Residential Development**

	<u>Single-Family</u> (\$331,000)	<u>Multi-Family</u> (\$190,000)
<b>Teton County</b>	<b>107 mills</b>	<b>158 mills</b>
<b>Town of Jackson</b>	<b>118 mills</b>	<b>179 mills</b>

***Fiscal Cost of Educating School Children***

Perhaps the greatest influence on a residential fiscal impact is the number of school-age children living in a particular home. To illustrate this point, we have calculated the fiscal “break even” value for a home with one school-age child (the Teton County average is 0.255 school children per home) and for a home with no school-age children.

Fiscal “break even” value for a single-family home in Teton County with one school-age child: <b>\$1.9 million</b>
Fiscal “break even” value for a single-family home in Teton County with <i>no</i> school-age children: <b>\$160,000</b>

***Commercial Development***

The Prototype model modifies the commercial fiscal impacts of the Rosenthal study by including the fiscal cost of servicing employee-related housing. (See Table IV, on the following page.)

***The Alliance model modifies the commercial fiscal impacts of an earlier study by including the expense of servicing employee-related housing.***

**TABLE IV:** Comparison of Rosenthal Study's Fiscal Impact per 1,000 Square Feet of Commercial Development with the Fiscal Impacts Adjusted by Prototype Model to Include the Cost of Employee Housing

<b>Teton County</b>					
	<b>Lodging</b>	<b>Office</b>	<b>Rest./Bar</b>	<b>Retail</b>	<b>Industrial</b>
(1995 dollars)					
<b>Rosenthal Study</b>	<b>\$56</b>	<b>\$2,091</b>	<b>\$2,433</b>	<b>\$1,675</b>	<b>\$398</b>
<b>Prototype Model</b>	<b>(\$413)</b>	<b>(\$1,302)</b>	<b>(\$2,469)</b>	<b>(\$1,039)</b>	<b>(\$445)</b>
(2000 dollars)					
<b>Prototype Model</b>	<b>(\$562)</b>	<b>(\$1,770)</b>	<b>(\$3,357)</b>	<b>(\$1,645)</b>	<b>(\$606)</b>
<b>Town of Jackson</b>					
	<b>Lodging</b>	<b>Office</b>	<b>Rest./Bar</b>	<b>Retail</b>	<b>Industrial</b>
(1995 dollars)					
<b>Rosenthal Study</b>	<b>\$191</b>	<b>\$1,856</b>	<b>\$2,419</b>	<b>\$1,578</b>	<b>\$355</b>
<b>Prototype Model</b>	<b>(\$409)</b>	<b>(\$2,068)</b>	<b>(\$3,700)</b>	<b>(\$1,586)</b>	<b>(\$631)</b>
(2000 dollars)					
<b>Prototype Model</b>	<b>(\$556)</b>	<b>(\$2,814)</b>	<b>(\$4,485)</b>	<b>(\$2,158)</b>	<b>(\$859)</b>

*Assumptions:* In order to add the employee-related housing cost, we made three important assumptions: We assumed that the unemployment rate is 3.5% or lower, that the affordable housing vacancy rate is 4% or lower, and that all employee-related housing is built in Teton County. The combined result of these three assumptions is that the Prototype model assumes that every new job generated by commercial development creates a new employee who, in turn, generates a demand for housing in Teton County. (Teton County has had an average unemployment rate of 2.6% over the past decade and the housing vacancy rate has been consistently around 4% in recent years).

***Fiscal Impact of Selected Local Developments***

The Prototype model was used to analyze the fiscal impacts of four residential and commercial developments (case studies) and one future development scenario (i.e., development projections for 2020). Following are the results.

**Case Study #1:** Karns Subdivision (Jackson)

Cost to taxpayers: \$85,088 / year

**Case Study #2:** Melody Ranch Planned Unit Development (County)

Cost to taxpayers: \$363,527 / year

**Case Study #3:** Smith's Grocery Store Complex (Jackson)

Cost to taxpayers: \$48,000 - \$78,000 / year

**Case Study #4:** Jackson Hole Golf & Tennis (County)

Cost to taxpayers: \$40,000 - \$59,000 / year

**Case Study #5:** 2020: Projected Development (Jackson & County)

Cost to taxpayers: \$7 million - \$8 million / year

# Part Two:

## ***Further Analysis and Implications***

A fiscal impact analysis is only one piece, albeit a fundamental piece, of the "true" impact of development. It is important to recognize that the application of any fiscal impact analysis is limited: It is limited because a community has much more at stake than just fiscal concerns; it also has the higher goals of social, environmental, and political stability and well-being.

### **FISCAL COSTS AND REVENUES NOT INCLUDED**

The Prototype model omits the following fiscal costs: capital facilities (roads, recreation centers, etc.); "spill-over" development into surrounding counties; servicing construction workers; and servicing employees generated by high-end residential development (e.g., landscapers, caterers, maids, etc.). In terms of fiscal revenue, the Prototype model partially omits the sales tax revenue of development generated through the constant re-spending ("multiplier effect") of wages.

We consider the Prototype model to be an early, unfinished version of a more comprehensive model that should be developed in the future.

### **SOCIAL AND ENVIRONMENTAL IMPACTS**

By definition, the Prototype model does not include the social and environmental impacts of development. However, any analysis of the fiscal impact of development is inseparable from the higher order concerns of quality of life, community planning, and environmental health. We offer our perspective on how the Prototype's fiscal results can be integrated into the broader discussion of community planning.

***A community has much more at stake than just fiscal concerns; it also has the higher goals of social, environmental, and political stability and well-being.***

***It seems the community will have little choice but to aggressively intervene to devise a strategy to alleviate the affordable housing problem.***

## OTHER IMPORTANT IMPLICATIONS

The model shows that affordable housing (or housing below a value of \$620,000) does not pay for itself, while expensive homes with no children (i.e., second homes) are the most fiscally beneficial. This fiscal reality is more complex than the model indicates. For instance, it would be inappropriate to conclude that we should just build expensive homes and discourage affordable housing.

Teton County has created a severe housing problem for itself in just one to two decades. Given that the market is not creating – nor is likely to create – affordable housing, it seems the community will have little choice but to aggressively intervene to devise a strategy to alleviate the affordable housing problem. A two-pronged strategy is indicated – one prong that promotes the development of affordable housing and another that discourages generating an even greater demand for affordable housing.

### *Tourism*

Given that Jackson has a tourism-based economy, any discussion of development's fiscal impacts is inseparable from discussing the economic characteristics of a tourism economy. Because tourism has led to the settlement of modern Jackson Hole, the conventional wisdom is that more growth in tourism, especially in the creation of service jobs, is an automatic benefit. However, that may be an outdated and unwise strategy – economically, socially, and environmentally – on which to build our future. The Prototype model offers Jackson Hole good reasons to re-evaluate its economy.

### *Growth Management*

We feel the Prototype model makes a persuasive argument for growth management. We discuss some of the impediments to growth management, why fiscally detrimental development takes place and why Jackson Hole needs to take greater care in managing its development. Neither the Teton County Comprehensive Plan nor the existing land development regulations can be considered growth management plans because they do not provide clarity of vision, commitment of community will or sufficient regulatory tools. Blind faith that the market will somehow provide all of the economic and social benefits we need and want is wishful thinking.

## SUMMARY

Jackson Hole is growing so rapidly that many people are concerned that we are losing many of the irreplaceable natural and community assets that make this an ideal place to live. However, neither our Comprehensive Plan nor our development regulations provide an adequate framework in which to address these concerns. Much more thinking and data are needed, but without a solid understanding of the fiscal impacts of development, a community can do little more than speculate as to which kinds of development further its goals or exacerbate its problems. Resolving our collective ignorance on these matters is a prerequisite for prioritizing and meeting many of our other goals.

# Every development has a cost.

*. . . and each of us has to pay.*

Jackson Hole is growing so rapidly that many people are concerned we are losing some of the irreplaceable natural and community assets that make this area an ideal place to live. Impacts on some of those assets – such as our mountains, crystal clear rivers, rural atmosphere, open spaces and wildlife – are difficult to measure in tangible values. But we can measure some of the other costs of growth in easier-to-grasp dollars and cents.

Does growth “pay for itself”? Do property taxes on houses in a new subdivision pay for servicing the area and schooling the kids who will live there?

Does a new “super-store” complex bring enough income into the community to make up for the costs of its roads and employees?

The “Fiscal Impacts of Growth in Teton County” – and countless other studies like it across the nation – have found that many developments have a cost, and taxpayers often have to foot the bill.

For example, in Teton County, the “Fiscal Impacts of Growth” study shows that the new Smith’s grocery store could cost the community from \$48,000 to \$78,000 a year. The new Karns hillside subdivision could cost taxpayers about \$85,000 a year. The proposed Snow King resort expansion could cost taxpayers from \$652,000 to \$797,000 a year. And the proposed Porter Estate development could cost the community well over \$1 million a year.

Those numbers came from the study’s user-friendly development-cost “calculator.” Individuals can plug in the numbers of a proposed development and calculate the financial costs

and benefits to the community and its taxpayers.

The “calculator” (called the Prototype model) includes some very important costs for Jackson Hole residents, such as the price of servicing our affordable housing, roads, sewers and government buildings. The model also figures in the fact that new businesses create a demand for new workers. And assuming Jackson Hole’s employee shortage continues, that means a demand for new residents who will require more out of our government services and more affordable housing.

However, as it is, the model actually underestimates many of its financial results. For instance, it does not calculate some important community expenses, such as the one-time costs of constructing roads, recreation facilities and other capital expenditures, nor does it include the cost to build our much-needed affordable housing. It also doesn’t take into account the impacts of the new construction jobs created as we build new homes and businesses. The Alliance hopes that someday those extra levels of analysis can be included to come closer to finding the exact fiscal impacts.

The study comes to the firm conclusion that our present economy is not structured to benefit working families. As such, Jackson Hole residents need to take great care in managing the way our community is developed. Only then can we maintain a healthy community filled with residents of all walks of life.

Let’s think before developing.

**Grow Slow. Grow Smart.**



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For copies of the full document or to use the model, please contact us at the following address:

**Jackson Hole Conservation Alliance**  
40 E. Simpson St.  
Jackson, WY 83001  
(307) 733-9417

The Jackson Hole Conservation Alliance is dedicated to responsible land stewardship in Jackson Hole, Wyoming, to ensure that human activities are in harmony with the area’s irreplaceable wildlife, scenic, and other natural resources.

