The Fiscal Impact Model (FIM)

What is it and how is it being used?

- FIM is an Excel-based model originally developed for the Design Center for American Urban Landscapes to estimate the fiscal impact of commercial, residential, and mixed-use development projects.
- The model can be customized for use in any city using local data and assumptions (tax rates, budget categories, property values, etc.). The model must be updated each fiscal year to reflect changes in the City’s budget.
- The City of St. Paul Department of Planning and Economic Development and City Finance Office worked with an independent consultant from Hennepin County who designed the FIM to configure the model for use in St. Paul.
- The University of Minnesota’s Center for Urban and Regional Affairs (CURA) has advised the City of St. Paul on use of the model. Seeing potential for application in cities across the Twin Cities metro area, CURA is leading the effort to disseminate the model more widely, creating a common framework to assist local governments in assessing and understanding the fiscal impacts of (re)development.

What does the FIM do?

- The model can assess the fiscal impacts of various development scenarios for City government and school districts, including the projected expenditures and revenues associated with new development or redevelopment.
  - Expenditures include the cost of services associated with new residents and employees, including public safety, general government, economic development, street maintenance, and libraries and parks.
  - Revenues include income associated with new residents and employees, such as increases in non-property taxes, licenses and permits, local government aid and state aid, fees/charges for services, fines, and other revenues. Property taxes are calculated separately from other revenues, but are included in the model.
  - The difference between expenditures and revenues is an estimate of the fiscal impact of the development—that is, the estimated annual impact of the development on government and school district budgets. A positive net difference would indicate that the government stands to fiscally benefit from the project. This additional revenue could be used to fund capital expenditures associated with the new development. A negative net difference would mean that the government stands to pay more for services for the development than it gains in revenue. Thus, an alternative revenue source might be needed to fund capital investments associated with the development.
  - CURA researchers recently made several refinements to the model that allow the user to consider a range of market values for a given location to approximate market volatility; account for the pre-development land use and associated fiscal impacts compared to the post-development fiscal impacts; produce a new, simplified summary results report; and account for capital costs such as paying for new streets or sewers.

What are the next steps for the project?

- CURA and its partners are currently engaged in an effort to disseminate the model by:
  - designing a community-engagement process to deliver the fiscal impact model to local communities
  - piloting the model and engagement process in cities around the Twin Cities metro area
  - identifying additional communities that would like to pilot the model in conjunction with a current or anticipated development project, or as part of a visioning process for a specific development area
- Project team members continue to seek funding and additional partner organizations interested in using the model to support the next stage of the project:
  - assembling a technical assistance team to recalibrate the model for use in additional communities
  - exploring the potential to centralize the data needed to update the model over time

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1 August 2003, “Revised Fiscal Impact Model for the Northwest Corridor,” prepared for the Design Center for the American Urban Landscape, Robert Luckow, RGL Consulting