Oxford, Ohio
FISCAL ASSESSMENT
Fiscal Structure and Land Use Development Impacts

Prepared for the City of Oxford and ACP
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INTRODUCTION

The following report provides a summary fiscal analysis of Oxford as an input to the comprehensive planning update. Understanding the City's fiscal structure and the impacts of development can help inform land use, zoning, and economic development decisions.

Fiscal analysis provides information to help the community prioritize development and infrastructure improvements, and helps communicate to the community underlying issues relating to the City's fiscal structure and constraints on its capacity. Fiscal assessments also identify any inter-jurisdictional relationships that can be affected by the planning process, as well as economic and structural issues that could be addressed through development policy. Fiscal issues relate directly to economic development objectives. Finally, an assessment of the fiscal costs and benefits of development help illustrate how land use, development, and economic policies can impact on the City's fiscal health.

Included in this report is a summary of the City's fiscal structure in order to help inform the community as it moves forward with the planning process. The report also includes the findings from a fiscal impact analysis of development by primary land uses on the City of Oxford and the Talawanda School District. As such, the costs and benefits of various residential, retail, office and industrial uses were measured and compared to illustrate how different types of development impact on the City's and schools' operating budgets. The analysis uses actual Oxford revenue and expenditure data, and attributes these revenues and expenditures to each of the land uses on a per-acre or per-unit basis.

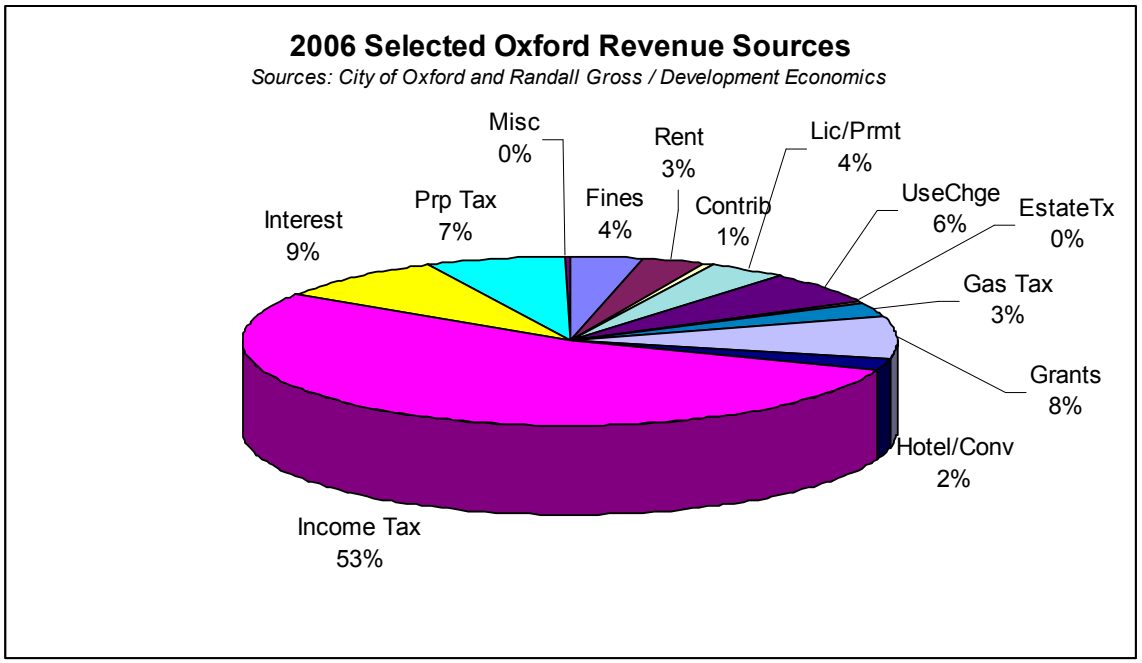
Section 1 of the report summarizes the fiscal structure while Section 2 summarizes the findings from the fiscal land use impact analysis. Recommendations for planning will be provided later in the planning process, based on the findings of this analysis coupled with community input.

Section 1. OXFORD FISCAL STRUCTURE

This section provides an overview of Oxford's existing fiscal structure, to help inform the community as part of the comprehensive planning process. Included is a summary of Oxford's revenues, in terms of the sources and trends. The City of Oxford delivers a variety of services, and trends in the expenditure of funds to provide these services are also presented in this section.

Revenues

Oxford generates its revenues from a variety of taxes, fees, user charges, interest, contributions, grants, and other sources. However, as in most municipalities in Ohio, income taxes are the main source of revenues for Oxford. A summary of revenue sources is provided in the following chart, using the base year of 2006.



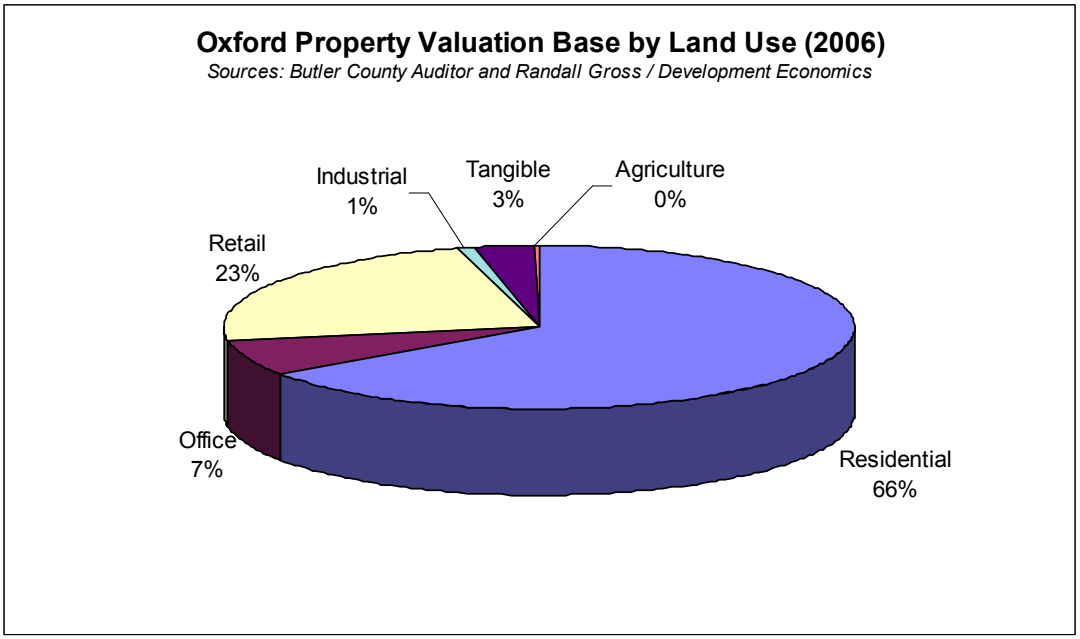
Key Sources

Income taxes generated roughly 53% of the revenues collected by the City of Oxford in 2006. This represents a higher-than-usual share of revenues, as compared with other jurisdictions in the state where income tax typically represents 40 to 50% of total revenue. As such, Oxford is somewhat more

dependent on high-paying jobs or on residents with high-paying jobs that generate this income tax revenue stream.

Oxford's resident household incomes are relatively low, with a median of just $25,164 in 1999, according to the Census. However, the city's income data is skewed lower by the large population of students who attend Miami University (MU). The school's approximately 15,770 students account for more than 70% of the city's overall population of about 22,400.

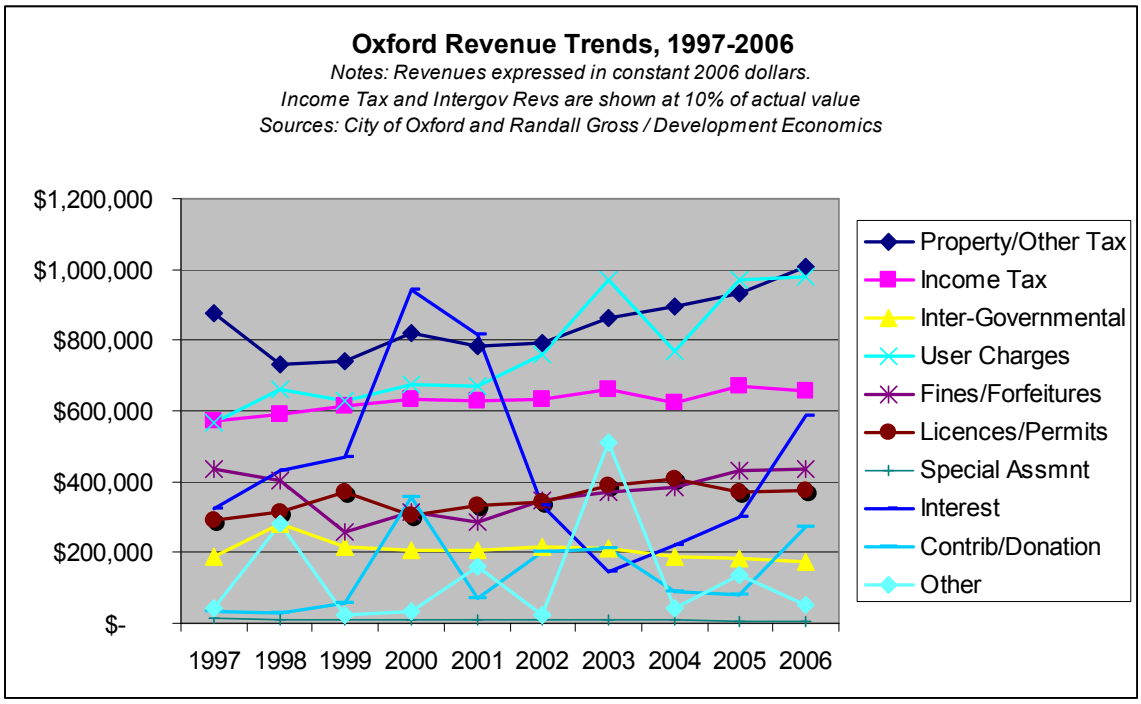
The City of Oxford is also generating interest from investments, the income from which accounts for 9% of the City's 2006 revenue stream. This interest income is the second largest source of general budget income to the City.



Like most municipalities, Oxford also receives revenue from property taxes, which account for just 7.0% of the City's revenues. A large share of the City's land base is in non-taxable ownership. In Ohio, property taxes are a main source of revenue for school districts. Residential uses account for about 66% of Oxford's assessable property base, while non-residential uses account for the remaining 34%. The Talawanda School District includes areas beyond the City of Oxford, and it is therefore less impacted by the large non-taxable property base. The school district, like the City, also derives revenue from an income tax. Other key municipal revenue sources include intergovernmental grants (8%), user charges (6%), licenses & permits (4%), fines & forfeitures (4%), and other sources. Estate taxes account for a declining share of income as this tax is being phased out.

Trends

Recent trends in Oxford revenues by source are summarized in the following chart, with all revenues shown in constant 2006 dollars. Income tax and intergovernmental revenues are shown at 10% of their total amount for comparative analysis.



In 2006, Oxford generated roughly $12.0 million in operating revenues. The budget increased in real terms from $10.2 million in 1997. The trend in real terms (after accounting for inflation) suggests that some Oxford's revenues have been increasing faster than inflation, while others are declining. For example, property tax revenues have increased steadily since 1998, at a rate faster than inflation. Income taxes have also increased faster than inflation, but not as quickly as property tax revenues. User charges, licenses, permits, and fines have also increased faster than inflation. Meanwhile, inter-governmental grants and transfers have declined in real terms since 1998. Interest income has risen and fallen with the turbulent investment cycles of the past ten years. While this income helps Oxford reduce its tax burden, the wild fluctuations in revenue are worrisome in light of reductions in more stable income from intergovernmental transfers. Contributory income and some other minor sources are also wildly unpredictable, with dramatic increases in 1998, 2000, 2003, and 2006 revenues.

Expenditures

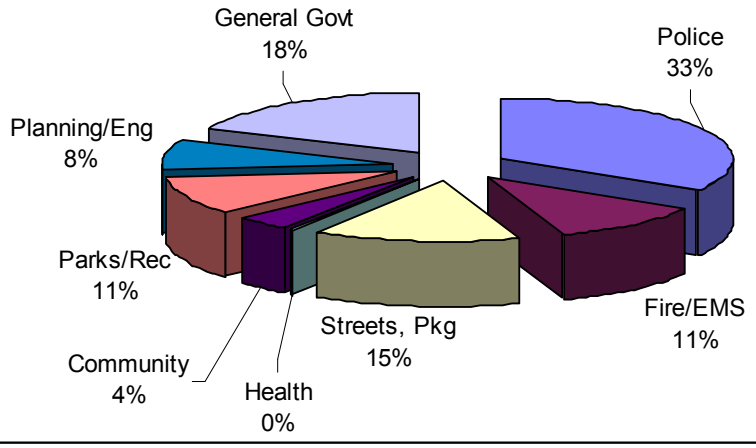
An overview of the City's expenditures was also completed in order to communicate information on the types of services that the City provides and the trends in those expenditures. Understanding these trends helps inform the planning process in terms of how land use and new development in the future will impact on the delivery of City services. These cost impacts are explored further in Section 2 of this report.

The City of Oxford provides a variety of services, but public safety accounts for a large share of the City's overall budget, with 33% for police and related funds and 11% for fire and EMS. Of the selected services, public safety is clearly an important function for the City. The City also funds streets and parking facilities that account for roughly 15% of the overall budget. General government operations are 18% of expenditures. Oxford's 2006 general budget operating expenditures are summarized by type in the following chart.

2006 Selected City of Oxford Expenditures

Note: Excludes Proprietary Funds

Sources: City of Oxford and Randall Gross / Development Economics

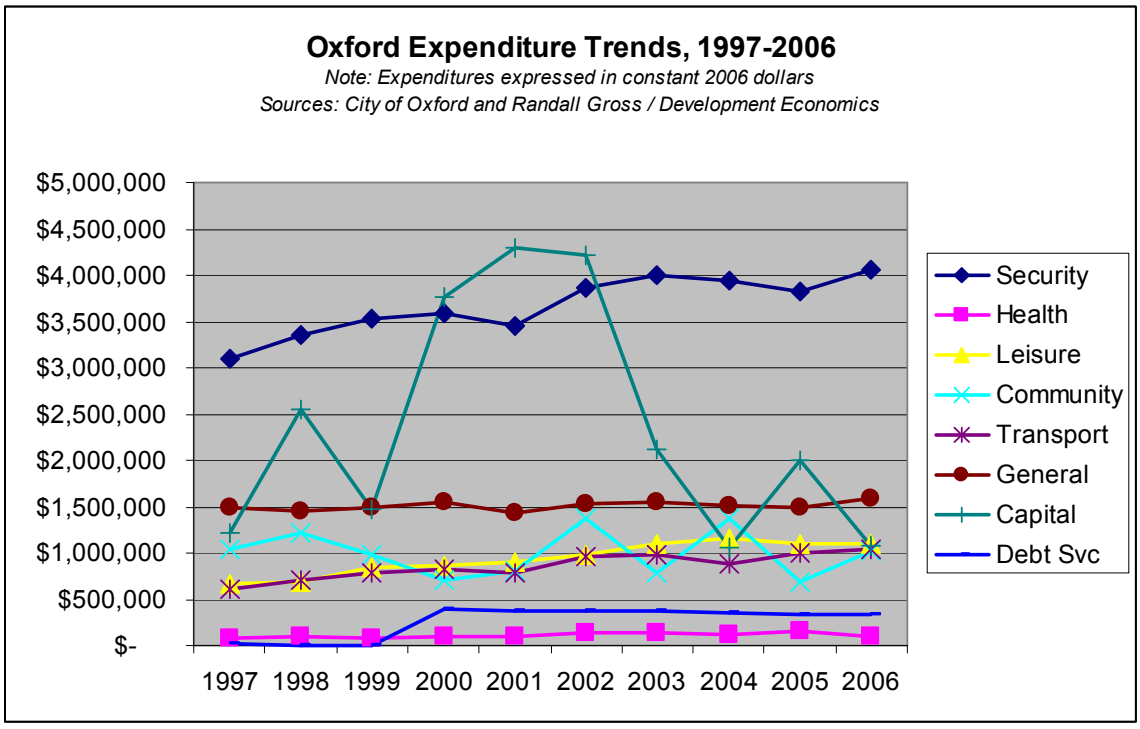


Other key City functions include parks & recreation (11%), planning and engineering (8%); and other community functions (e.g., community assistance, senior center, community development, etc. (4% collectively)).

Trends

Trends for selected types of expenditures are summarized in below, in constant 2006 dollars (accounting for inflation). In general, City expenditures have been increasing faster than inflation for all operating functions. Surprisingly, security services (police, fire/ems, etc) have seen expenditures increasing at a relatively modest rate compared with some other municipal functions. Public safety expenditures have been rising rapidly in other Ohio jurisdictions, partly because of contracts and other factors that tend to accelerate annual cost increases.

The fastest rate of increase has occurred in transportation functions, with funding increasing by 70% (after accounting for inflation) since 1997. Operating costs associated with transportation expenditures may require further analysis. Leisure budgets (including parks & recreation) have increased by 65% since 1997. Security has increased by 31%, health by 29%, and general government by 7%. Expenditures for community functions have actually decreased by 2% in real terms after accounting for inflation. The community's lower priority for health and community development may be a topic for discussion as part of the planning process.



The City has maintained a relatively stable operating balance of about $1.7 to 2.0 million during the ten-year period from 1997 to 2006, despite fluctuations in some revenues and in capital spending.

Capital Planning

The City of Oxford and its various funds maintain 5-Year Capital Improvements Plans (CIP) and the City finances many of these improvements through debt financing (with a limited amount paid from the operating budget). The City's CIP (excluding the Enterprise Funds) has a current budget of $5.38 million with $3.34 million set aside for City Hall. Smaller amounts are set aside for street improvements and recreation facilities.

General Budget Capital Spending

Capital spending (aside from Enterprise Funds) increased dramatically during the period from 2000 to 2002, when spending peaked at about $4.3 million per annum. Capital spending has since fallen to about $1.0 million in 2006. Supporting debt service has remained constant at less than $500,000 per year since 2000.

Enterprise Funds

The City has enterprise funds, or self-operating funds that generate revenues from a fee structure designed to recover 100% of the costs for providing services. Such funds operate the City's water and sewer divisions.

Section 2. LAND USE FISCAL IMPACTS

This section summarizes net fiscal benefits of development by land use for the City of Oxford and the Talawanda School District. Findings from the fiscal impact analysis are presented first on a per-acre basis and then on a per-unit basis. The charts summarize the net annual fiscal benefits by specific land use type or zoning district. Appendix tables provide more detailed input for both the City and the Schools. The land uses examined include the following as defined through zoning or by the City:

1. Residential (RES)
    a. Single-Family
    b. 2/3-Family
    c. Condominium
    d. Multi-Family (4+)
2. Retail (RET)
3. Office (OFF)
4. Industrial (IND)

Residential uses were disaggregated into four types (based on available data) that relate somewhat to housing density. However, there was also an effort to understand the impacts of single-family housing that has been converted into 2 or 3 flats, as well as larger unit houses and multi-family apartments.

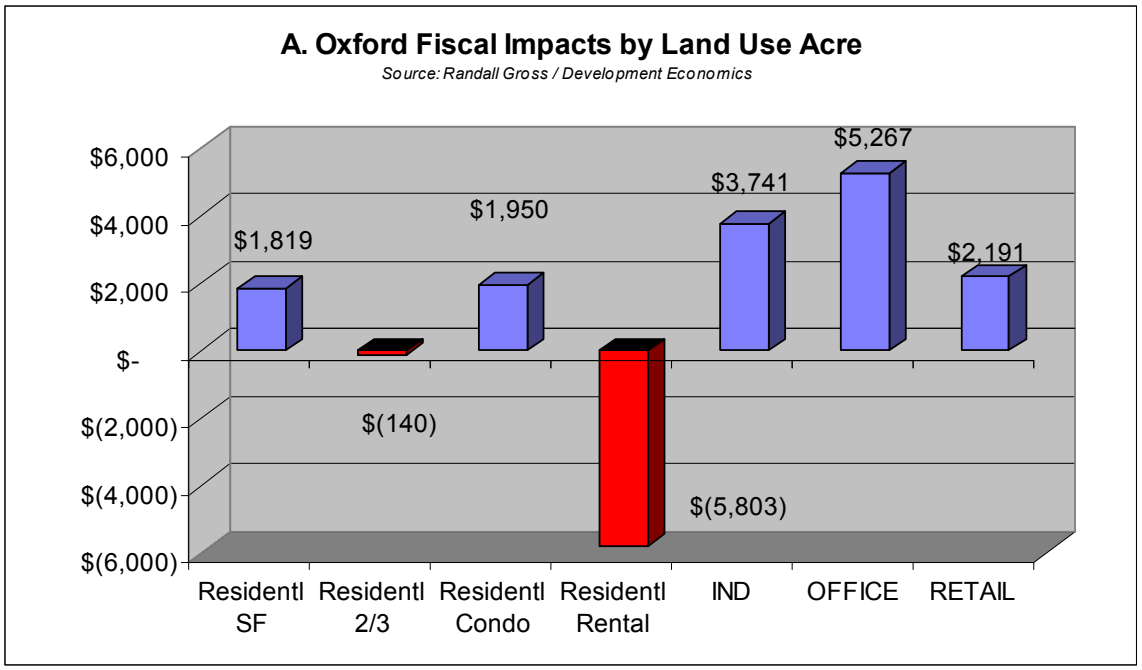
The "net" fiscal benefits result from revenues (such as taxes) generated annually to the City of Oxford, less the annual or recurring costs (such as City administration, police, parks, etc) generated for seven land use types. Schools are examined separately from the City Government. Capital & debt service costs, enterprise funds, and capital development funds are excluded since this analysis focuses on the long-term annual fiscal impacts of different land uses.

City of Oxford

In general, owner-occupied single-family and condominium residential units produce a positive fiscal impact on the City of Oxford in that the revenues they generate are higher than the costs for providing services to them. On the other hand, 2-5 family and multi-family student rental-tenure units are currently generating a drain on the City, since revenues such as those derived from property taxes are not quite sufficient to cover the costs associated with this type of housing in the current market. It is possible that owner-occupied duplexes, triplexes, or quads could generate enough property, income, and other tax revenue to more than pay for themselves.

Land Use Impacts per Acre

The highest net *benefits* per-acre are generated by office and industrial uses. Retail use is also generating a positive impact on Oxford, counter to trends in other Ohio municipalities where retail is a drain on the local budget. Owner-occupied and single-family units are also generating a positive net impact on the City on an annual basis. As noted below, houses with at least two units and multi-family units are generating a negative net fiscal impact on the City of Oxford's operating budget. These impacts are summarized on a per-acre basis Chart A.



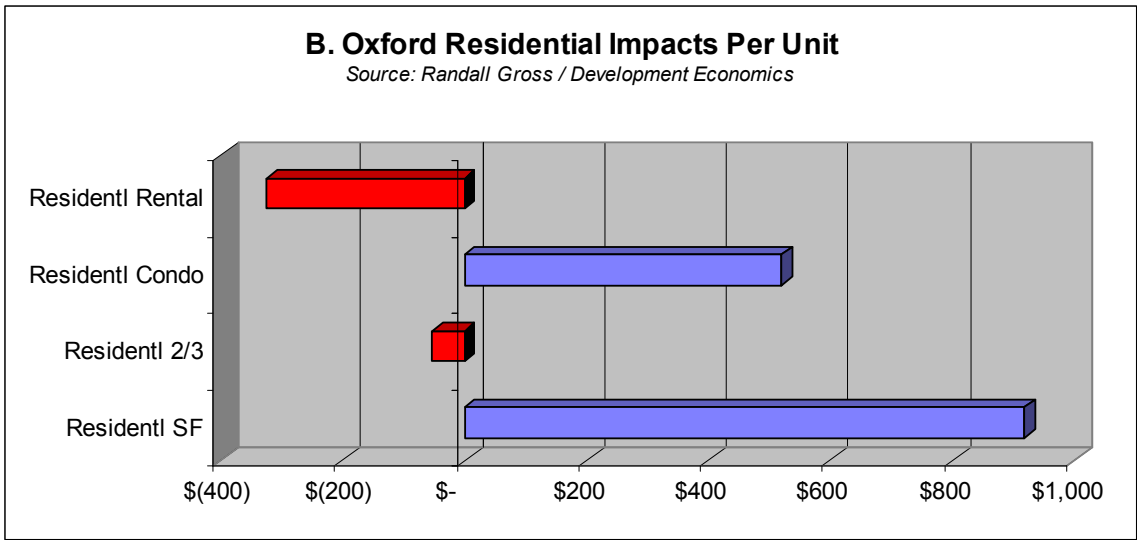
The impact of higher-density residential areas is no doubt influenced by the preponderance of student housing units, which generate much lower income tax revenue to the City because the students either hold low-wage jobs or are not working while they attend school. Age demographics also impact on the multi-family housing, since there is a larger senior population in such housing. However, if specific senior housing projects are excluded from the fiscal model, there is only a $25 positive difference in the impact per unit. As such, there are other significant factors that are having a deleterious impact on multi-family housing.

Industrial and office uses generate a relatively high fiscal gain to the City, primarily because of the benefit of income taxes resulting from high-wage jobs. These uses also produce lower per-acre costs for providing City services. For example, office and industrial tenants require less park and recreation use than do households.

Retail uses are generating relatively high costs to the City, primarily because such uses generate higher traffic counts that in turn produce wear and tear on City streets, resulting in higher maintenance costs. Since street maintenance and related expenses are an important component of the City budget, uses like retail that generate more traffic therefore produce higher costs for the City than lower-traffic uses. These costs are compounded by the fact that some of the City's public safety costs also relate to traffic, such as through traffic accidents, along with drunk driving, auto theft, and driving infractions. Even so, the city's retail uses generate sufficient tax revenues to overcome the effects of traffic and other costs.

Land Use Impacts per Residential Unit

The fiscal impacts per land use were also analyzed on a "unit" basis, such as for individual housing units (DU), or in terms of square feet of retail, office, or industrial space. Per-unit measures provide a more accurate one-to-one measure of impact since they reduce the influence of scale and density on the findings. The results per residential development unit are summarized below.



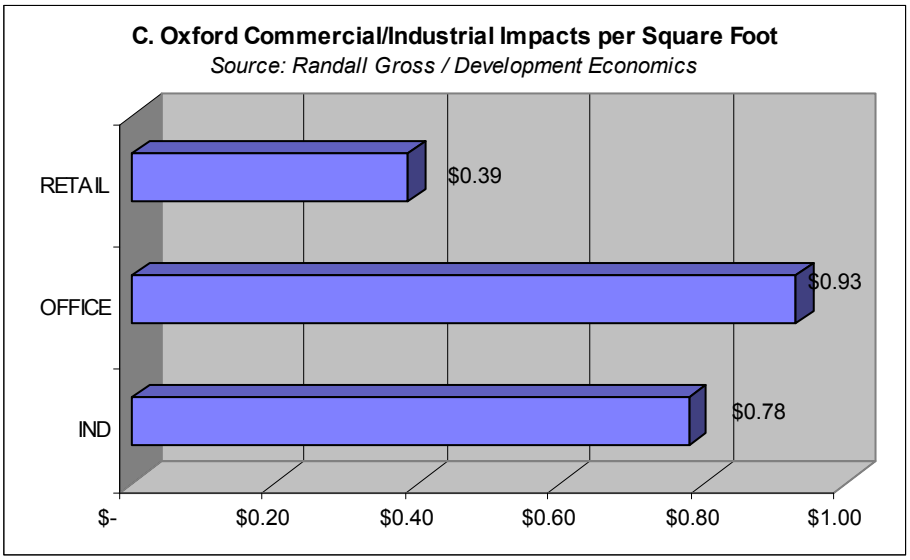
Lower-density single-family residential units generate a positive impact on the City, largely because of the high tax revenues produced by these properties in relation to the cost of providing City services to them on a per-unit basis. In particular, Oxford's more affluent residents generate a significant share of the City's income tax revenues by virtue of their living in the city (even if they work elsewhere).

Multifamily buildings and houses with more than one residential unit currently generate a negative fiscal return to Oxford. As with low-density housing, higher-rent and higher-value units will generate higher tax revenues,

and also attract higher-income workers thereby generating more income taxes to the City.

Impacts per Commercial Square Foot

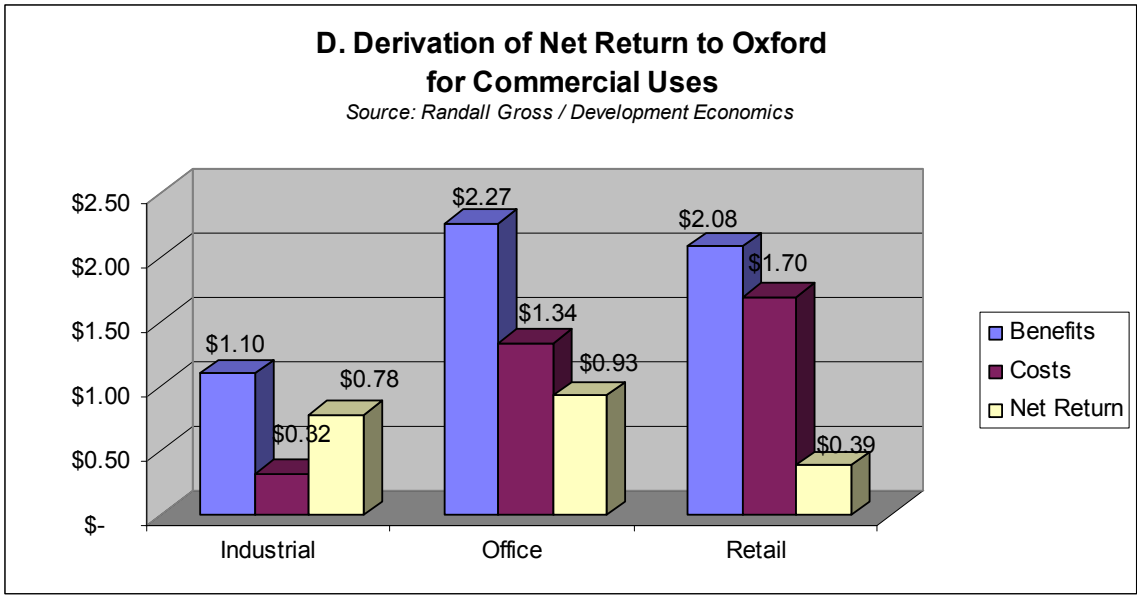
Impacts were examined on a per square-foot basis for commercial and industrial uses. The findings from this analysis are summarized in the chart that follows.



Office and industrial space generate a net positive fiscal benefit to the City of Oxford. Office space generates a net return of about $0.93 per square foot, while industrial space generates a return of about $0.78 per square foot. Retail space also generates a positive benefit, although somewhat lower at $0.39 per square foot.

The fiscal impacts per unit and per acre will vary depending on the densities allowed for development. These analyses are based on typical densities for development. Clearly, any variation in density or type of development will impact on these findings and, in particular, on the results provided on a per-acre basis.

Components of Commercial Impacts. The following chart summarizes the components of the fiscal impacts for retail, office, and industrial uses. As illustrated here, the gross benefits for retail and office use are quite high as compared with that of industrial uses. However, the fiscal costs of serving industrial uses are much lower than those for serving retail. As a result, the net fiscal costs are much higher for retail use. Similarly, while the costs of providing municipal services to office space are higher than those for industrial uses, the benefits of office space (in terms of property taxes, income taxes, etc) far outweigh those of industrial uses. Thus, the net fiscal benefit of office space is much higher than that for industrial uses.



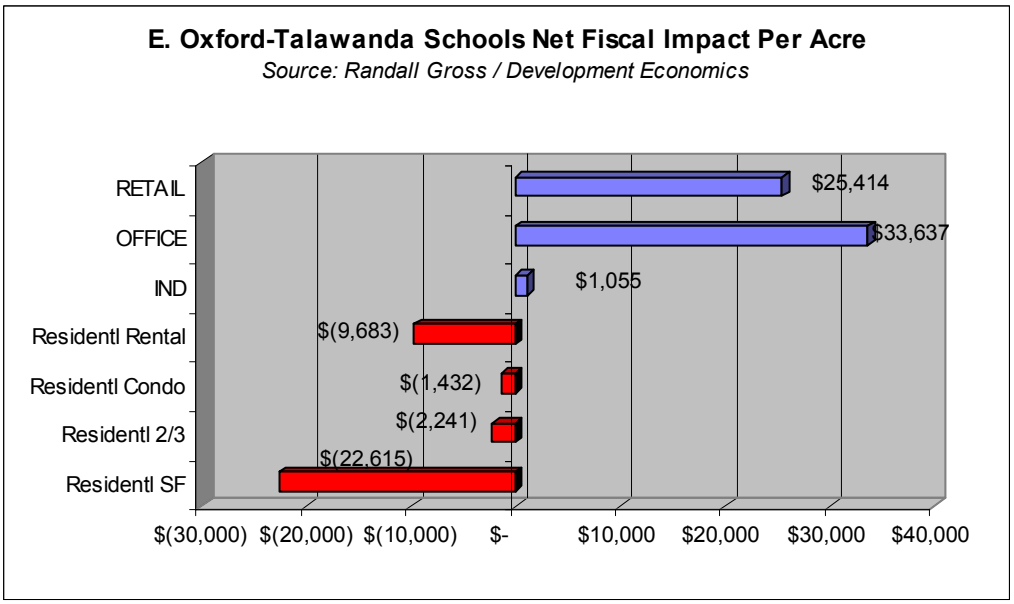
Industrial uses generate the lowest cost in City services, at $0.32 per square foot, versus $1.34 for office and $1.70 for retail. Gross revenue benefits are highest for office, at $2.27 per square foot, versus $2.08 for retail and $1.10 for industrial.

Talawanda Schools

The fiscal impact analysis also determined the net fiscal benefits to local the Oxford portion of Talawanda Schools. In this case, costs are generated almost solely by residential uses, the source of school enrollment. Commercial retail, office, and industrial uses do not generate students and, as a result, help cross-subsidize school operating costs.

Land Use Impacts per Acre

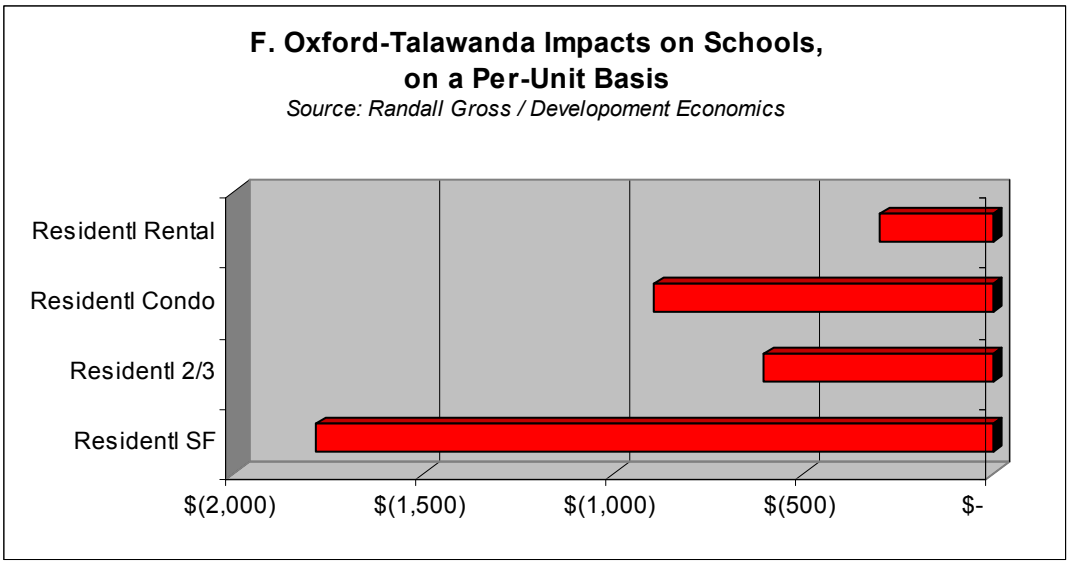
Oxford's residential uses fail to recoup their share of the cost for operating schools. Much of that benefit is provided by non-residential uses, particularly office.



While all residential units have a negative impact on schools, condominiums and duplex/triplex units have a smaller impact because they are estimated to generate fewer school pupils per unit. Multifamily units have a relatively high impact per acre, but multi-family densities are much higher.

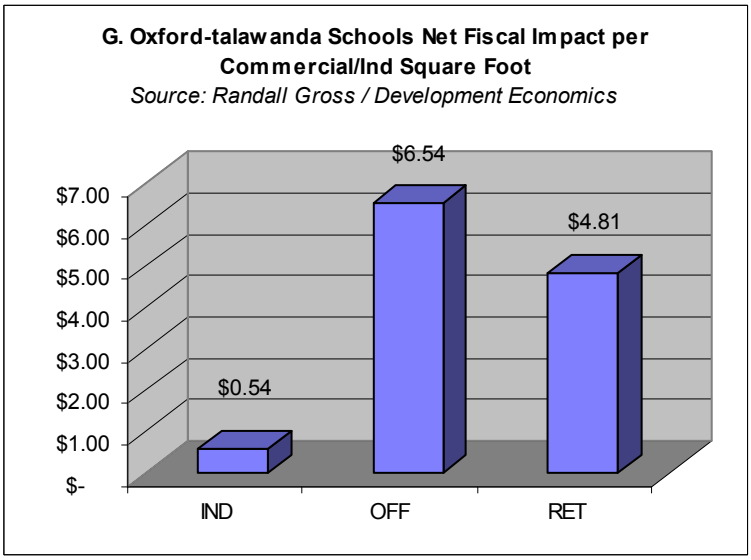
Land Use Impacts per Residential Unit

Single-family residential units are generating the highest fiscal costs to the schools, mainly because this housing is *likely* to yield larger numbers of pupils. The fiscal costs to schools associated with residential uses relate partly to the student population or "pupil yield" generated by those users. The fiscal benefits to schools include property tax revenues but also income taxes and grant revenues generated through the public school funding formulas.



Land Use Impacts per Commercial Square Foot

Commercial and industrial uses generate a net positive fiscal benefit to schools because they do not generate any substantial costs to the operation of schools. The fiscal benefits created by commercial and industrial uses are summarized in Chart G.



Office uses generate a fiscal return to schools of $6.54 per square foot. Development of retail can have a much higher net benefit to Oxford schools ($4.81) than that of industrial space ($0.54 per foot).

Summary

The overall combined impacts per acre on the City and Schools is summarized in Appendix Table 10. The fiscal impact analysis generally finds that office, retail, and industrial uses have net positive fiscal impacts on both the schools and the City budget. Office and industrial uses generate significant income taxes and other revenues that more than pay for their relatively limited demands on local government. Furthermore, these uses help subsidize the cost of operating schools.

Single-family houses with more than one unit and units in multi-family buildings currently generate a negative impact on Oxford City government. These units are most likely to house students who are not generated the high income taxes that are necessary to support the costs of providing services in Oxford. On the other hand, because of its low pupil yields, multi-family units (especially senior housing) does not have as negative an impact on area schools. By contrast, single-family housing units typically have higher pupil yields and generate a negative return to the school system even though they support the cost of City services through higher tax revenues.

As this fiscal model is refined with community input during the course of the comprehensive planning process, strategic recommendations will be provided to help ensure that Oxford's planning process accounts for the fiscal ramifications of development.

Supporting Tables

OXFORD CITY-WIDE ANALYSIS:

Oxford Gross Fiscal Benefits by Land Use

Table A-1. GROSS FISCAL BENEFITS BY LAND USE, OXFORD, OHIO, 2006

Use		Factor	Measure		Per Acre
Residentl SF	$	1,580	DU	$	3,128
Residentl 2/3	$	773	DU	$	2,039
Res Condo	$	1,035	DU	$	3,883
Residentl MF	$	173	DU	$	3,087
Industrial	$	1.10	SF	$	5,267
Office	$	2.27	SF	$	12,829
Retail	$	2.08	SF	$	11,798

Source: Randall Gross / Development Economics.

Oxford Fiscal Costs by Land Use (*Tables 2-5)*

Table A-2. ADMINISTRATIVE / O&M FISCAL COSTS BY OXFORD, OHIO, 2006

Use		Factor	Measure		Per Acre
Residentl SF	$	222	DU	$	440
Residentl 2/3	$	219	DU	$	578
Res Condo	$	217	DU	$	812
Residentl MF	$	220	DU	$	3,925
Industrial	$	0.25	SF	$	1,186
Office	$	0.19	SF	$	1,085
Retail	$	0.41	SF	$	2,329

Source: Randall Gross / Development Economics.

Table A-3.	**SAFETY COSTS BY LAND USE, OXFORD, OHIO, 2006**				
Use	**Factor**		**Measure**		**Per Acre**
Residentl SF	$	307	DU	$	608
Residentl 2/3	$	530	DU	$	1,398
Res Condo	$	191	DU	$	717
Residentl MF	$	242	DU	$	4,331
Industrial	$	0.02	SF	$	96
Office	$	1.09	SF	$	6,189
Retail	$	1.23	SF	$	6,991
Source:	Randall Gross / Development Economics.				

Table A-4.	**PARKS COST BY LAND USE, OXFORD, OHIO, 2006**				
Use	**Factor**		**Measure**		**Per Acre**
Residentl SF	$	132	DU	$	261
Residentl 2/3	$	77	DU	$	204
Res Condo	$	108	DU	$	404
Residentl MF	$	35	DU	$	634
Industrial	$	0.05	SF	$	243
Office	$	0.05	SF	$	288
Retail	$	0.05	SF	$	288
Source:	Randall Gross / Development Economics.				

Table A-5.	**TOTAL FISCAL COSTS BY LAND USE, OXFORD, OHIO, 2006**				
Use	**Factor**		**Measure**		**Per Acre**
Residentl SF	$	661	DU	$	1,309
Residentl 2/3	$	826	DU	$	2,180
Res Condo	$	515	DU	$	1,933
Residentl MF	$	498	DU	$	8,890
Industrial	$	0.32	SF	$	1,526
Office	$	1.34	SF	$	7,562
Retail	$	1.70	SF	$	9,607
Source:	Randall Gross / Development Economics.				

Oxford Net Fiscal Benefits by Land Use – Summary

Table A-6.	**NET FISCAL BENEFITS BY LAND USE, OXFORD, OHIO, 2006**			
Use	**Factor**		**Measure**	**Per Acre**
Residentl SF	$	919	DU	$ 1,819
Residential 2/3	$	(53)	DU	$ (140)
Res Condo	$	520	DU	$ 1,950
Residentl MF	$	(325)	DU	$ (5,803)
Industrial	$	0.78	SF	$ 3,741
Office	$	0.93	SF	$ 5,267
Retail	$	0.39	SF	$ 2,191
Source:	Randall Gross / Development Economics.			

OXFORD SCHOOL IMPACTS *(Tables 7-9)*

Tax Revenues by Land Use

Table A-7.	**SCHOOLS TAX & GRANT BENEFIT BY LAND USE, OXFORD, OHIO, 2006**			
Use	**Factor**		**Measure**	**Per Acre**
Residentl SF	$	2,123	DU	$ 26,975
Residentl 2/3	$	1,028	DU	$ 3,821
Res Condo	$	1,381	DU	$ 2,222
Residentl MF	$	336	DU	$ 11,003
Industrial	$	0.54	SF	$ 1,055
Office	$	6.54	SF	$ 33,637
Retail	$	4.81	SF	$ 25,414
Source:	Randall Gross / Development Economics.			

School Costs by Land Use

Table A-8.	**SCHOOLS FISCAL COSTS BY LAND USE, OXFORD, OHIO, 2006**			
Use	**Factor**	**Measure**		**Per Acre**
Residentl SF	$ 3,902	DU	$	49,589
Residentl 2/3	$ 1,631	DU	$	6,063
Res Condo	$ 2,271	DU	$	3,655
Residentl MF	$ 631	DU	$	20,686
Industrial	$ -		$	-
Office	$ -		$	-
Retail	$ -		$	-
Source:	Randall Gross / Development Economics.			

Oxford Schools Net Impacts by Land Use

Table A-9.	**NET SCHOOLS FISCAL BENEFITS BY LAND USE, OXFORD, OHIO, 2006**			
Use	**Factor**	**Measure**		**Per Acre**
Residentl SF	$ (1,779)	DU	$	(22,615)
Residentl 2/3	$ (603)	DU	$	(2,241)
Res Condo	$ (890)	DU	$	(1,432)
Residentl MF	$ (296)	DU	$	(9,683)
Industrial	$ 0.54	SF	$	1,055
Office	$ 6.54	SF	$	33,637
Retail	$ 4.81	SF	$	25,414
Source:	Randall Gross / Development Economics.			

Oxford Combined City and Schools Impact

Table A-10.	**NET FISCAL BENEFITS BY LAND USE, OXFORD CITY/TALAWANDA SCHOOLS COMBINED, 2006**			
Combined	**Factor**		**Measure**	**Per Acre**
Residentl SF	$	(861)	DU	$ (20,795)
Residentl 2/3	$	(656)	DU	$ (2,382)
Res Condo	$	(370)	DU	$ 518
Residentl MF	$	(620)	DU	$ (15,486)
Industrial	$	1.33	SF	$ 4,796
Office	$	7.47	SF	$ 38,904
Retail	$	5.20	SF	$ 27,605
Source:	Randall Gross / Development Economics.			