



**T**his chapter examines tax base strength and diversity in two ways: tax base per household and tax base per developed acre of land within the community. Tax base, as used in this report, is defined as the total County Equalized Value (CEV), which represents one half of the true cash value of taxable real and personal property.

### **SUMMARY**

The following summarizes the major issues identified from the tax base analysis for Lenox Township:

1. Overall, Lenox Township has the 8<sup>th</sup> highest assessed value in Macomb County compared to all other townships.
2. Compared with other townships in the County, Lenox Township ranks high in terms of non-residential and ranks about average for residential CEV per household.
3. The higher ratio of CEV per household for Lenox Township may be due in part to the small number of housing units within the Township compared with similar townships.

4. When compared to developed acreage, the taxable value for Lenox Township does not fare as well as that experienced with a per household analysis. Lenox Township ranks 4<sup>th</sup> among its adjacent townships with respect to Total CEV per developed acre. Lenox Township also ranks 4<sup>th</sup> among its adjacent townships with respect to non-residential CEV per developed acre.
5. The differences between a per household CEV and a per developed acre CEV could be attributable to a number of factors including total number of housing units/density in the community; the age of the housing stock compared with adjacent townships, larger lot sizes with smaller, less expensive homes; and that Lenox Township's non-residential development is more land consumptive than other types of industrial or commercial developments.
6. Over the past 4 years, the value of new non-residential development has been increasing at a faster rate than the value of new residential development. In terms of municipal costs, this is a positive trend since the cost of providing municipal services to residential is higher than the cost associated with non-residential development in terms of the revenue received from each use.
7. About 58% of the value associated with new non-residential development came from industrial uses and 42% from commercial uses. Typically commercial development would place more service burden on Township and is not as fiscally desirable as research office and industrial developments.
8. Based on the most recent new construction trends in Lenox Township, it appears future increases in taxable value due to new construction for non-residential versus residential will increase compared to that experienced in 2001.

In order to maintain and improve the current tax base composition, the Township should consider the following areas as part of their overall evaluation of growth trends:

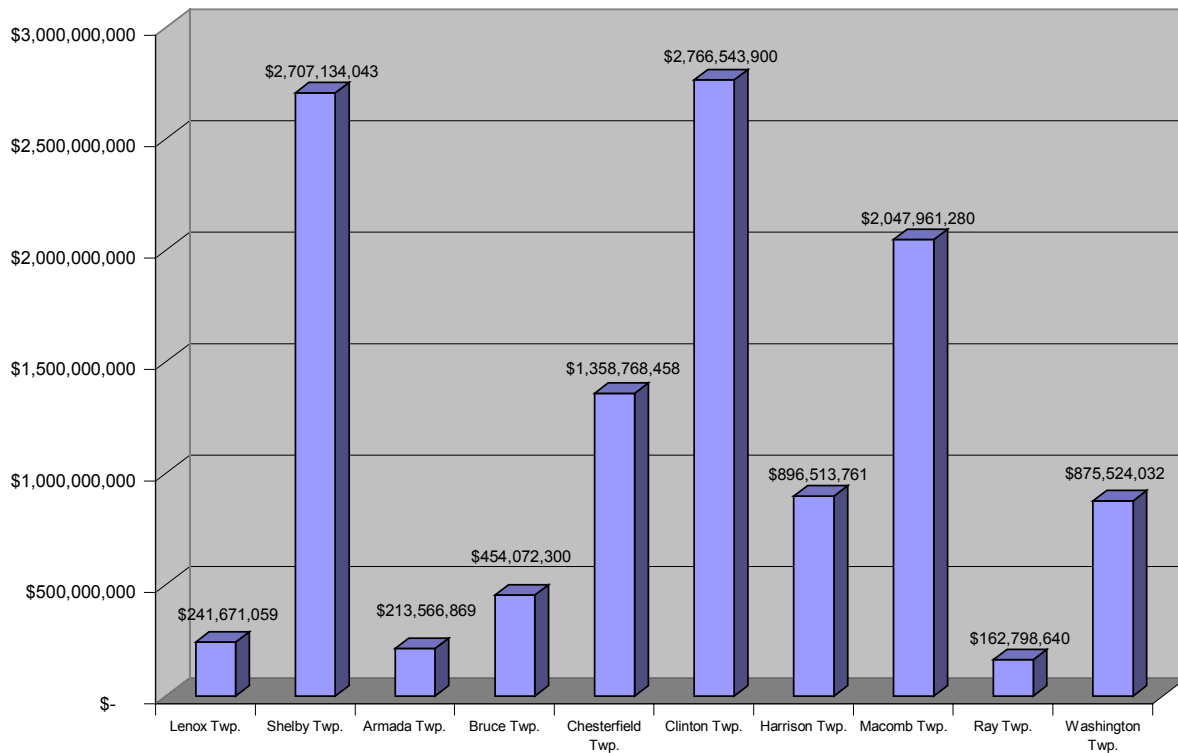
- The Township's current tax base is strong and should be maintained. For future nonresidential development, the Township should look towards encouraging high-tech office, research and development, and industrial uses that produce more revenue and demand less in municipal services.
- Looking from a tax base standpoint, the Township could consider additional residential development without significantly altering future tax base composition.

- ❑ The update of the Township’s Master Plan should examine the infrastructure and service demands that will result from different types of land uses. The findings of that examination should be considered when determining appropriate future land uses.
- ❑ While the Township should encourage new development that makes a positive contribution to its tax base, it must also promote new development that contributes to the service needs of the Township’s residents.

## OVERALL TAXABLE VALUE

As shown in Figure TAX-1, Lenox Township ranks 8<sup>th</sup> in terms of total CEV compared with all other Townships in Macomb County. The highest-ranking township is Clinton.

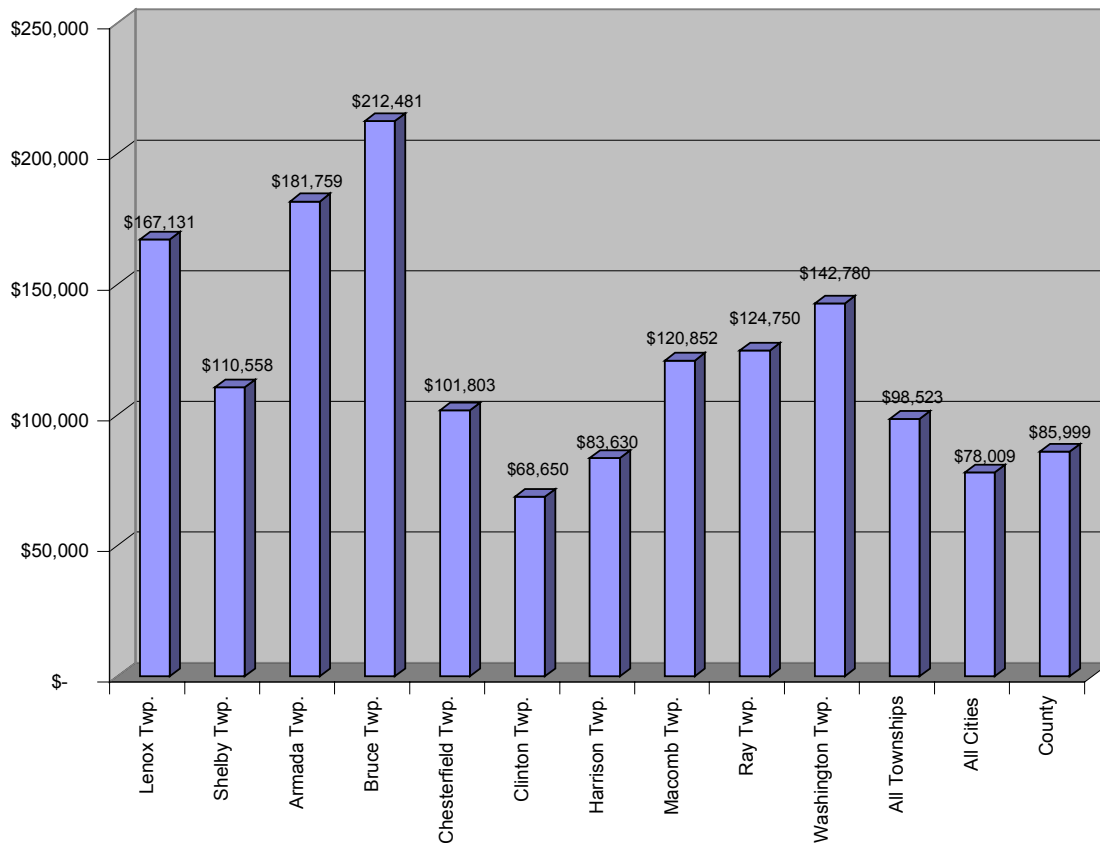
Figure TAX-1  
**Total CEV For All Townships, 2001**  
 Source: 2001 Equalization, Macomb County



## TAX BASE PER HOUSEHOLD

In 2001, Macomb County had an average CEV per household of \$85,999. As shown on Chart Tax-2, all cities within the County averaged \$78,009 per household and Townships \$98,523 CEV per household. Lenox Township's average CEV per household ranks 3<sup>rd</sup> among Macomb County townships included in this study. Lenox's CEV per Household is also higher than the average CEV per household for all townships and the entire county. Among the Macomb County townships near Lenox (Armada, Ray, Macomb, Chesterfield, and Richmond) Lenox has the 2<sup>nd</sup> highest CEV per household.

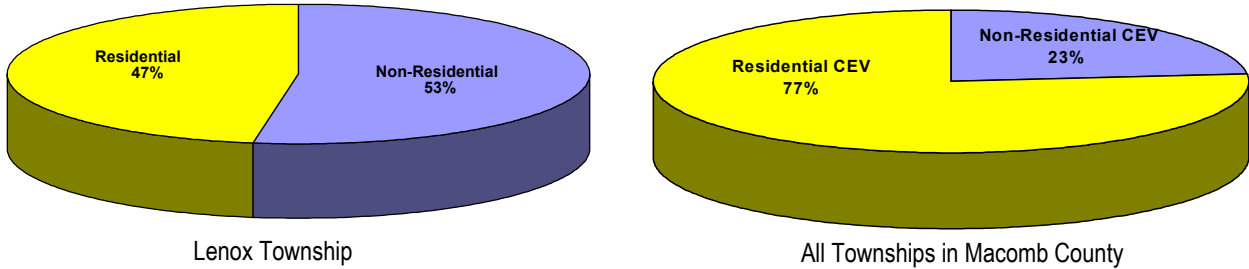
Figure TAX-2  
**Total CEV Per Household, 2001**  
 Source: 2001 Equalization, Macomb County; 2000 US Census



To more fully evaluate the strength of a community's tax base, it is also important to examine the composition of the tax base. This chapter examines two main categories of real and personal property, residential and non-residential.

Figure TAX-3  
**Lenox Township's Residential Tax Base, As A Percent of Total Tax Base,  
 Compared to All Township's in Macomb County**

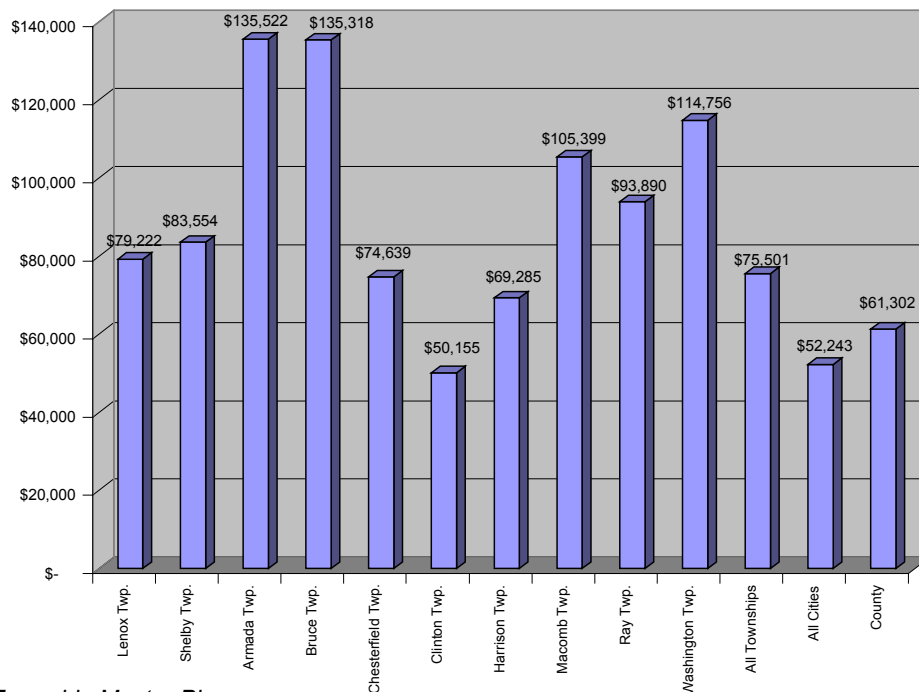
Source: 2001 Equalization, Macomb County



As shown in Figure TAX-3, Lenox Township's residential tax base, as a percent of total CEV, is significantly lower than the average of all other townships within the County. CEV for Residential and Non-residential uses have a near equal share of the total CEV for the Township. However, as shown in Figure TAX-4, Lenox Township's residential CEV per household ranks 6<sup>th</sup> among the townships in Macomb County, which is lower than the Township's ranking for total CEV per household. The Township's residential CEV per household is higher than the township average in Macomb County of \$75,501 per household or the entire county's average, including cities, of \$61,302. The difference in total CEV per household compared with Residential CEV per household is an indicator of the strength of Lenox Township's non-residential tax base. This strength is also reflected in Figure TAX-3 above that identifies the significant difference in the % of non-residential tax base in Lenox compared with the County average.

Figure TAX-4  
**Residential CEV Per Household**

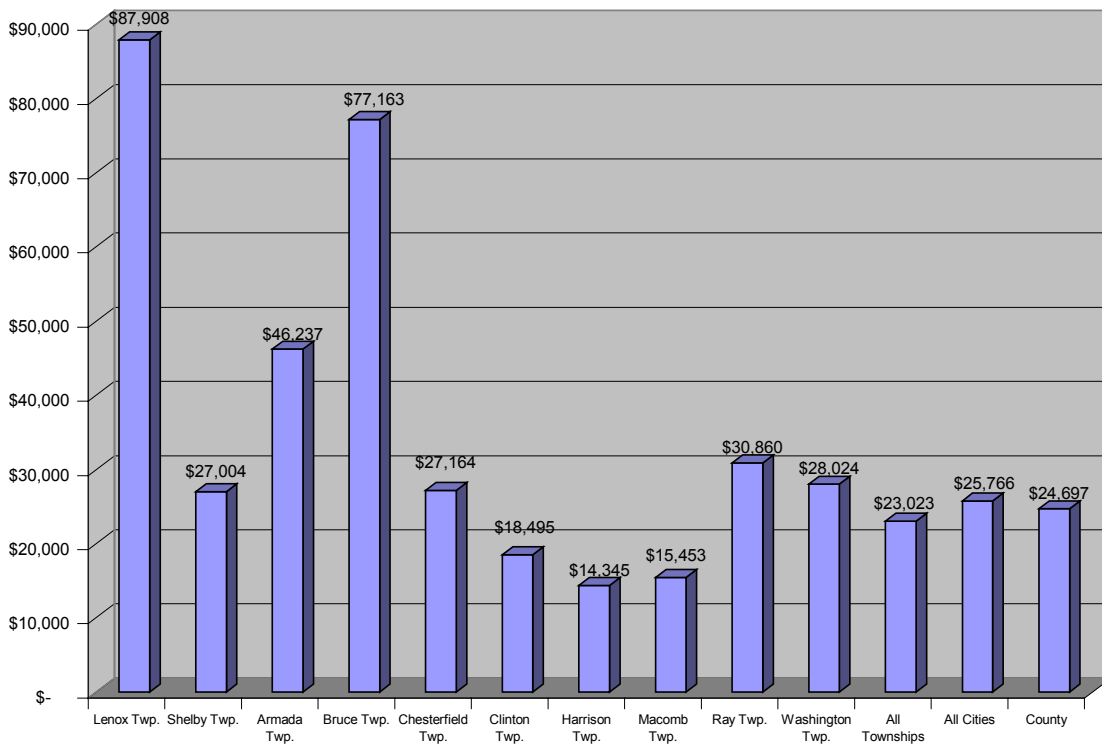
Source: 2001 Equalization, Macomb County



Lenox Township's non-residential CEV per household ranks 1<sup>st</sup> among other townships in Macomb County. Lenox Township also out ranks the average non-residential CEV per household for all cities in Macomb County. Factors affecting this outcome include fewer number of households compared with other townships (only two other townships have fewer households than Lenox) and a higher taxable value from industrial classified projects including Pine Tree Acres.

Figure TAX-5  
**Non-Residential CEV Per Household**

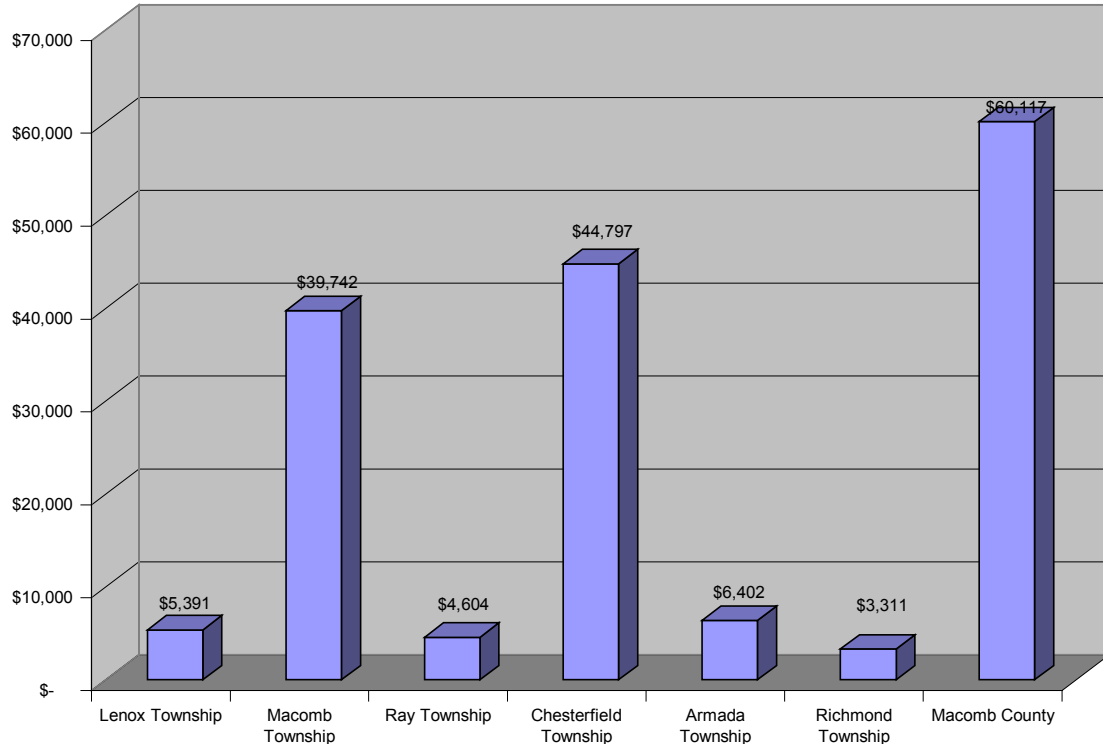
Source: 2001 Equalization, Macomb County



## TAX BASE PER DEVELOPED ACRE

Another method of examining tax base strength is CEV per developed acre <sup>1</sup>. As Figure TAX-6 illustrates, Lenox Township's Total CEV per developed acre is lower than the County average and ranks 4th in comparison to adjacent townships surveyed in the County.

Figure TAX-6  
**Total CEV Per Developed Acre**  
Source: 1997 Equalization, Macomb County and 1995 SEMCOG Land Use Survey

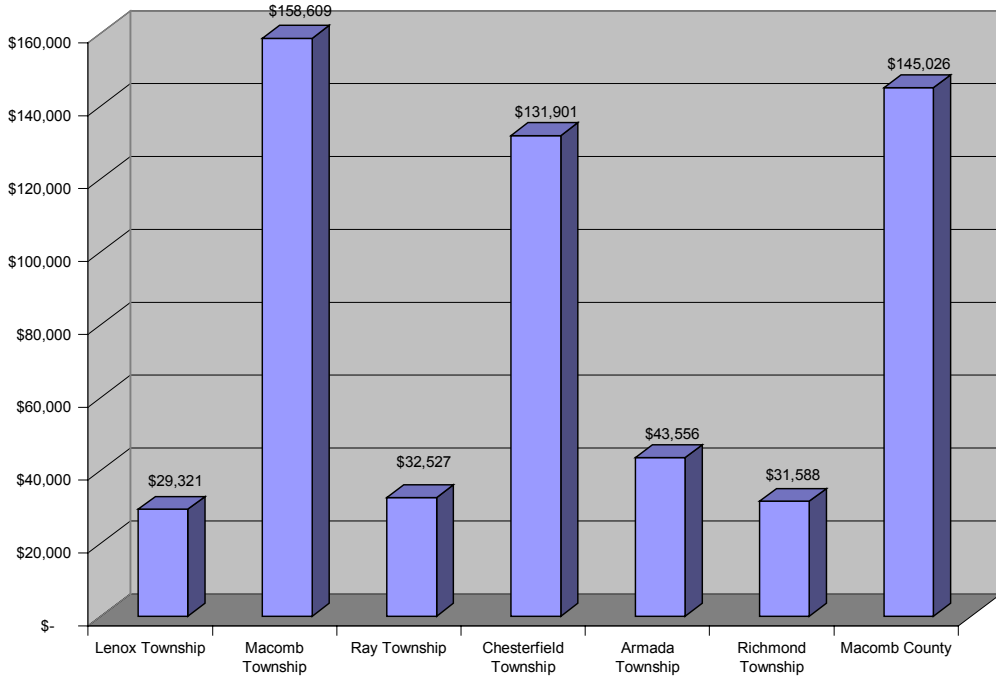


As shown in figure TAX-7, Lenox Township's residential CEV per acre of residential development ranks last among the other townships surveyed and is less than the County's average. This is in stark contrast with the Township's ranking when looking at taxable value on a per household level. This characteristic can likely be explained by large average lot sizes in Lenox Township combined with a relatively older housing stock. This trend will likely reverse as new homes are build on increasingly smaller homesites.

<sup>1</sup> The CEV per developed acre analysis is based on SEMCOG 1995 Land Use Summaries and 1997 CEV data from Macomb County Equalization. In addition, the developed acreage data does not include public and quasi-public land uses because they are tax exempt.

**Figure TAX-7**  
**Residential CEV Per Residential Developed Acre**

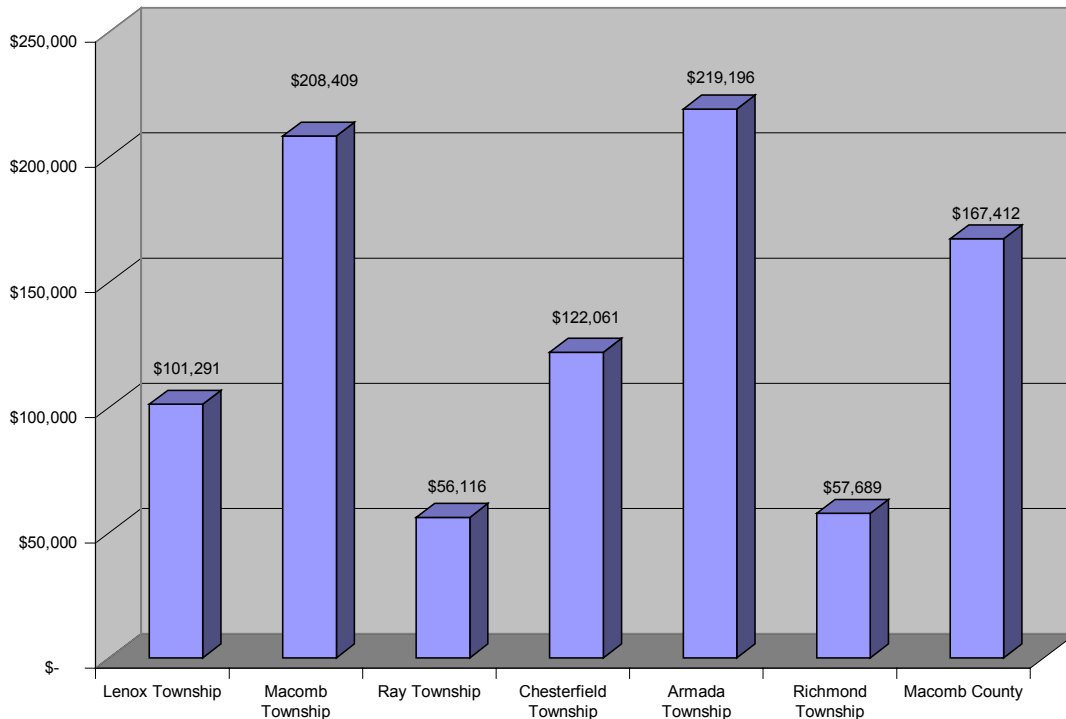
Source: 1997 Equalization, Macomb County and 1995 SEMCOG Land Use Survey



Lenox Township's non-residential CEV per acre of non-residential development also ranks 4<sup>th</sup> among it's adjacent townships. Non-residential CEV is lower than the County average.

**Figure TAX-8**  
**Non-Residential CEV Per Non-Residential Developed Acre**

Source: 1997 Equalization, Macomb County and 1995 SEMCOG Land Use Survey



## TAX BASE COMPARISON

Numerous studies have been conducted that indicate different types of land uses demand various levels of municipal services, such as schools, fire/police protection, sewer and water, road infrastructure, etc. <sup>2</sup> Because this range in the demand for services precipitates varying municipal expenditures, it is important for communities to evaluate the composition of their tax base. There are also questions related to quality of life, including traffic, noise, and other environmental impacts. The following sections describe the cost-revenue impacts of different land uses and provide a brief description of Lenox Township's tax base composition.

### **Who Uses Municipal Services & Who Pays For City Services**

Recent studies of the sources of local revenues and the corresponding costs of services have identified the importance of a balanced tax base. The University of Michigan School of Natural Resources and Environment completed a Cost Of Community Services Study (COGS) for a rural Washtenaw County township similar to several studies done elsewhere by the American Farmland Trust. The University of Michigan study found that residential land uses in the township used \$1.40 in services for every \$1.00 of tax revenue from that same source. By comparison, commercial and industrial uses demanded only \$0.26 worth of services for every \$1.00 of property taxes paid.

While the results from the above study may have been somewhat exaggerated by the very rural nature of the subject township, they support the basic results of other similar studies. In general, residential uses demand services that cost more than the tax revenues those same residential uses generate. The exact opposite is true of such uses as office, retail, industrial and research.

### **The Growth Equation - Fiscal Impacts of Growth**

Other studies regarding the fiscal impact of growth and development make one very similar point: there is always cost associated with growth. The only debate has to do with how large or small that cost might be. The main discussion within any community involves how the cost of the expected growth and development will be paid.

In a February 1997 presentation at Michigan State University, noted professor and author Dr. Robert Burchell pointed out that single family home development represents 80 percent of the new development in the United States and consumes 90 percent of the land required for development. He also presented a cost-revenue hierarchy of land uses which identified

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<sup>2</sup> Mark Wyckoff, "Fiscal Impact of Growth Revisited", *Planning and Zoning News*, Vol. 15, No. 10, August 1997, pp. 4-6

Michael J. Kinsley, L. Hunter Lovins, "Paying For Growth, Prospering from Development", *Planning and Zoning News*, Vol. 13, No. 9, July 1997, pp. 11-16.

Mark Wyckoff, "Fiscal Impact of Growth", *Planning and Zoning News*, Vol. 11, No. 3, January 1993, pp. 5.

land uses that provide the most revenue to a community while requiring little in output of local capital and operating costs and those land uses which create the opposite effect.

Municipal Gain (+) ↑	Research Office Parks Office Parks High-Rise/Garden Apartments (Studio/1 bedroom) Age-restricted Housing	↑          School District Gain (+)  School District Loss (-) ↓
Municipal Break Even	Garden Condominiums (1-2 bedrooms) Open Space	
Municipal Loss (-) ↓	Retail Facilities Townhouses (2-3 bedrooms) Expensive Single-family Homes (3-4 bedrooms) Townhouses (3-4 bedrooms) Inexpensive Single-family Homes (4+ bedrooms) Garden Apartments (3+ bedrooms) Mobile Homes	

Source: "The Growth Equation (excerpts from a presentation entitled "Fiscal Impacts of Sprawl")", *Planning and Zoning News*, August, 1997

As Burchell's hierarchy suggests, Research Office Parks provide the most dollars in the form of tax revenue to municipalities and school districts while requiring the least amount of public expenditure. Most residential land uses provided opposite results for municipalities. While Burchell's study does provide meaningful analysis of public revenue versus cost, it does not take into account other costs and benefits associated with development such as benefits for providing needed community services or the environmental costs of more intense uses. Also, Michigan's Proposal A method of school funding may moderate the impacts on school districts somewhat. Although this study is somewhat generalized and cannot be applied without condition to every community, it is important for Planning Commissioners analyzing development patterns to be aware of these basic concepts.

Most communities should strive to balance the mix of residential and non-residential land uses to provide a more even flow of revenues and expenditures and to address quality of life issues. It is also important for communities to recognize that many retail land uses can demand a significant level of municipal services. Therefore, from a fiscal perspective, it is preferable that the non-residential tax base be comprised of land uses such as office parks, high-tech, and industrial developments. Of course, fiscal considerations do not serve as the sole catalyst behind development policies of municipalities.

As shown in Figure TAX-9, residential property, as a percent of the total CEV in Lenox Township, had a significant decline in 1998 and 1999 primarily due to assessment negotiations between Pine Tree Acres and the Township. However, by 2001 residential CEV was still less than 50% of total CEV.

Figure TAX-9  
**Residential CEV As A Percent Of Total CEV**  
 Source: 1997 – 2001 Equalization, Macomb County

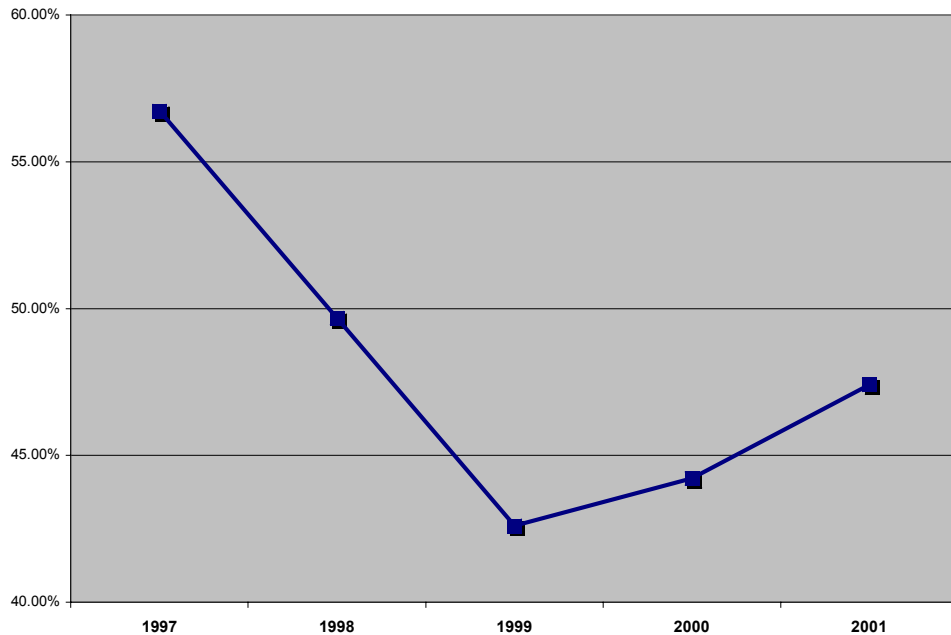
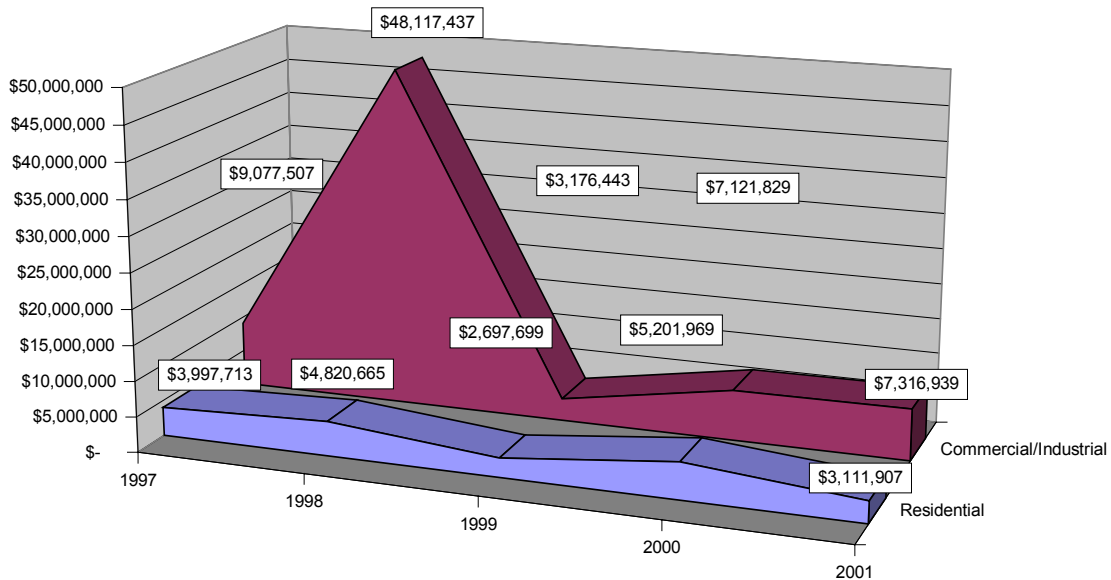


Figure TAX-10 shows Lenox Township’s CEV due to new construction over the past 5 years. As indicated in the chart, Lenox Township’s new non-residential growth has been increasing at a proportionate level compared to residential growth in the Township. The sharp spike in Commercial/Industrial value in 1998 identifies an assessment negotiation with Pine Tree Acres and does not reflect an accurate measure of new industrial growth in the Township. By 1999 the Commercial/Industrial valuation is at a more accurate measure of what is experienced by the Township. The tax base value of commercial and industrial growth is still outpacing residential value. In 1997 new construction value attributable to commercial/industrial growth was 69% of all new construction CEV and by 2001 that percentage was 70%.

Figure TAX-10  
**CEV Due to New Construction**  
 Source: 1997 – 2001 Equalization, Macomb County



Changes in a community's assessed values are due to two main factors. Those factors are changes in market values of existing properties, and value added to new construction. All communities, especially those experiencing rapid growth, need to frequently evaluate their development trends to assess the impact on the demand for services, municipal revenues and the overall quality of life.

In recent years, the number of newly constructed residential housing units has decreased slightly in comparison to the mid-1990's. SEMCOG notes that 21 new single family housing units were constructed in 2001, less than two per month. Based on this trend, if Lenox Township averaged 20 housing units annually, with an average CEV of about \$148,186<sup>3</sup>, \$365,847 of CEV in nonresidential construction per new housing unit (a total of \$7.3million in non-residential value) would be needed annually to maintain the current tax base composition of 30% single-family residential and 70% commercial/industrial. In 2001, \$7.3 million of non-residential CEV was added to the tax base.

If this trend continues, the current ratio of residential to non-residential is still likely to decrease, and the non-residential percentage of CEV will increase. It is important to note that of the \$4.4 million of non-residential CEV, 58% came from industrial and 42% came from commercial. Based on the cost-revenue hierarchy of land uses presented in the previous analysis, the high percentage of industrial development places less service burden on the Township and is more fiscally desirable than retail development. Unless the Township promotes non-residential development and discourages new home construction, the current trend will eventually reverse itself.

<sup>3</sup> The 2001 Lenox Township Residential CEV from new construction divided by 2001 new single family housing units.