

# Fiscal Impact Studies

## A Good First Step in Assessing Potential Development

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**W**hether if you are an elected official in an urban area or a planning official of a suburban community, you have been faced with several challenges as a result of Governor McGreevey's Smart Growth initiatives,

which encourage developers to focus on building in established communities to prevent urban sprawl. Many of our established communities are experiencing a resurgence of subdivisions and large-scale developments.

In communities such as mine, the

Township of Verona in Essex County, where the last major development happened over 30 years ago, the prospects of a new development can be overwhelming. There are several unanswered questions pertaining to a new development's impact on municipal services, schools and local infrastructure. Fortunately, some of these questions can be answered by conducting a fiscal impact study on the proposed development.

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A fiscal impact study is an analysis of the costs and revenues associated with a residential or non-residential development. It makes an assessment of a new development's impact on municipal services ranging from classroom size capacities, police protection, public works, community services programs, emergency services and infrastructure, such as the cost for maintaining detention basins, walking paths and open space areas. In a climate of decreased state aid, the impact of a new development is of vital concern.

A fiscal impact study has four basic components:

- 1. Population Determinant:** estimates the number of people, specific age groups, characteristics of the population; number of school age children and senior citizens. Estimations are formulated based on housing type (single family detached, townhouse) as well as number of bedrooms.
- 2. Municipal Costs:** are evaluated to determine the cost of providing municipal and school services to the new development. It is essentially the current average cost of serving each member of the municipality's existing population on a residential basis only. A separate analysis is conducted on the influences of the local school system using a school age multiplier per dwelling unit type, incorporating the average cost per pupil figures. These figures are available from the local school district or from the New Jersey Department of Education Comparative Spending Guide.
- 3. Revenue Generation:** projects the potential revenues of a specific development as measured by the amount of property taxes anticipated to be collected. In this case, the assessed value of the residential units needs to be determined, which is then multiplied by the local property tax rate. Revenue generation should also include fees collected during the construction phase of a project, including sewer connection fees and building permit fees.
- 4. Comparison & Conclusions:** are based on the revenues and costs



*The prospect of new development can be overwhelming; a Fiscal Impact Study can gauge the impact of growth.*

associated with a proposed development, which may serve as the basis for impact fees, off-site improvements and the monetary criteria of a Municipal Developer's Agreement with the proposed developer.

Fiscal impact studies can be

with the site plan application. Another benefit of conducting a fiscal impact study is that it allows the municipality to determine the cost and maintenance responsibility for certain shared infrastructure such as the development's interior roadways, (homeowner association vs. township), detention

**Fiscal impact studies can be required  
of a developer via ordinance or as a part  
of a re-zoning application.**

required of a developer via ordinance, such as was the case in Harmony Township, in Warren County, or as a part of a re-zoning application, as in Verona. The fiscal impact study can, in some cases, be paid for by the developer's escrow account posted

basins, walking paths and open space areas.

A fiscal impact study is an important tool to use in understanding how a new development will affect the very nature of established communities and their existing residents. ▲