



Finding Balance: *The Impact of Land Use*



Chris Platé, *Monroe-Union County Economic Development Commission*
NCEDA Webinar Series – March 19, 2024





Finding Balance: *The Impacts of Land Use*

Areas we will discuss:

- Primary land uses
- The values of each
- How they can affect your community's economy (*costs-to-serve*)
- EDC's role to advocate for their proper application





Finding Balance: *The Impacts of Land Use*

Purpose of Economic Development?



Building the local economy





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Land Uses of a local Economy?

3 Primary Categories:

- *Residential*
- *Commercial / Industrial*
- *Agricultural / Farming*





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Balance of Uses

- Residential investment is key to:
 - provide workforce
 - catalyst for retail development
 - support the education network
- Residential development creates a demand on services with on-going costs and maintenance
- Residential development has an extremely high “Cost to Serve” vs. other land uses





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Balance of Uses

- Commercial / Industrial is the most valuable acreage in your community
- Provides most of the career and job opportunities
- Shoulders the tax burden, paying for almost all the services for the residents
- Generates a majority of philanthropic funding





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Balance of Uses

- *Agricultural parcels is productive land that generates sustainable jobs*
- *Provides necessary food sources for locals and beyond*
- *Increases the value of land near it by 10%*





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Balance of Uses

Local economies thrive with balance

Textbook Ratios:

- Residential = 60%
- Non-Residential* = 40%

** Industrial, Commercial and Agriculture are part of the non-residential ratio*

Community planning is critical to ensure balanced development





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Balance of Uses

Prioritize development from land uses that generate a “high revenue” tax base

Without BALANCE in the tax base

- *taxes will need to increase*
- *services will have to be cut*
- *all residents’ quality of life will suffer*
- *people with the means, will leave*
- *children may not return after going away due to high costs and lower quality of life*





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Balance of Uses

Uses are interdependent and all have value

BUT, many communities feel:

Residential growth will lower property tax rates by increasing tax base





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“While residential development brings with it new tax revenue, it also brings demand for local government services. The cost of providing these services exceeds the revenue generated by the new houses in every case studied”

– Prof. Jeffrey H. Dorfman, UGA





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Example: Duplin County

Tax Base	Revenue	Costs	Property Tax Coverage Ratio	NC Average	US Average
Residential:	55%	90.5%	1 : 1.14	1 : 1.23	1 : 1.16
Industrial/Commercial:	25%	4.64%	1 : 0.30	1 : 0.34	1 : 0.30
Agriculture:	19%	4.84%	1 : 0.41	1 : 0.59	1 : 0.37



Source: Prof. Jeffery H. Dorfman Study 2016





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Example: Lee County

Tax Base	Revenue	Costs	Property Tax Coverage Ratio	NC Average	US Average
Residential:	60%	74.6%	1 : 1.32	1 : 1.23	1 : 1.16
Industrial/Commercial:	35%	14.5%	1 : 0.47	1 : 0.34	1 : 0.30
Agriculture:	5%	10.9%	1 : 0.31	1 : 0.59	1 : 0.37



Source: Prof. Jeffery H. Dorfman Study 2017





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Other Counties

<u>County</u>	<u>Residential Property Tax Coverage Ratio</u>
Chatham	1 : 1.15
Wake	1 : 1.54
Orange	1 : 1.31
Alamance	1 : 1.47
Davie	1 : 1.14
Henderson	1 : 1.16
Franklin	1 : 1.12
Yadkin	1 : 1.18
NC Average	1 : 1.23
US Average	1 : 1.16



Source: Studies by Prof. Jeffery H. Dorfman UGA and Prof. Mitch Renkow NCSU

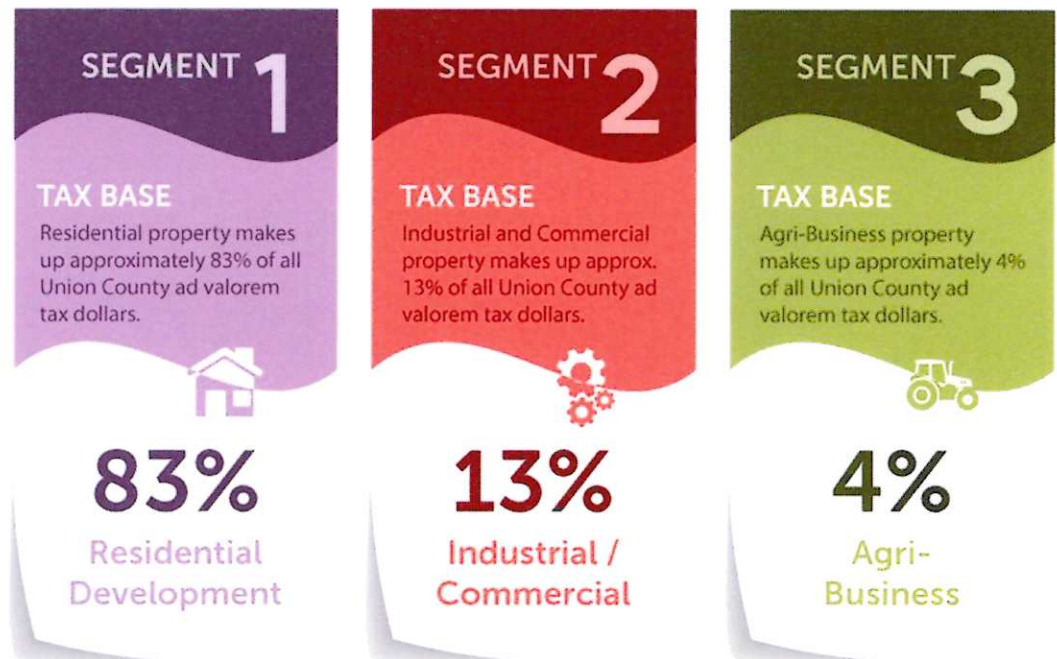




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Example:

Union County, NC:

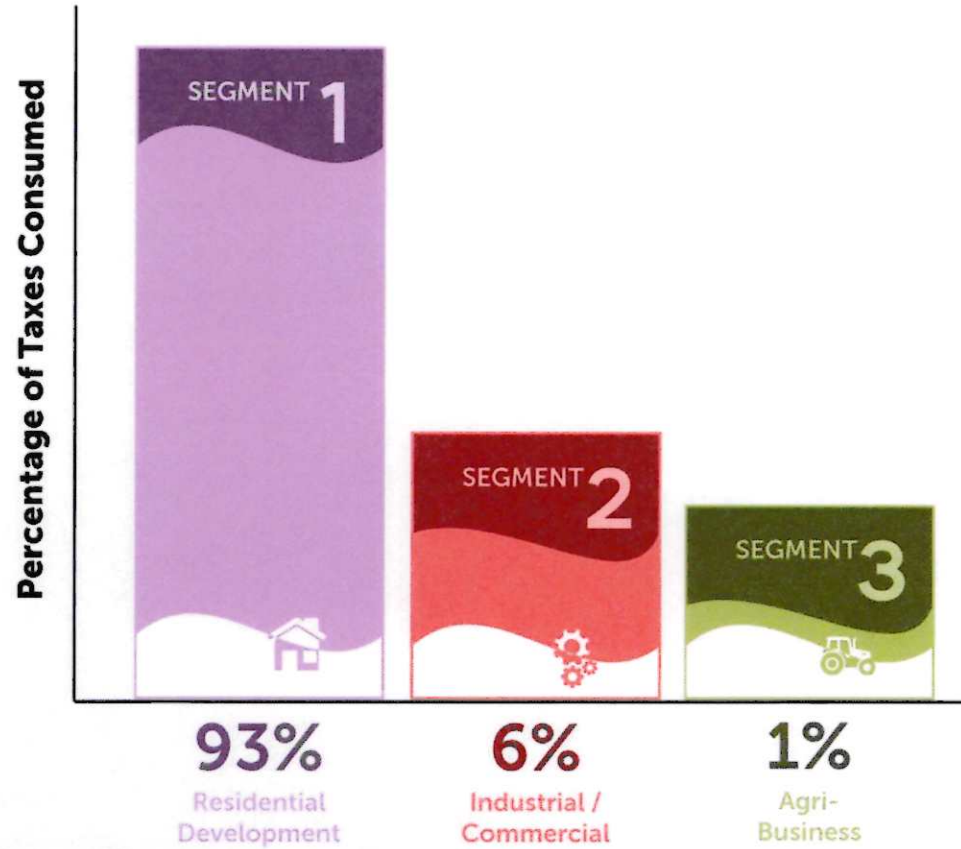




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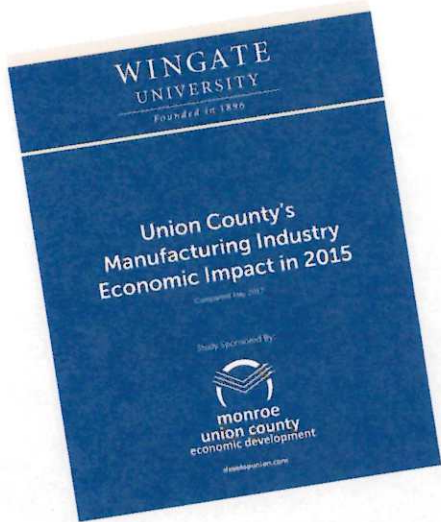




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Example:

Union County, NC:



= **-\$14,383,771 / YEAR**



= **\$28,675,349 / YEAR**

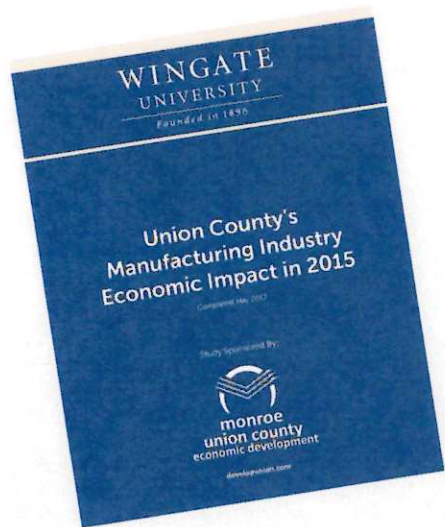




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Example:

Union County, NC:



= \$265,549 / AVG VALUE



= \$477 / HOME SUBSIDY






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Example:

Union County, NC:



 = \$265,549 / AVG VALUE

 = \$0.9401 TAX RATE





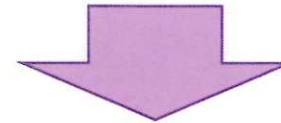
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Example:

Union County, NC:



 = \$265,549 / AVG VALUE



 = \$327,872 / BREAK EVEN VALUE

The next **5,000** homes built must average **\$1.1 million** each in tax value





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Example:

Union County, NC:



OFFSET =





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Example:

Union County, NC:



- Municipalities are not exempt from the differential from their residential tax base
- Our office conducted a “Cost to Serve” analysis for one of our towns:
 - Avg Home Value: \$295,181
 - Avg Home Built: \$400,000
 - Ind/Comm Value: \$1m per acre
- After costs to serve, the industry zoning net “profit” is 383% more than residential zoning
- 5.3 homes = 1 Ind / Comm acre
- 2.7 residential acres = 1 Ind / Comm acre





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Ways to achieve balance

- Land Use policies should focus on “cost-to-serve” as a part of the UDO process
- Densifying your Residential Development
- Avoid Sprawl and “Leapfrog” Development





Ways to achieve balance

- Land Use policies should focus on “cost-to-serve” as a part of the UDO process
- Densifying your Residential Development
- Avoid Sprawl and “Leapfrog” Development
- **TAX your way out of it...**





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Ways to achieve balance

- The single highest valued land use in any community is Industrial / Commercial
- Find the acreage offset for your industrial to residential ratio
- Work toward setting aside new industrial and commercial property (*and utilities needed to serve them*)





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Thank You

