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The simple concept of net fiscal impact has been and is still misunderstood by many

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While spotlight articles usually highlight real estate firms and professionals, this article will be the exception. While I have worked with many of the regions real estate firms, Connery Associates is not a real estate company. Connery Associates has provided community development and planning services for both the public and private sectors in eastern Mass. for the past 37 years. My background and education is that of a city planner. However, my career has evolved to a point where almost half of my assignments concern fiscal impact analysis.

The long term core business has been zoning, center revitalization, and community development planning. However, as my development permitting assistance practice expanded I became increasingly frustrated by anti-development activists who used fiscal impact concerns as a means of delaying or defeating appropriate new development or adaptive re-use. Unfortunately, in many instances individual developers would provide fiscal data in the form of gross taxes or jobs created, while their opponents would articulate broad and unsubstantiated claims regarding the net fiscal impact. Essentially, the two parties were passing in the dark but the advantage usually went to the anti-development faction who could count on fear of the unknown to prevent needed change and growth. Further, in many instances the lack of fiscal analysis would inevitably lead to outsized "mitigation" requests.

It may seem apparent to many but the simple concept of net fiscal impact has been and is still misunderstood by many communities and local officials. For me the issue became how to express net fiscal impact in clear and simple terms that would stand the test of community opposition and/or peer review. While there are numerous national models it soon became apparent the need to create a model for Mass., one that reflected the particular, and at times peculiar, municipal cost and revenue issues. While, I believe I have refined an analysis technique that is appropriate for Mass. and New England there are many practitioners who use different models. The objective of all fiscal impact analysts is to provide an estimate of the fiscal profile of any new development. Essentially it is comparison of annual service costs to annual revenue but no matter how refined the analysis it is always an estimate. However, a solid and defensible estimate of fiscal impact can be one of the key components of a successful permitting process and in many instances it is the best defense against unwarranted "mitigation" requests.

I have found that almost all new commercial development generates significant short and long term fiscal benefits even assuming relatively conservative (high) municipal cost estimates. The forgoing statement should not be a surprise to anyone but what may be surprising, and can now be substantiated, is that many multi-family developments have a positive fiscal profile; and even some 40B developments have positive or neutral fiscal profiles.

Surveys and research have clearly shown that multi-family development generates very few school aged children due to unit mix, building design, and location values; as a result education cost is not a significant cost factor for the large majority of multi-family developments. Accordingly, many of the generally accepted service cost fears associated multi-family residential or mixed use development can be revealed to be unfounded. Further, it can be shown that high density residential development similar to smart growth development is also smart long term fiscal policy.

Real estate firms compete for projects and/or sites and it is understandable that that each firm acts in their own best interest. However, it is somewhat disappointing that the industry as a whole has been less than successful in getting out the facts about the key role they play community development and fiscal health. Mass. is a very difficult state to effectuate change and there are numerous ingrained misconceptions regarding fiscal impact that almost every development proposal is required to address.

The list of development benefits is too numerous to attempt here; but for example, acting in concert real estate firms could generate school enrollment data on an annual basis for multi-family developments and illustrate the true facts of school enrollment and multi-family housing (school costs). Working co-operatively firms have it in their power to highlight the very strong net fiscal benefits derived from commercial development; and indicate the large amount of public infrastructure expansion and improvements paid by private development that benefit the public at large.

In the coming years I anticipate real estate firms will be required to address the question of net fiscal impact in more communities and in more detail.
May I suggest that this not be viewed as yet another development hurdle but as an opportunity to publicize the important role the development community plays in community fiscal health. The growth and change inherent in the development process is precisely the mechanism by which communities improve their long term fiscal stability, and we all should do a better job of illustrating that fact. The real estate community, planners, architects, engineers and others involved in the physical renewal of our communities simply need to do a better job of getting the word out regarding the relationship of development and fiscal health. We need to assemble, organize and publicize the fiscal related information readily available in the industry in order to rebut the negative fiscal myths that are used to derail many needed development and redevelopment projects.